



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

December 21, 2005

RULING LETTER NO.: N-AM-12-70-2005

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

**EFFECT OF THE PROVISIONS OF RULING LETTER N-AM-11-10-2001 AND N-AM-5-37-2003 ON THE SUSPENSION OF RATE FILING REQUIREMENTS FOR CERTAIN CLASSES, SUBDIVISIONS OR COMBINATIONS OF INSURANCE, INCLUDING INSURANCE FOR COMMERCIAL PROPERTY FOR OCEANFRONT CONDOMINIUMS, PURSUANT TO SECTION 12.080 OF THE PUERTO RICO INSURANCE CODE**

Dear Sirs and Madams:

On December 21, 2001, the Office of the Commissioner of Insurance of Puerto Rico ("OCI") issued Ruling Letter N-AM-11-10-2001, suspending rate filing requirements for certain classes, subdivisions or combinations of insurance listed therein. Subsequently, on May 30, 2003, Ruling Letter N-AM-5-37-2003 was issued for the purpose of amending the aforementioned Ruling Letter to include property insurance for oceanfront condominiums as one of the subdivisions for which the rate filing requirements for the class were to be suspended. The effective dates of the provisions of both Ruling Letters originally expired on December 31, 2003. However, through Circular Letter C-AM-10-1699-2003 dated October 29, 2003 and Circular Letter CN-AM-12-53-2004 dated December 15, 2004, the effective term of said Ruling Letters was extended for an additional year, i.e. until December 31, 2004 and December 31, 2005, respectively.

With a view to gathering the additional data needed to evaluate the impact the suspension of the rate filing requirements has had on the insurance market and consumers, and in order to make an informed decision regarding the desirability of continuing to suspend the rate filing requirements for such classes, subdivisions or combinations of insurance, we are hereby extending the effective dates of said Ruling Letters to **December 31, 2006**. Notwithstanding the above, we advise you that the OIC may at any time reinstate the rate filing requirements for these classes of insurance, if said evaluation showed that said suspension is detrimental to public interest.

We reiterate that the suspension of the rate filing requirements for Commercial Property Insurance for Oceanfront Condominiums is limited to the condominiums defined in Ruling Letter N-AM-5-37-2003 as oceanfront condominiums, in other words, those that are located at no more than 1,000 feet from the seaside. In order to verify the rates of the property insurance for oceanfront condominiums and the statistics compiled to those effects, the rate limit of 1.75 for these types of insurance shall be the percentage applied. Therefore, no increase of more than 170% of the manual premium for Group I, Group II, Special Risks and Earthquakes may be applied to coverage for this type of structure. Insurers who use such a rate to calculate premiums for condominiums that do not qualify as "oceanfront condominiums", as defined in the above Ruling Letter, will be subject to severe sanctions.

All of the provisions in the aforementioned Ruling Letters remain in full force and effect, except as regarding their effective dates. We remind you that the provisions of these Ruling Letters only exempt you from the rate filing requirement, not from manual rules or insurance forms. Therefore, you are required to comply strictly with all the remaining provisions of the Puerto Rico Insurance Code, especially with Sections 12.150, 12.320, 27.080, 27.090, and 27.100 of the Code, regarding the requirements for statistical reports, submission of policies for audit by the rating organization, and the prohibition of unfair differentiation and illegal discounts and incentives, respectively.

Very truly yours,

SIGNED

Dorelisse Juarbe-Jiménez  
Commissioner of Insurance