



GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

March 3, 2010

RULING LETTER NO.: 2010-108-AP

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

2009 Personal Auto Rate Revision

Dear Sirs and Madams:

The Insurance Services Office, Inc. ("ISO") does not provide final rates for any line of insurance. ISO only provides to its participating insurers advisory loss costs. In Puerto Rico, however, Section 12.040 of the Insurance Code of Puerto Rico (the Code) requires that all rate filings submitted to this Office include, not only the loss cost portion, but also the portion that will be destined to profits and other expenses.

ISO has submitted for our consideration the *2009 Personal Auto Informational Loss Cost Review* (Personal Auto Loss Cost Level Review), an informational document which proposes an overall lost cost level change from the loss cost portion of the current ISO manual rates for Personal Auto Insurance. After analyzing the submitted experience review, we have no objection to the indications proposed by such document.

Recognizing that one of the obligations of this Office is to observe that insurance rate levels are adequate and in the absence of a formal final rate submission from ISO on behalf of all its participating insurers, this Office has decided to establish the profit and expense component which could be used in order to develop final rates using the indications proposed in ISO's *2009 Personal Auto Informational Loss Cost Review*.

In view of all of the above, ISO's participating insurers writing personal auto insurance in Puerto Rico must elect and inform this Office, within the next thirty (30) days from the date of this ruling, one of the following alternatives:

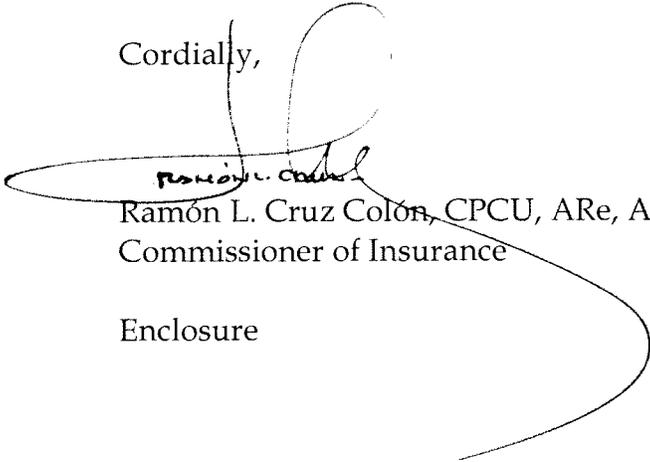
1. Insurers may adhere to the final rates developed by this Office using the Personal Auto Liability Insurance coverages profit and expense component and the Physical Damage coverages profit and expense component, both established by us (Exhibit A). If such is the case, we will automatically approve the usage of such final rates.

2. If your insurer understands that the suggested final rate level is inadequate for the liability coverage, the physical damage coverage or for both coverages, such insurer may file with this Office, for our evaluation and approval, its own profit and expense components for both coverages or for either one, together with the corresponding actuarial justification and supporting documents prepared by recognized professionals in the field. Such filing must take into account the aforementioned revision to the loss cost components of the current rate level submitted by ISO.

In the meantime, insurers must continue using the current rate level until this Office takes definitive action over the option elected by the particular insurer. If an insurer does not elect one of the preceding options within the thirty (30) day period granted, then it will be deemed that such insurer has elected option 1, above.

Strict compliance with the provisions of this Ruling is hereby required.

Cordially,



Ramón L. Cruz Colón, CPCU, ARe, AU
Commissioner of Insurance

Enclosure

Personal Automobile Insurance Rates

Bodily Injury Base Rates			
Territory	Current Rate	New Rate w/ proposed Premium Dollar Distribution*	% of Change
1	\$83	\$58	-30.12%
3	74	47	-36.49%
5	77	53	-31.17%
6	75	49	-34.67%
7	78	53	-32.05%
8	75	52	-30.67%

Property Damage Base Rate			
Territory	Current Rate	New Rate w/ proposed Premium Dollar Distribution*	% of Change
1	\$166	\$150	-9.64%
3	188	144	-23.40%
5	158	155	-1.90%
6	143	121	-15.38%
7	148	146	-1.35%
8	130	132	1.54%

Single Limits Base Rate			
Territory	Current Rate	New Rate w/ proposed Premium Dollar Distribution*	% of Change
1	\$294	244	-17.01%
3	307	223	-27.36%
5	277	243	-12.27%
6	257	200	-22.18%
7	267	233	-12.73%
8	243	216	-11.11%

<u>Premium Dollar Distribution</u>	<u>Liability Current</u>	<u>*Liability Proposed Revision</u>
Production Cost Allowance	17.80%	25.00%
General Expenses	5.40%	7.60%
Underwriting Profit & Contin.	4.50%	5.00%
Taxes, Licenses & Fees	5.00%	5.00%
Total Expenses	32.70%	42.60%
Permissible Loss Ratio	67.30%	57.40%

Personal Automobile Insurance Rates

Comprehensive Base Rate (\$100 Deductible)			
Territory	Current Rate	New Rate w/ proposed Premium Dollar Distribution.**	% of Change
1	\$4.39	\$2.34	-46.70%
3	2.55	1.36	-46.67%
5	3.22	1.72	-46.58%
6	2.29	1.22	-46.72%
7	2.6	1.47	-43.46%
8	2.26	1.76	-22.12%

<u>Premium Dollar Distribution</u>	Physical Damage <u>Current</u>	**Physical Damage Proposed <u>Revision</u>
Production Cost Allowance	18.80%	21.60%
General Expenses	5.70%	6.50%
Underwriting Profit & Contin.	4.70%	5.00%
Taxes, Licenses & Fees	5.00%	5.00%
Total Expenses	34.20%	38.10%
 Permissible Loss Ratio	 65.80%	 61.90%

Personal Auto Insurance Rates

Current Collision Rates (\$100 Deductible)							
Cost	Age Group	Territory					
		1	3	5	6	7	8
8890-10000	1	676	748	659	669	581	578
	2,3	592	655	577	585	508	506
	4	507	561	494	502	436	434
10001-11111	1	704	779	686	697	605	602
	2,3	616	682	600	610	529	527
	4	528	584	515	523	454	452

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New Collision Rates with Proposed Premium Dollar Distribution** (\$100 Deductible)							
Cost	Age Group	Territory					
		1	3	5	6	7	8
8890-10000	1	736	660	755	591	596	653
	2,3	645	578	661	516	521	572
	4	552	495	566	443	447	490
10001-11111	1	767	688	786	615	620	680
	2,3	671	602	687	538	542	595
	4	575	516	590	462	465	511

% Change - New Collision Rates with Proposed Premium Dollar Distribution (\$100 Ded.)							
Cost	Age Group	Territory					
		1	3	5	6	7	8
8890-10000	1	8.88%	-11.76%	14.57%	-11.66%	2.58%	12.98%
	2,3	8.95%	-11.76%	14.56%	-11.79%	2.56%	13.04%
	4	8.88%	-11.76%	14.57%	-11.75%	2.52%	12.90%
10001-11111	1	8.95%	-11.68%	14.58%	-11.76%	2.48%	12.96%
	2,3	8.93%	-11.73%	14.50%	-11.80%	2.46%	12.90%
	4	8.90%	-11.64%	14.56%	-11.66%	2.42%	13.05%

		**Physical
	Physical	Damage
	Damage	Proposed
<u>Premium Dollar Distribution</u>	<u>Current</u>	<u>Revision</u>
Production Cost Allowance	18.80%	21.60%
General Expenses	5.70%	6.50%
Underwriting Profit & Contin.	4.70%	5.00%
Taxes, Licenses & Fees	5.00%	5.00%
Total Expenses	34.20%	38.10%
Permissible Loss Ratio	65.80%	61.90%