

No. 4779

Date: October 6, 1993 11:30AM

Baltasar Corrada del Rio  
Approved

Secretary of State

COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

By: Amador de la Puente  
Assistant Secretary of State

INDEX TO RULE XXIX OF THE REGULATION OF THE INSURANCE  
CODE OF PUERTO RICO

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COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE  
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4/17/79

AMENDMENTS TO THE REGULATION OF THE INSURANCE CODE OF PUERTO RICO

The Commissioner of Insurance of Puerto Rico amends sections 2, 3, 4, 5 and 6 of Rule XXIX of the Regulation of the Insurance Code of Puerto Rico.

The amendments pursue to harmonize the provisions of endorsement IL-0136 "Mandatory Premium and Coverage Conditions Endorsement - Puerto Rico" being that the same shall be utilized for compliance in the following regulatory article.

Section 1. - Pursuant to the provisions of Section 2.040 of Act No. 77 of June 19, 1957, as amended, known as the Insurance Code of Puerto Rico, I hereby notify the insurance industry, the insurance consumer and the general public that Rule XXIX of the Regulation of the Insurance Code of Puerto Rico has been amended to read as follows:

RULE XXIX

ADVANTAGES IN THE PAYMENT OF PREMIUM AND PREMIUMS

PAYMENT PLANS

Legal Authority: Section 27.090

Section 2. - The premium of an insurance contract or bond, or of any endorsement attached to the insurance policy or bond at the request of the insured after the date of issuance, including a premium deposit or tentative premium of the first installment of an insurance contract or bond subject to an installment payment plan, shall be due and payable at the effective date of the contract.

Section 3. - The payment of the premium of an insurance contract or bond on an installment basis shall be considered as a rebate if the effective annual interest rate charged upon the unpaid balance of the premium after deduction of the installment payment provided by Section 1, different from that interest rate which, from time to time, the Commissioner may fix after giving consideration to prevailing interest rates that insurers earn in their investments. In lieu of the above in the case of unpaid

balances of \$1,000 or less, the insurer may apply a fixed charge not greater than \$7.00 to each installment.

The interest charged under the provisions section shall not be considered as insurance premium and shall be added to the unpaid premium prior to the determination of the amount of each installment. A schedule of installments to be paid and the due date of each payment showing separately the amount of the insurance premium and the surcharge applied due to interest or to a fixed amount, shall form a part of the policy or bond.

Section 4. - Any installment premium payment plan to be used by an insurer shall be subject to the prior approval of the Commissioner and shall be available for use by the representatives of the insurer.

Section 5. - The action of putting into effect an insurance contract or bond considered as new business, or renewal business, as such terms are defined by business customs, without the insured having paid to the insurer, or its representative, pursuant to Section 9.380 of the Insurance Code of Puerto Rico, at least a partial payment pursuant to a premium plan duly approved by the Commissioner, shall be considered a rebate prohibited by section 27.090 of the Insurance Code of Puerto Rico. This section shall not apply to insurance contracts or bonds, provided that: (1) the premiums of said contracts or bonds are totally financed in said transaction or are deposited in an escrow account related to the same and; (2) the premiums corresponding to transactions made during the month are remitted to the insurer within the thirty (30) days following the end of said month.

Section. 6 - The action of putting into effect an insurance contract by means of money advanced by the insurer's representative or by the insured's broker or the granting of credit or by any other means other than by the payment by the applicant of the insurance or bond from his own resources, of the corresponding premium, shall be considered a rebate prohibited by Section 27.090 of the Insurance Code of Puerto Rico. This provision does not prohibit that the insurer's representative or the insured's broker may assist the insured in obtaining the

services of a premium finance company duly authorized as such, nor does it apply to those insurance contracts or bonds excepted in Article 4 of this Rule.

Section 7. - The premium payment plans to be used by an insurer shall provide that the portion of the premium paid to the insurer will not be less than the premium to be earned by the insurer if the insurance contract or bond is cancelled at any time after the due date of the next installment.

Section 8. - The premium payment plans to be used by an insurer and any other mode of payment of premiums, shall not be subject to the charges made by premium finance companies or any other organization engaged in the lending of money except as provide in this Rule.

Section 9. - The failure of an insurer or its representative to send a cancellation notice of the insurance contract or bond, in accordance with its provisions, within thirty (30) days after the due date of the payment of any installment premium due and payable, shall be considered a rebate pursuant to the provisions of Section 27.090 of the Insurance Code of Puerto Rico.

Section 10. - The provisions of this Rule shall not apply to life or disability insurance, as defined by sections 4.020 and 4.030 of the Insurance Code of Puerto Rico, nor to insurance excluded by Section 12.020(3) of the referred Code, nor to oral binders.

Section 11. - If any provision of this Rule is found to be unconstitutional by a competent Court of Justice's resolution, such declaration or sentence shall not affect the other provisions of the same, those which shall maintain their validity and effect.

Section 12. - All of the provisions contained in any of the rules approved by the Office of the Commissioner of Insurance which are opposed or incompatible with those herein established shall be understood to be amended pursuant to what is provide in this Rule.

Section 13. - This Rule shall become effective thirty (30) days after it been filed in the Department of State or five (5)

days after the publication of the notice of approval in a newspaper of general circulation once a week, for two consecutive weeks, which ever it lates. Nevertheless, the provisions of the same shall become effective separately by class or subdivision of an insurance class as determined by the Commissioner, beginning on August 1, 1992.

(Signed)

Ralph J. Rexach Chandri  
Commissioner of Insurance

Amended: September 12, 1992

Date of filing in the Department of State: September 15, 1992