ESTADO LIBRE ASOCIADO DE PUERTO RICO

**OFICINA DEL COMISIONADO DE SEGUROS**

6 de abril de 1988

A TODOS LOS ASEGURADORES DEL PAIS, AGENTES GENERALES Y GERENTES DE ASEGURADORES EXTRANJEROS, CORREDORES Y AGENTES AUTORIZADOS A GESTIONAR NEGOCIOS DE SEGURO DE AUTOMOVIL EN PUERTO RICO

FE DE ERRATA
CARTA NORMATIVA N-CA-11-09-87

Se enmienda la versión en español de esta carta normativa como sigue:

1. En el "asunto" de dicha carta, donde dice "Endoso CA 26 03 (Ed 12-88)" debe decir "Endoso CA 26 03 (Ed 12-85).

2. En la página 3, línea número 13 de dicha carta, donde dice "doble interés" debe decir "interés simple".

Las anteriores correcciones ya han sido introducidas en la versión en inglés de la carta normativa.

Juan Antonio García
Comisionado de Seguros

Apartado 8330 — Estación Fdez. Juncos — Santurce, Puerto Rico 00910 - 8330

COMMONWEALTH OF PUERTO RICO

# OFFICE OF THE COMMISSIONER OF INSURANCE

April 6, 1988

Ruling No. N-CA-11-09-87
(English Translation)

TO ALL INSURERS AUTHORIZED TO TRANSACT
AUTOMOBILE INSURANCE BUSINESS IN PUERTO RICO

Re: Endorsement CA 26 03 (Ed. 12-85) Amendment of Single Interest Coverage Puerto Rico

Dear Sirs:

Effective January 1, 1987, this Office approved the captioned endorsement, submitted by the Insurance Services Office, Inc. on behalf of its members and subscribers.

Among other things, said endorsement stipulates the conditions under which a single interest coverage can be cancelled when a retail purchaser has obtained other insurance covering the interest of the financial institution. The actual wording of the endorsement is the following:

"It is agreed that:

1. When other valid and collectible insurance has been purchased by the retail purchaser which protects the named insured's interest in the automobile to which such other insurance applies, such coverages as are afforded by the policy shall be cancelled in accordance with the following:

(a) If

P.O. Box 8330 — Fernández Juncos Station — Santurce, Puerto Rico 00910 - 8330

(i) the policy or series of policies providing such other insurance has been amended to cover the named insured's interest in the automobile to which such other insurance applies for the remaining period of the finance contract and the retail purchaser or an authorized representative of the retail purchaser has directly or through the insurer writing such other insurance, or such insurer's authorized representative, notified the named insured and the company, in writing, of the existence of such other insurance not later than 30 days after the effective date of such policy, including any renewal thereof, or

(ii) loss has occurred and the company writing such other insurance has satisfied the named insured's interest in the automobile represented by the outstanding balance,

such coverages as are afforded by the policy shall be cancelled on the effective date of such other insurance.

(b) If the policy or series of policies providing such other insurance has been amended to cover the named insured's interest in the automobile to which such other insurance applies for the remaining period of the finance contract and the retail purchaser or an authorized representative of the retail purchaser has directly or through the insurer writing such other insurance, or such insurer's authorized representative, notified the named insured and the company, in writing, of the existence of such other insurance more than 30 days after the effective date of such policy, or any renewal thereof, such coverages as are afforded by the policy shall be cancelled on the date specified by the named insured but not earlier than the date written notification of the existence of such policy, or the first in a series of policies, is received by the company.

2. When coverage under this policy has been cancelled as provided in paragraph 1 of this endorsement, a return premium, calculated pro rata as of the effective date of cancellation in accordance with the Special Single Interest Short Rate Pro Rata Cancellation Table, shall be made.

3. This endorsement shall not apply to any coverage afforded by this policy which is not afforded by such other insurance.

4. The definition of outstanding balance in section IV, Definitions, is hereby replaced by the following:

> 'Outstanding balance' means the retail purchaser's balance due under the finance contract at the time of loss but shall not include amounts which represent any of the following:
>
> (a) installments which are more than 90 days past due under the finance contract on the date of loss,
>
> (b) interest, insurance, finance or carrying charges computed pro rata as of the date of loss, and
>
> (c) penalties or other charges which may have been added to balance due after the date of the inception of the finance contract."

Since previous endorsements only required notification to the financial institution or to the single interest insurer in order for this special cancellation provision to operate, insurance brokers and double interest insurers and/or their representatives are hereby advised that the new endorsement requires notification to both the financial institution and the single interest insurer not later than 30 days after the effective date of the double interest policy.

Non-compliance with the above requirement would obviously harm the right of the insured granted by section 12.040(1)(b) of the Insurance Code of Puerto Rico to obtain rates which are not excessive, inadequate or unfairly discriminatory.

This Office considers unfair for a retail purchaser to be required to maintain two different policies protecting simultaneously the insurable interest of a financial institution and at the same time depriving said retail purchaser from recovering the single interest premium due to his/her inadvertent non-compliance with the aforementioned requirements. This is so, among other things, because we understand that such situation is detrimental to the right granted to said purchaser by section 27.160(7) of the Insurance Code of Puerto Rico to solicit the cancellation of an existing policy due to the existence of a new acceptable policy.

In order to avoid the aforesaid situations, it is hereby required that every insurance broker placing a double interest policy in Puerto Rico notify the existence of such policy in the way required by endorsement CA 26 03 (ed. 12-85) in order to secure for the retail purchaser the earliest cancellation date permissible thereunder. Reasonable evidence of compliance with this requirement shall be maintained by the insurance broker for inspection by the Commissioner.

If any double interest policy is obtained in Puerto Rico without the intervention of an insurance broker then the foregoing requirement shall apply to the double interest insurer or to its general agent or manager through which the double interest policy was placed. Such insurer, general agent or manager shall maintain reasonable evidence of compliance with this requirement for our future inspection.

Non-compliance with this ruling shall be deemed, among other things, as a violation of an order issued by the Commissioner of Insurance and will be subject to the sanctions stipulated by sections 3.210, 3.211, 9.460 and 9.480 of the Insurance Code of Puerto Rico.

Cordially yours,

Juan Antonio García
Commissioner of Insurance