



COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

January 14, 1987

Circular Letter No. AE-II-12-1071-86

TO ALL INSURERS AUTHORIZED TO TRANSACT PROPERTY AND CASUALTY
INSURANCE BUSINESS IN PUERTO RICO AND TO ALL DEPENDENCIES,
ENTITIES, CORPORATIONS, AUTHORITIES AND MUNICIPALITIES
OF THE COMMONWEALTH OF PUERTO RICO AUTHORIZED BY THE
GOVERNOR OF PUERTO RICO TO DIRECTLY PROCURE
AND PLACE INSURANCE

Subject: Information regarding insurance covering the risks of the Commonwealth of Puerto Rico, its dependencies, entities, corporations, authorities and municipalities

Dear Sirs:

Our attention has been called to the fact that some government authorities or corporations are having difficulties in obtaining from their insurers, the information stipulated in sections 4.130 and 12.020(3) of the Insurance Code of Puerto Rico.

To this effect we call your attention to the provisions of said sections of the law which establish the following:

Section 4.130

"The original insured or policyholder or any person other than the ceding insurer, who enters a claim by virtue of any insured or policyholder's insurance, shall not have any direct right of action against the insurer which is not specifically set forth in the reinsurance contract, or in a specific agreement between the reinsurer and such original insured or policyholder.

Upon the request of the insured, any insurer who cedes for reinsurance all, or any part of a risk, shall be obliged to furnish him with the following information:

1. The reinsurer's name and address.
2. The total amount of the reinsured portion.
3. The risks covered by the reinsurance agreement or contract.

The secretary of the Treasury and the heads of those public authorities and corporations who have obtained the authorization to procure and contract their insurance directly, pursuant to subsection (3) of section 12.020 of this code, shall have the obligation of procuring and obtaining the information described above from their insurers. In cases of reinsurance, the Secretary, or the head of those public authorities or corporations duly authorized pursuant to the above, shall be obliged to comply with the provisions of Article 4.130 of this Code."

Section 12.020(3)

"Insurance covering the risks of the Commonwealth of Puerto Rico, its dependencies, entities, corporations, authorities and municipalities. Regarding this insurance, the Commissioner shall issue rules and regulations establishing the conditions and obligations which will best protect the public interest and likewise guarantee fair and reasonable treatment to the insurer, among which a rule shall be included so that any insurer or general agent who covers the Commonwealth's risks shall be obliged to submit, within the ninety (90) days following the end of the calendar year, a detailed list of the losses paid and claims pending against the insurance policy or policies contracted. By means of these rules and regulations, the Commissioner may authorize the quotation of premiums that differ from those fixed by the Rates Manual, whenever he deems it is necessary or convenient.

Except where otherwise provided by law, the Secretary of the Treasury shall procure and contract insurance for the Commonwealth and its municipalities. He shall also procure and contract insurance for the public corporations and authorities of the Commonwealth, but the Governor may allow all, or any of said public corporations and authorities to procure and contract any insurance directly, in cases where special

circumstances may require it, upon the recommendation to such effects by the Commissioner, after said official has examined all the grounds furnished to justify such request, in detail, and the criteria and formalities that have prevailed in similar situations in the past. The contracting of the insurance mentioned above shall be put up for public bidding, except in those cases in which it is determined that the public bidding method is not the most appropriate for the best protection of the public interest.

The head of the corporation or authority who has obtained an authorization from the Governor to procure and contract for its insurance directly shall be obliged to provide and inform the following data to the Commissioner and the Secretary of the Treasury, immediately, with regard to each insurance policy that is in effect, or that is contracted as of the effective date of this act:

- (a) Name and address of the insurer and name and address of the person designated in the policy to accept judicial summons and legal documents.
- (b) Number of the policy issued.
- (c) Date of issue and effectiveness of the policy.
- (d) Nature and amount of the liability assumed by the insurer.
- (e) Rate of premium charged.
- (f) Total amount of premium.
- (g) Method used in the selection of the insurer.
- (h) Date of the report.
- (i) Any other information that might be required by the Commissioner.

The Commissioner shall prescribe and furnish the corresponding forms for this report.

The repeated and unjustified failure to comply with the obligation to render the report required herein from the corporations and authorities shall cause the Governor of Puerto Rico, by request of the Commissioner,

or on his own initiative, to revoke the authorization granted by virtue of this paragraph.

In reinsurance cases, the Secretary or the head of those corporations and authorities authorized to procure their insurance directly, pursuant to this paragraph, shall be compelled to procure and obtain the information listed in Section 4.130 of this code.

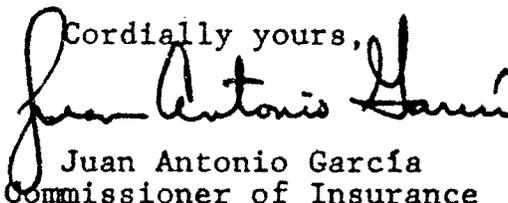
The Secretary of the Treasury shall pay the premiums on this insurance from the general fund of the Commonwealth of Puerto Rico. The corporations, authorities and municipalities shall reimburse the amounts corresponding to the premiums for their insurance to the general fund of the Commonwealth of Puerto Rico. In the case of the municipalities, the Secretary of the Treasury shall withhold the amount of their premiums from the property taxes collected for each municipality.

The personnel needed by the Secretary of the Treasury for the administration of this provision shall not be subject to the Personnel Act, sections 1301-1431 of Title 3."

Thus, we are hereby requiring the affected insurers to provide to the different government entities, authorities or corporations the information referred to above, in order that said authorities or corporations may comply with the provisions of section 12.020(3), supra.

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

Cordially yours,

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

Juan Antonio Garcia
Commissioner of Insurance