



COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

June 1, 1987

Circular Letter No. AM-I-5-1089-87

**TO ALL RATING ORGANIZATIONS, INSURERS, GENERAL AGENTS
AND MANAGERS AUTHORIZED TO TRANSACT PROPERTY AND/OR
CASUALTY INSURANCE IN PUERTO RICO**

Subject: Amendment to Circular
Letter AM-I-12-1029-85
of January 28, 1986

Dear Sirs:

Circular Letter No. AM-I-12-1029-85 of January 28, 1986, implemented the provisions of Section 8(e) of Rule XL of the Regulations of the Insurance Code of Puerto Rico outlining therein a gradual elimination of the schedule rating plans or manual rules applicable to the perils of windstorm and earthquake on an individual basis, or in combination with other perils.

As you are all well aware, the insurance industry is about to implement, beginning on January 1, 1988, major rules, rates and forms revisions in the most important lines of commercial insurances. The most affected lines by the impact of rates increases will be the commercial multiple line policies, since monoline rates are used to develop the premiums of the coverages contained in these policies.

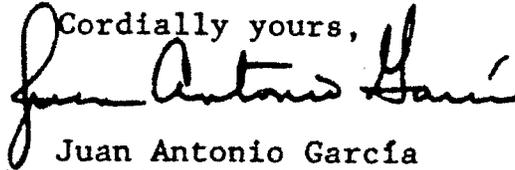
Since the overall loss and expense ratio of the property and casualty insurance business in 1986 shows a considerable improvement when compared with the 1985 results, and since we have no way to anticipate the impact of rate increases over individual policies, this Office considers that the gradual elimination of schedule discounts should be allocated within a longer period of time than the one originally considered in the mentioned circular letter.

In view of the above the gradual elimination of the maximum credit to be granted on windstorm and earthquake insurance is amended as follows:

<u>Period beginning on</u>	<u>Maximum Credit</u>
January 1, 1988	20%
January 1, 1989	15%
January 1, 1990	10%
January 1, 1991	5%
January 1, 1992 and thereafter	No credit

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

Cordially yours,



Juan Antonio García
Commissioner of Insurance