



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER INSURANCE

July 31, 2014

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TO ALL AUTOMOBILE DEALERS, PROVIDERS OF SERVICE CONTRACTS, AND INSTITUTIONS THAT FINANCE AUTOMOBILE PURCHASES

SALE OF UNAUTHORIZED INSURANCE PRODUCTS

Dear Sirs and Madams

This Office has knowledge that automobile dealers, service contract providers, and other individuals are offering contracts that promise to pay a certain amount of money in the event of theft or damage to the automobile covered by the contract. In some cases, the payment is offered as a “guarantee” of the operation of a certain product used to protect the automobile against theft or other damages. These contracts are offered and executed by individuals who are not authorized to transact insurance in Puerto Rico and frequently the price of such is financed as part of the financing of the purchase of the automobile.

Section 1.020 of the Puerto Rico Insurance Code (“the Insurance Code”) defines insurance contracts as contracts through which a person promises to indemnify another or pay or provide a specific benefit or benefit to be determined in the occurrence of an uncertain event as set forth in the contract. Furthermore, Section 1.060 of the Insurance Code provides that no person shall be engaged in the insurance business in Puerto Rico without complying with the provisions of the Code, which require, among other things, obtaining an authorization from this Office to that effect. (In this regard, see Sections 3.030, 9.060, and 10.010 of the Insurance Code.) Likewise, Section 10.030 of the Insurance Codes provides that an insurance contract that is executed in violation of the Code may be voided at the request of the insured.

Further to analyzing the contracts to which this Office has had access, we have concluded that due to their provisions these are insurance contracts. Therefore, pursuant to the sections of law mentioned above, the individuals that offer and execute

them must have the appropriate authorization form this Office to do so. Likewise, the contract forms must be previously approved by this Office.

Accordingly, automobile dealers, service contract providers, and the institutions that finance the purchase of automobiles are advised that the sale or offering of insurance contracts that are not authorized by this Office, as well as the transaction of insurance by individuals who do not hold the appropriate license from this Office, are violations of the Puerto Rico Insurance Code which could result in the imposition of sanctions. It is further advised that insurance contracts that are executed in violation of the Code may be voided at the request of the consumer.

This Office is available to clarify whether a given product is or is not an insurance contract, and which individuals are or are not authorized to offer and execute insurance contracts in Puerto Rico.

Very truly yours,

SIGNED

Ángela Weyne-Roig
Commissioner of Insurance