

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
P. O. Box 11217 - Fdez. Juncos Sta.
Santurce, Puerto Rico 00910

Circular Letter No. T-5-422-68
May 6, 1968

TO ALL THE PROPERTY INSURANCE COMPANIES AUTHORIZED
IN PUERTO RICO AND THEIR GENERAL AGENTS OR MANAGERS

Gentlemen:

It has come to our attention that the existing fire insurance coverages of several business establishments in Puerto Rico are being cancelled by some insurance companies, which also refuse to renew the expiring policies. We have been also informed that the businessmen so affected are meeting serious difficulties to have their properties insured again.

The reason offered for this situation, we are told, is the bombing attacks which have occasionally occurred in our Commonwealth in the past three years, against businesses in Puerto Rico.

If such is the real reason for this action at this time, we are surprised indeed for, as you undoubtedly know, our Government is trying by all means to cope with the situation and there is no reason to believe that the terrorist fire bombings of commercial establishments will be extended.

The only reasonable explanation to us, in the absence of more information, is the possibility that you might be incorrectly associating the situation in Puerto Rico with the riots and civil disorders which took place last summer in some States of the Union.

I can assure you that there have been no riots or civil strife in Puerto Rico of the kind that has brought about so much destruction and heavy losses to residential and business areas in the United States. Fires have been set indeed to several commercial buildings here, but it would be most unfortunate for all interests concerned to exaggerate our situation or to compare it with the racial disorders in the States.

On the positive side, as far as Puerto Rico is concerned, we can mention the following:

1. The local authorities, such as the Police and Fire Departments, are working diligently to capture those responsible for the bombings and it is generally expected that the situation may soon be controlled.
2. The security measures in mercantile buildings have been increased with the hiring of additional private guards, night watchmen and the acquisition of more and better alarm equipment. The Police

Department is also offering special protection to these properties.

However, most important of all is the interest that the businessmen themselves are taking to create a united front to tackle the situation. Just last Friday, May 3rd, the San Juan Star announced that, at a meeting of businessmen and police and fire officials held the day before at the Chamber of Commerce offices in San Juan, a committee to coordinate the efforts of private businesses in the general effort had been organized to combat the bombings.

3. Private citizens are also beginning to participate in this united front and to stimulate their cooperation a reward fund of \$100,000 is being raised to excite public interest in turning up suspects. The Better Business Bureau will raise its contribution to this fund from \$12,000 to \$25,000 and the remaining \$75,000 shall be contributed by different commercial establishments.

4. The fire insurance rates for mercantile buildings were considerably raised on July 28, 1967 taking into consideration the adverse experience as a result of the fires which had occurred two years before.

5. As to riot and civil strife, the U. S. Congress has under consideration a bill, No. S-3023, proposed by the National Advisory Panel on Insurance in Riot-Affected Areas, which would establish a National Insurance Development Corporation to provide reinsurance facilities for these risks. This Act, which has been unanimously supported by the insurance industry, shall probably extend to the Commonwealth of Puerto Rico any measure taken by the Federal Government, if necessary.

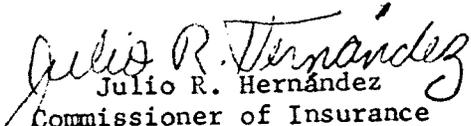
Under these circumstances, you are hereby requested:

1. To hold intact and undisturbed your underwriting commitments and to stop the mass cancellation of existing policies and refusal to renew expiring business until we may have the opportunity of reviewing together the whole situation and a definite program may be developed. Until such program is achieved, the participation in this kind of business by all of our authorized companies is necessary.

2. To offer your comments within the next (30) days including any suggestions you may have to solve the problem, if really there is a problem.

You may be assured of the cooperation of our Office to work out a concrete and fair solution to any problem you may have and toward that end we are counting on your own cooperation and understanding.

Cordially yours,


Julio R. Hernández
Commissioner of Insurance

P. S. Please acknowledge receipt of this communication