



Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE

CIRCULAR LETTER NO.: AM-V-1468-97

July 24, 1998

**TO ALL INSURERS AUTHORIZED TO TRANSACT PROPERTY
AND CASUALTY INSURANCE BUSINESS IN PUERTO RICO**

Re: Rule Deviations

Dear Sirs:

Prior to the approval of Act No. 89 of June 4, 1983, hereinafter referred to as "the Act", which amended Section 12.140 of the Insurance Code of Puerto Rico, 26 L.P.R.A. sec. 1214, individual insurers were able to file with the Office of the Commissioner deviations of property insurance class rates, schedule rating plans or rules that the corresponding rating organization had submitted on their behalf. Such deviations were no longer permitted after the approval of said Act.

Pursuant to the approval of the Act, this Office issued Circular Letter AM-I-II-942-83 dated November 25, 1983, which established that deviations of rules and rating plans approved by this Office after the effective date of the Act, i.e. June 4, 1983, would be only permitted to be used until December 31, 1983. Deviations approved before the effective date of the Act were not affected and could stay in force, unless the concerned insurer requested a withdrawal.

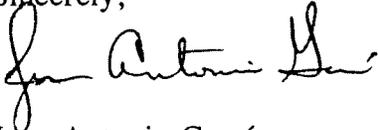
Circular Letter AM-III-2-986-85 of April 1, 1985, further clarified the effects of the Act by establishing that beginning January 1, 1984, premium deviations were the only deviations to be considered for approval by this Office. However, in order to avoid unfair competition among insurers, this Office established that we would consider for approval deviations submissions identical to any deviation approved before the effective date of the Act. This concession applied to insurers, whether authorized or not before the effective date of the Act, which had not submitted ever any such deviations. The intention of such exceptional directive was to avoid converting the legislative mandate of the Act, in a tool of unfair competition which would adversely affect the latter insurers, a result which was clearly not within the intent of the Act.

Notwithstanding the foregoing, this Office has received requests from several insurers, which were authorized in Puerto Rico prior to the approval of the Act, to approve rule and rating plan deviations identical to those approved to them or to other insurers before the effective date of the Act. Most requests come from insurers who, once the Act was in force, and knowing the prohibition thereby introduced, took the irrevocable decision to withdraw deviations previously approved to them. This is clearly a different situation from that of insurers who never had the opportunity to submit any such deviation and for whom the above described exception was established.

It is our intention to clarify that we will not be considering for approval petitions of rule and rating plan deviations submitted by any insurer which has previously withdrawn such rule and rating plan deviations, regardless of the reason of the withdrawal. Consistent with the criteria established in the third paragraph of this Circular Letter, we will only be considering petitions for rule and rating plan deviations identical to those approved before the enactment of the Act, from those insurers which never had the requested deviation approved by this Office to them before the date of such petition.

Strict compliance with the aforesaid directive is hereby required.

Sincerely,

A handwritten signature in black ink, appearing to read "Juan Antonio García". The signature is fluid and cursive, with the first name "Juan" being particularly prominent.

Juan Antonio García
Commissioner of Insurance

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