



COMMONWEALTH OF PUERTO RICO

## OFFICE OF THE COMMISSIONER OF INSURANCE

Circular Letter No. Q-I-5-1088-87  
(English translation)

October 21, 1987

TO ALL INSURERS, GENERAL AGENTS AND BROKERS IN PUERTO RICO,  
AUTHORIZED TO OPERATE IN THE INSURANCE FIELD

Re: Undue restrictions in the  
placement of business by  
insurance brokers

Dear Sirs:

Our investigations have revealed a common practice among some insurers and general agents, consisting in imposing certain minimum requirements regarding the volume of business transactions that insurance brokers should place with either the insurer or the general agent, in order that the latter continue accepting new insurance applications submitted by the insurance brokers. This practice includes the refusal to accept business from brokers who do not meet the minimum requirements imposed.

Regarding such practice we should point out that the Insurance Code of Puerto Rico has defined the insurance broker as a natural or artificial person acting independently from the insurer or the agent. To that effect, section 9.020 of the Insurance Code of Puerto Rico, 26 LPR sec. 902, stipulates that a broker is

"... an individual, firm or corporation who for compensation as an independent contractor, in any manner solicits, negotiates, or procures insurance or the renewal or continuance thereof, on behalf of insureds or prospective insured other than himself, and not on behalf of an insurer or agent."

In conclusion, to require from the brokers a significant volume or an increase in production regarding the policies to be placed with certain insurers or general agents, is the same as to say that the former must place a major share of their business with the latter. This requirement, if complied with by the brokers, will tend to eliminate the independence which the broker

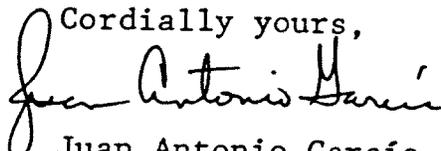
should have, thus creating a restraint of the insurance business which is contrary to the law.

Considering that section 27.030 of the Insurance Code of Puerto Rico, 26 LPRA sec. 2703, stipulates that "no person shall enter into any agreement to commit, or by any concerted action commit, any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance," we consider that the above mentioned practice constitutes a violation to the aforementioned section of the law, which subjects the infractor to severe penalties.

In addition, we must indicate that to offer or grant the insurance broker any economical benefit, tangible or intangible, or of any other nature, other than the payment of earned commissions, also constitutes a violation of the Insurance Code of Puerto Rico.

In view of the above, in accordance with this circular letter, all insurers, general agents and agents, authorized by this Office to transact insurance business in Puerto Rico, are required to abstain from carrying out the practices herein indicated. Noncompliance with the directive herein given, will subject insurers, general agents and agents to the severe sanctions provided by law.

Cordially yours,



Juan Antonio García  
Commissioner of Insurance