



GOVERNMENT OF PUERTO RICO  
**OFFICE OF THE COMMISSIONER OF INSURANCE**

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March 25, 2010

RULING LETTER NO.: 2010-111-AP

TO ALL INSURERS AUTHORIZED TO UNDERWRITE ALL INSURANCE EXCEPT  
LIFE AND DISABILITY INSURANCE IN PUERTO RICO

**REQUIREMENT TO BELONG TO OR BE A MEMBER OF A PROPERTY  
INSURANCE RATING ENTITY**

Dear Sirs and Madams:

As you are aware, since before 1999, the Insurance Services Office, Inc., (ISO), a rating organization that had provided services for most of the insurers in Puerto Rico, discontinued providing rates for all insurance lines in all jurisdictions. Likewise, many other rating entities discontinued the same services. This situation was acknowledged by this Office in Ruling Letter N-AM-V-110-99 dated October 18, 1999. ISO only continued to offer statistical services and the system known as Loss Cost.

Therefore, the provisions of Article 12.040 of the Puerto Rico Insurance Code, 26 L.P.R.A. sec. 1204, which establish the basis for setting rates and requiring filing of such rates, were made inoperant for the reasons set forth above.

This situation follows the recent repeal of, Articles 12.320 and 12.321 of the Puerto Rico Insurance Code, 26 L.P.R.A. sections 1232 and 1232a, by the approval of Public Law No. 3, enacted on January 4, 2010. These articles provided for inspection of property risks by rating organizations. As set forth in the Statement of Motives of said law, these services were also inoperant, since the process had become obsolete. The Statement of Motives further admitted that "in view of their failure to set rates [the rating organizations] have ceased to be relevant and they have become mere [spectators] of the enrollment of their partners and members.

(Our emphasis).

Currently, our Insurance Code still retains the requirement for enrollment or membership for authorized insurers, in spite of the fact that Article 12.050 of the Puerto Rico Insurance Code, 26 L.P.R.A. section 1205, establishes that all property insurers shall be enrolled in or be a member of a rating organization, and on the other hand, that

no provision of Chapter 12 implies that it is mandatory for a property insurer to enroll in or be a member of a rating organization.

Since there are no longer any rating organizations that promulgate final rates, the standard that imposes mandatory membership in a rating organization rests on an anachronism that is now totally lacking in currency.

Therefore, the standard of this Office is that all property insurers may submit their own independent filing for approval, which will not be considered a deviation from the filing made by the rating organization of which it is a member.

Very truly yours,

FIRMADO

Ramón L. Cruz Colón, CPCU, ARe, CU  
Insurance Commissioner