

Rule 55

Limitation on cancelation by insurers and procedure for renewal of policies

Section 1

This Rule will be applicable to property and/or accident insurance policies or bonds which may be cancelled under the terms there of, as provided in Sections 4.040, 4.050, 4.060, 4.070, 4.080 and 4.090, of the Puerto Rico Insurance Code.

Section 2

No insurance policy or bond issued on or after the effective date of this Rule may contain a cancelation clause allowing the insurer to cancel such after it has been in effect for sixty (60) days or more or after the renewal term has begun, for any reason other than those indicated below, as may be applicable, except as provided in Section 3 of this Rule.

- (a) In the case of any insurance policy or bond, if the insured should fail to meet any obligations in a timely manner with regard to the payment of premiums, whether in full or any additional premium due to any adjustment in the policy at the request of the organization performing the inspection or changes made at the request of the insured, or if the insured should fail to pay any installment due directly to the insurer or an authorized representative of the insurer, or under any duly approved plan to finance premiums or extend credit.
- (b) For policies that provide coverage for physical damage and/or liability for private automobiles, as such term is defined in applicable rating manuals:
 - (1) If the **insurer's** driver's license or the license of any automobile driver residing under the same roof as the insured or of any driver that customarily operates the automobile owned by the insured, has been suspended or revoked while the policy has been in effect.
 - (2) If the automobile is financed, when such has been repossessed under a financing agreement or has been declared a total loss under any insured hazard or has been surrendered voluntarily to the seller by the conditional buyer or has been declared a total loss due to confiscation by a competent government authority.
- (c) In the case of insurance policies that provide coverage for fire and allied lines for the structure or contents of residences of 4 or less families, or personal multiple-lines policies, as defined in Rule 40, covering a structure or its contents against fire hazards and allied lines or insurance policies or bonds required by law or regulation of any government agency, or other insurance policies to which this Rule may be applicable, except those to which paragraph (b) are applicable:
 - (1) If the insurance contract was obtained by misrepresentation, fraud, omissions or concealment of material information for the acceptance of the risk or hazard assumed by the insurer.
 - (2) If there has been a substantial change in the risk exposure assumed by the insurer within the insurer's control, since the date of issue of the insurance contract.
 - (3) If any premeditated and negligent act or omission of the insured has substantially increased the possibility of the occurrence of the insured risks.
- (d) In the case of a property or accident insurance policy or bond required by law or regulation of a government body, that would be otherwise excepted under Section 12, at the discretion of the insurer, if the insured has had one or more claims while the policy or bond was in effect which have resulted in losses paid by the insurer.
- (e) In the case of any policy or bond issued for more than one year and covered by this Rule, except any policy or bond issued in compliance with any law or regulation of a government body, the insurer may cancel such for any just cause on any anniversary date.

- (f) In the case of any policy, excluding insurance certificates issued in relation with the financing, leasing or renting of real or personal property, or bond, issued for more than one year covered by this **division**, except to comply with any law or regulation of a government body, the insurer may cancel such for any just cause on any anniversary date.
- (g) In the case of automotive insurance certificates for single interest physical damage or any other insurance certificates issued under master policies covering unpaid balances of financing agreements or lease of property may only be canceled for the reasons stated in paragraphs (a), (b), and (e) of this Section.

Section 4

Any insurance policy or bond may be canceled by the insurer for just cause ant any time within the first sixty (60) days of the effective term thereof, using the procedure established in Section 5.

Section 5

Any insurer that wishes to cancel an insurance policy or bond, shall send a written cancelation notice by regular mail to the last address reported in writing by the insured or otherwise to the address shown on the policy, at least twenty (20) days before the date on which cancelation is to enter into effect. Regardless of the minimum period of time stipulated above:

- (a) if the insured should fail to fulfill its obligations with regard to the payment of premiums or any installment, whether payable to the insurer or to the insurer's agent, or under any plan to finance premiums or extend credit or any additional premium due to adjustments in the policy at the request of the organization performing the inspection, or otherwise, at the request of the organization performing the inspection or
- (b) if the insurance policy or bond has been in effect for fewer than sixty (60) days on the mailing date of the cancelation notice and the policy or bond was not a renewal policy or bond, the insurer may mail the cancelation notice no later than ten (10) days before the date on which the cancelation will enter into effect. It is further provided that the minimum periods of time specified herein will be substituted by any period of time provided in any law or regulation under which such policy or bond may be required.