



COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

Circular letter No. AV-I-12-828-80
January 7, 1981

TO ALL LIFE INSURANCE COMPANIES AUTHORIZED TO
TRANSACTION BUSINESS IN PUERTO RICO

Re: Credit Life Insurance and
Credit Disability Insurance

Dear Sirs:

We have recently received requests from insurers authorized to issue Credit Life Insurance in Puerto Rico, inquiring whether or not it would be permissible to include in the amount insured under credit life and/or disability group policies issued to automobile dealers, the vendor's single interest premiums.

Section 27.160(5) of the Insurance Code of Puerto Rico clearly establishes that "no person shall wilfully collect a premium for insurance against non-existent hazards or risks in Puerto Rico."

In view of the above, and considering that the insurer issuing a credit life contract will not be at risk for any loss on the single interest premium, since the insurer who issues the single interest policy will have to return to the insured the unearned portion of the premium at the time of loss, it is our opinion that the single interest premium should and must not be included in the amount insured under credit life and/or disability insurance contracts.

Strict compliance with the above is hereby required.

Cordially yours,


Rolando Cruz, Esq.
Commissioner of Insurance