



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

December 21, 2001

RULING LETTER NO. N-AM-11-10-2001

TO ALL INSURERS AUTHORIZED TO UNDERWRITE ALL KINDS OF INSURANCE IN PUERTO RICO, EXCEPT LIFE AND DISABILITY INSURANCE, AND TO ALL MANAGERS, GENERAL AGENTS, AGENTS, AND INSURANCE BROKERS

RE: Suspension of Rate Filing Requirements for Certain Classes, Subdivisions or Combinations of Insurance, Pursuant to Section 12.080 of the Puerto Rico Insurance Code

Dear Sirs and Madams:

According to the provisions of Section 12.080 of the Puerto Rico Insurance Code, as amended, and with a view to fostering the economic activity of the insurance industry in Puerto Rico and to streamline the administrative procedures of this Office, we have decided to suspend the rate-filing requirements as provided in Sections 12.050 and 12.060 of the Puerto Rico Insurance Code, 26 P.R.L.A. secs. 1205 and 1206, for certain classes, subdivisions or combinations of insurance.

Section 12.080 of the Puerto Rico Insurance Code, as amended by Public Law No. 382, enacted on September 6, 2000, provides as follow:

"The Commissioner may suspend or modify the filing requirements either according to the rules and regulations he/she adopts, or by order, with regard to any type of insurance, subdivision or combination thereof, or with regard to the types of risk for which the rates cannot be practicably filed before they are used, or regarding the types of insurance for which a federal statute does not require

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such filing. Said orders, rules or regulations shall be made known to the insurers and organizations affected. The Commissioner may carry out any investigations he/she deems convenient to determine whether the rates affected by said order meet the requirements of § 1204(1)(b) [and] (c) of this title.”

This decision is the result of an initiative of the National Association of Insurance Commissioners joined to by other jurisdictions of the United States and having as its principal purpose modernizing the regulations of the insurance industry and streamlining administrative procedures by creating uniform procedures for evaluating and approving forms and rates.

As part of this initiative and to stimulate healthy competition in the insurance industry that will benefit consumers, as of **January 1, 2002**, this Office is suspending the rate-filing requirements for the following classes, subdivisions or combinations of insurance:

1. Commercial vehicle insurance, except for single interest for physical damage to the vehicle;
2. Commercial machinery and boiler insurance;
3. Commercial burglary insurance;
4. Warranty insurance, except consumer credit insurance, as defined in Chapter 18 of the Code, and reimbursement insurance policies;
5. Property insurance for commercial risks, except for insurance for condominiums;
6. General commercial liability insurance, including excess or umbrella policies, and professional liability insurance, except medical and hospital liability insurance as defined in Chapter 41 of the Code;
7. Employers liability insurance;
8. Land and marine cargo risk insurance, as defined in Rule 27 of the Regulations of the Code, except insurance against personal risk;
9. Glass insurance.

While the suspension of the rate-filing requirements for any of the classes, subdivisions or combinations of insurance described herein is in effect, the following will be complied with:

1. The insurer will not provide any quote for the classes, subdivisions or combinations of insurance to which this letter applies, except through a party holding a license that has been duly issued by this Office.
2. The insurer will not provide any quote that establishes unfair differentiation between risks that involve essentially the same hazards, regardless of whether the person involved in the insurance transaction was a general agent, a broker or an insurance agent.
3. The quote provided by the insurer will include an itemized distribution of the premium dollar, i.e. not net quotations.
4. The insurer will state the commission to be paid to the agents and insurance brokers separately from the compensation established for general agents for their services. The insurer will notify the general agents of the commission to be paid to the agents and insurance brokers.
5. The insurer will not pay, directly or through an affiliated general agent, any commission to an agent or broker other than that agreed on with the unaffiliated general agent as a commission for the broker agent, nor will the general agent by the agent or broker any commission other than that agreed on by the general agent with the insurer

The provisions of this Ruling Letter will be applicable only to new policies and renewals that are in effect on or after **January 1, 2002**, the date when the suspension of the rate-filing requirements enters into effect. We consider it to be an undefined unfair practice, under Section 27.180 of the Puerto Rico Insurance Code, *supra*, for an insurer to cancel any policy that may be currently in effect to take advantage of the benefits of the suspension of the rate-filing requirements for the aforementioned classes, subdivisions or combinations of insurance.

The suspension of the rate-filing requirements authorized in this Ruling Letter for the classes, subdivisions or combinations of insurance described herein, will be in effect until **December 31, 2003**. Nevertheless, the Commissioner may at any time and through an Order to that effect, reinstate the filing requirements for any of the aforementioned classes, subdivisions or combinations of insurance, if the

Commissioner considers that the suspension provided in this Ruling Letter is detrimental to the public interest.

We advise you that the suspension of the rate-filing requirements provided in this Ruling Letter does not exempt you from complying with the provisions of Sections 12.150, 27.080, 27.090 and 27.100 of the Code, regarding the requirements for statistical reports, and the prohibition of unfair differentiation and illegal discounts and incentives, respectively. Likewise, it is clearly set forth that the provisions of this Ruling Letter are only applicable to rates, and not to forms or rules.

You are further advised, that under the powers conferred by the Insurance Code, including the provisions of the aforementioned Section 12.080, this Office may carry out any investigation it may deem necessary for the enforcement of current regulations and obtain any information that may be useful for the legal enforcement of any of the provisions of the Puerto Rico Insurance Code.

All insurers, managers, and general agents, as mentioned above, are hereby ordered to notify their agents regarding the content of this Ruling Letter.

Strict compliance with the provisions of this Ruling Letter is hereby ordered. Licensees who fail to comply with the obligations set forth in this Ruling Letter will be subject to the sanctions provided by law.

Very truly yours,

SIGNED

Fermín M. Contreras-Gómez
Commissioner of Insurance