



COMMONWEALTH OF PUERTO RICO

## OFFICE OF THE COMMISSIONER OF INSURANCE

August 27, 1982

CIRCULAR LETTER NO. AM-I-8-887-82

TO ALL INSURERS AUTHORIZED TO TRANSACT PROPERTY AND  
CASUALTY INSURANCE BUSINESS AND TO ALL RATING  
ORGANIZATIONS AUTHORIZED TO MAKE PROPERTY AND CASUALTY  
RATES AND FORMS FILINGS IN PUERTO RICO

Subject: Issuance of policies not  
covering all units in a  
residential multiple unit  
building

Dear Sirs:

We have been informed that some insurers maintain in force package or monoline policies not insuring all the units of a condominium, either because some unit occupants do not want to pay their share of the total premium, or a unit owner does not want to insure his unit within the policy covering the rest of the building. Whatever the reasons may be, the insurer is providing coverage to the remaining units or to a single unit in violation of approved filings, since manual rules do not provide for the rating of portions of a building other than fire divisions or the building as such.

In order to bring all such policies in compliance with the Insurance Code of Puerto Rico we hereby require that the appropriate filings be made in this Office as outlined herein not later than ninety (90) days after the date of this circular letter.

Manual rules applicable to condominiums and townhouses must be filed and approved by the Commissioner establishing a portion of such buildings as eligible for separate rating

when such portion does not qualify as a fire division, as defined in chapter III of the Fire Insurance Rule Book filed by the Insurance Services Office. To this effect a new rate unit, in addition to a building and a fire division, must be created. Also, an endorsement must be filed which suspends all penalties for coinsurance deficiencies when the policy does not insure all units of the building or fire division.

Insurers wishing to maintain in force policies insuring portions of a condominium or a townhouse must proceed as follows in order to comply with the requirements of this circular letter.

1. File an endorsement which suspends all penalties for coinsurance deficiencies on the remaining units.
2. File manual rules establishing separate rating including coinsurance rules for a portion of the building not qualifying as a fire division.
3. A policy insuring a group of units or a single unit must provide for contribution in case of a loss in common areas servicing the unit in the same way as if the group of units or unit were insured in a single policy covering the entire building. The corresponding endorsements and/or clarifications of policy provisions must be filed accordingly.

The endorsements as well as the rules may be filed by individual insurers or by the rating organization on behalf of members and subscribers. The rules to be filed may be as an amendment to the applicable provisions of the Fire Insurance Rule Book and the Commercial Lines Manual.

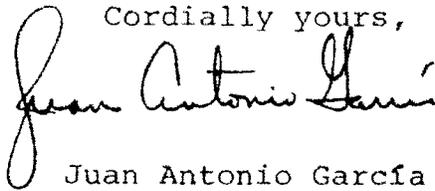
This Office will not permit coinsurance percentage lower than 100% applicable to portions of a condominium or a townhouse not qualifying as a fire division. The rates for such portions shall be the same as the rates of the building or the fire division to which they belong and the premium for a unit shall be equal to the premium that such unit would pay if insured under the condominium policy when rated using rules and rates approved to the company.

As mentioned above, the aforementioned filings must have the prior approval of the Commissioner in order that policies

not covering all units of a condominium or townhouse may remain in force in compliance with the Insurance Code of Puerto Rico. This circular letter complements Circular Letter No. AM-I-9-821-80 of September 30, 1980.

Strict compliance with the provisions of this circular letter is hereby required.

Cordially yours,

A handwritten signature in cursive script that reads "Juan Antonio García". The signature is written in dark ink and is positioned above the typed name and title.

Juan Antonio García  
Commissioner of Insurance