

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
P. O. Box 3508 - Old San Juan Station
San Juan, Puerto Rico 00904

Circular Letter No. AM-III-3-770-79
April 18, 1979

TO ALL INSURERS AUTHORIZED TO TRANSACT FIRE AND
ALLIED LINES INSURANCE IN PUERTO RICO

Subject: Guidelines to be followed by all
insurers in connection with
Property Schedule Rating Plans
already approved or those that
may be submitted for approval
in the future, either for
monoline or package policies

Gentlemen:

On January 23, 1979, this Office held a hearing with the purpose of receiving the objections of insurers to the guidelines proposed in our Circular Letter No. AM-I-12-752-78 of December 18, 1978, on the subject of property schedule rating plans already approved either for monoline or package policies. This hearing was held in order to comply with section 12.120 of the Insurance Code of Puerto Rico.

After giving consideration to the position adopted by insurers who attended the aforementioned hearing, this Office is hereby notifying all property insurers that such guidelines, as amended, are hereby adopted by the Office of the Commissioner of Insurance. The guide for earthquake insurance will be adopted, until such time as a total evaluation of the earthquake insurance business is made by this Office. The guidelines adopted by this Office are the following:

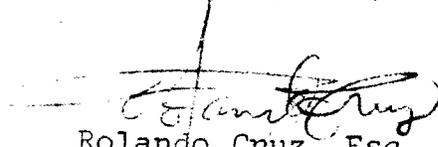
1. Property Schedule Rating Plans shall not provide for the granting of a total maximum debit or credit in excess of 25%, except that for the earthquake peril, such credit or debit shall not exceed 40%.
2. The maximum credit or debit shall only be granted taking in consideration the risk characteristics affecting the probable maximum loss potentialities of the risk. A worksheet forming part of the policy must list each characteristic and the amount of credit or debit granted.

All property schedule rating plans and deviations rating plans for use with monoline or package policies on file which do not comply with these guidelines will be disapproved, except the Rating Plan for Highly Protected Risks, the Petroleum Properties Schedule or Petrochemical Plants Schedule, Schedule for Rating Electric Generating Stations and deposit premiums policies rating plans.

The provisions of this circular letter shall become effective on June 21, 1979.

This Office will issue an order of subsequent disapproval in accordance with section 12.120 of the Insurance Code to all insurers having approved filings not in compliance with these guidelines. Said order will become effective on June 21, 1979, in order to grant insurers sufficient time to submit the amended filing.

Cordially yours,


Rolando Cruz, Esq.
Commissioner of Insurance