



GOVERNMENT OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

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August 23, 2011

RULING LETTER: 2011-129-AP

TO ALL INSURERS AUTHORIZED IN PUERTO RICO TO UNDERWRITE ALL KINDS OF INSURANCE, EXCEPT LIFE AND DISABILITY INSURANCE, AND TO ALL MANAGERS, GENERAL AGENTS, AGENTS AND INSURANCE BROKERS

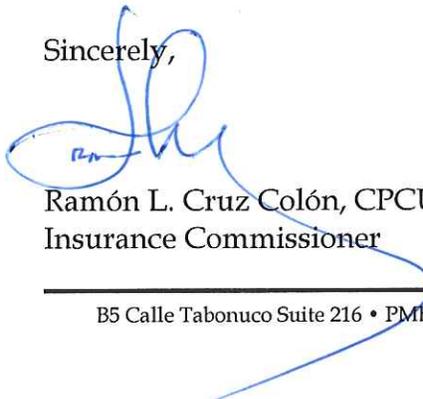
**EFFECT OF THE PROVISIONS OF RULING LETTERS N-AM-11-10-2001 AND N-AM-5-37-2003 ON THE SUSPENSION OF RATE FILING REQUIREMENTS FOR CERTAIN CLASSES, SUBDIVISIONS OR COMBINATIONS OF INSURANCE, INCLUDING INSURANCE FOR COMMERCIAL PROPERTY FOR OCEAN FRONT CONDOMINIUMS, PURSUANT TO ARTICLE 12.080 OF THE PUERTO RICO INSURANCE CODE**

Dear Sirs and Madams:

On December 21, 2001, the Office of the Insurance Commissioner of Puerto Rico ("OIC") issued Ruling Letter N-AM-11-10-2001, suspending rate filing requirements for certain classes, subdivisions or combinations of insurance listed therein. Subsequently, on May 30, 2003, Ruling Letter N-AM-5-37-2003 was issued for the purpose of amending the aforementioned Ruling Letter to include property insurance for oceanfront condominiums as one of the subdivisions for which the rate requirements for the class were to be suspended. The effective dates of the provisions of both Ruling Letters originally expired on December 31, 2003.

Ruling Letter 2008-88-AP of January 22, 2008 once again extended said provisions for another year, until December 31, 2009, and finally, Ruling Letter 2009-1803-AP extended the suspension until July 3, 2011. We are hereby indefinitely suspending the referenced rate filing requirements.

Sincerely,



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



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

December 21, 2001

**RULING LETTER NO. N-AM-11-10-2001**

**TO ALL INSURERS AUTHORIZED TO UNDERWRITE ALL KINDS OF INSURANCE IN PUERTO RICO, EXCEPT LIFE AND DISABILITY INSURANCE, AND TO ALL MANAGERS, GENERAL AGENTS, AGENTS, AND INSURANCE BROKERS**

**RE: Suspension of Rate Filing Requirements for Certain Classes, Subdivisions or Combinations of Insurance, Pursuant to Section 12.080 of the Puerto Rico Insurance Code**

Dear Sirs and Madams:

According to the provisions of Section 12.080 of the Puerto Rico Insurance Code, as amended, and with a view to fostering the economic activity of the insurance industry in Puerto Rico and to streamline the administrative procedures of this Office, we have decided to suspend the rate-filing requirements as provided in Sections 12.050 and 12.060 of the Puerto Rico Insurance Code, 26 P.R.L.A. secs. 1205 and 1206, for certain classes, subdivisions or combinations of insurance.

Section 12.080 of the Puerto Rico Insurance Code, as amended by Public Law No. 382, enacted on September 6, 2000, provides as follow:

"The Commissioner may suspend or modify the filing requirements either according to the rules and regulations he/she adopts, or by order, with regard to any type of insurance, subdivision or combination thereof, or with regard to the types of risk for which the rates cannot be practicably filed before they are used, or regarding the types of insurance for which a federal statute does not require

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such filing. Said orders, rules or regulations shall be made known to the insurers and organizations affected. The Commissioner may carry out any investigations he/she deems convenient to determine whether the rates affected by said order meet the requirements of § 1204(1)(b) [and] (c) of this title.”

This decision is the result of an initiative of the National Association of Insurance Commissioners joined to by other jurisdictions of the United States and having as its principal purpose modernizing the regulations of the insurance industry and streamlining administrative procedures by creating uniform procedures for evaluating and approving forms and rates.

As part of this initiative and to stimulate healthy competition in the insurance industry that will benefit consumers, as of **January 1, 2002**, this Office is suspending the rate-filing requirements for the following classes, subdivisions or combinations of insurance:

1. Commercial vehicle insurance, except for single interest for physical damage to the vehicle;
2. Commercial machinery and boiler insurance;
3. Commercial burglary insurance;
4. Warranty insurance, except consumer credit insurance, as defined in Chapter 18 of the Code, and reimbursement insurance policies;
5. Property insurance for commercial risks, except for insurance for condominiums;
6. General commercial liability insurance, including excess or umbrella policies, and professional liability insurance, except medical and hospital liability insurance as defined in Chapter 41 of the Code;
7. Employers liability insurance;
8. Land and marine cargo risk insurance, as defined in Rule 27 of the Regulations of the Code, except insurance against personal risk;
9. Glass insurance.

While the suspension of the rate-filing requirements for any of the classes, subdivisions or combinations of insurance described herein is in effect, the following will be complied with:

1. The insurer will not provide any quote for the classes, subdivisions or combinations of insurance to which this letter applies, except through a party holding a license that has been duly issued by this Office.
2. The insurer will not provide any quote that establishes unfair differentiation between risks that involve essentially the same hazards, regardless of whether the person involved in the insurance transaction was a general agent, a broker or an insurance agent.
3. The quote provided by the insurer will include an itemized distribution of the premium dollar, i.e. not net quotations.
4. The insurer will state the commission to be paid to the agents and insurance brokers separately from the compensation established for general agents for their services. The insurer will notify the general agents of the commission to be paid to the agents and insurance brokers.
5. The insurer will not pay, directly or through an affiliated general agent, any commission to an agent or broker other than that agreed on with the unaffiliated general agent as a commission for the broker agent, nor will the general agent by the agent or broker any commission other than that agreed on by the general agent with the insurer

The provisions of this Ruling Letter will be applicable only to new policies and renewals that are in effect on or after **January 1, 2002**, the date when the suspension of the rate-filing requirements enters into effect. We consider it to be an undefined unfair practice, under Section 27.180 of the Puerto Rico Insurance Code, *supra*, for an insurer to cancel any policy that may be currently in effect to take advantage of the benefits of the suspension of the rate-filing requirements for the aforementioned classes, subdivisions or combinations of insurance.

The suspension of the rate-filing requirements authorized in this Ruling Letter for the classes, subdivisions or combinations of insurance described herein, will be in effect until **December 31, 2003**. Nevertheless, the Commissioner may at any time and through an Order to that effect, reinstate the filing requirements for any of the aforementioned classes, subdivisions or combinations of insurance, if the

Commissioner considers that the suspension provided in this Ruling Letter is detrimental to the public interest.

We advise you that the suspension of the rate-filing requirements provided in this Ruling Letter does not exempt you from complying with the provisions of Sections 12.150, 27.080, 27.090 and 27.100 of the Code, regarding the requirements for statistical reports, and the prohibition of unfair differentiation and illegal discounts and incentives, respectively. Likewise, it is clearly set forth that the provisions of this Ruling Letter are only applicable to rates, and not to forms or rules.

You are further advised, that under the powers conferred by the Insurance Code, including the provisions of the aforementioned Section 12.080, this Office may carry out any investigation it may deem necessary for the enforcement of current regulations and obtain any information that may be useful for the legal enforcement of any of the provisions of the Puerto Rico Insurance Code.

All insurers, managers, and general agents, as mentioned above, are hereby ordered to notify their agents regarding the content of this Ruling Letter.

Strict compliance with the provisions of this Ruling Letter is hereby ordered. Licensees who fail to comply with the obligations set forth in this Ruling Letter will be subject to the sanctions provided by law.

Very truly yours,

SIGNED

Fermín M. Contreras-Gómez  
Commissioner of Insurance



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

Fermín M. Contreras-Gómez  
Commissioner of Insurance

May 30, 2003

**RULING LETTER NO.: N-AM-5-37-2003**

**TO ALL INSURERS AUTHORIZED TO UNDERWRITE ALL KINDS OF INSURANCE IN PUERTO RICO, EXCEPT LIFE AND DISABILITY INSURANCE, AND TO ALL MANAGERS, GENERAL AGENTS, AGENTS, AND INSURANCE BROKERS**

**RE: Suspension of Rate-Filing Requirements for Commercial Property Insurance for Waterfront Condominiums, Pursuant to Section 12.080 of the Puerto Rico Insurance Code**

Dear Sirs and Madams:

Under the provisions of Section 12.080 of the Puerto Rico Insurance Code, as amended, and considering that current conditions of the commercial property insurance market for Waterfront Condominiums are unfavorable for the insured in terms of availability and cost of such insurance, the Office of the Commissioner of Insurance, hereinafter "the OCI," has decided to suspend the rate-filing requirements, as provided in Sections 12.050 and 12.060 of the Puerto Rico Insurance Code, 26 P.R.L.A. secs. 1205 and 1206, for this risk class.

In view of the imminent hurricane season and in order to encourage greater competition in the insurance industry with regard to this class of insurance, which will be for the benefit and protection of consumers, as of **June 1, 2003**, the OCI is suspending the rate-filing requirements only for commercial property insurance for **waterfront condominiums**, as the term is defined in this Ruling Letter. Accordingly, Ruling Letter

No. N-AM-10-11-2001, dated December 21, 2001, is hereby amended so that paragraph (5) on page 2 should exclude waterfront condominiums from "insurance for condominiums."

For the purposes of this Ruling Letter, the term "waterfront condominiums" means all condominiums located no more than 1,000 feet from the seaside.

While the suspension of the rate-filing requirements for this class of risk is in effect, the following will be complied with:

1. The insurer will not provide any quote for this class of risk, except through a party holding a license that has been duly issued by this Office.
2. The insurer will not provide any quote that establishes unfair differentiation between risks that involve essentially the same hazards, regardless of whether the person involved in the insurance transaction was a general agent, a broker or an insurance agent.
3. According to Section 12.040 (1)(b) of the Puerto Rico Insurance Code, 26 P.R.L.A. sec. 1204 (1)(b), any rate used to calculate the premium that is greater than \$1.75 for every \$100 of the insured value will be considered excessive. If the rate of \$1.75 is inadequate due to the cost of reinsurance, the insurer must request an excess rate under Section 12.090 of the Puerto Rico Insurance Code, *supra*.
4. The quote provided by the insurer will include an itemized distribution of the premium dollar, i.e. not net quotations.
5. The insurer will state the commission to be paid to the agents and insurance brokers separately from the compensation established for general agents for their services. The insurer will notify the general agents of the commission to be paid to the agents and insurance brokers.
6. The insurer will not pay, directly or through an affiliated general agent, any commission to an agent or broker greater than that agreed on with the unaffiliated general agent as a commission for the broker agent, nor will the general agent pay the agent or broker any commission greater than that agreed on by the general agent with the insurer.

The provisions of this Ruling Letter will only be applicable to new policies and renewals that are in effect on or after **June 1, 2003**, the date when the suspension of the rate-filing requirements for this class of risk enters into effect. We will consider it to be

an undefined unfair practice, under Section 27.180 of the Puerto Rico Insurance Code, *supra*, for an insurer to cancel any policy that may be currently in effect to take advantage of the benefits of the suspension of the rate-filing requirements for this class of risk.

The suspension of the rate-filing requirements authorized in this Ruling Letter for commercial property insurance for waterfront condominiums, will be in effect until **December 31, 2003**. Nevertheless, the Commissioner may at any time and through an Order or Ruling Letter to that effect, reinstate the rate-filing requirements for this class of risk, if the Commissioner considers that the suspension provided in this Ruling Letter is detrimental to the public interest.

We advise you that the suspension of the rate-filing requirements provided in this Ruling Letter does not exempt you from complying with the provisions of Sections 12.150, 27.080, 27.090 and 27.100 of the Code, regarding the requirements for statistical reports, and the prohibition of unfair differentiation and illegal discounts and incentives, respectively. Likewise, it is clearly set forth that the provisions of this Ruling Letter are only applicable to rates, and not to forms or rules.

You are further advised, that under the powers conferred by the Insurance Code, including the provisions of the aforementioned Section 12.080, the OCI may carry out any investigation it may deem necessary to ensure the enforcement of current regulations and obtain any information that may be useful for the legal enforcement of any of the provisions of the Puerto Rico Insurance Code and this Ruling Letter.

Strict compliance with the provisions of this Ruling Letter is hereby ordered. Licensees who fail to comply with the obligations set forth in this Ruling Letter will be subject to the sanctions provided by law.

Very truly yours,

SIGNED

Fermín M. Contreras Gómez  
Commissioner of Insurance



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

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January 22, 2008

RULING LETTER.: 2008-88-AP

TO ALL INSURERS AUTHORIZED IN PUERTO RICO TO UNDERWRITE ALL KINDS OF INSURANCE, EXCEPT LIFE AND DISABILITY INSURANCE, AND TO ALL MANAGERS, GENERAL AGENTS, AGENTS AND INSURANCE BROKERS

**EFFECT OF THE PROVISIONS OF RULING LETTERS N-AM-11-10-2001 AND N-AM-5-37-2003 ON THE SUSPENSION OF RATE FILING REQUIREMENTS FOR CERTAIN CLASSES, SUBDIVISIONS OR COMBINATIONS OF INSURANCE, INCLUDING INSURANCE FOR COMMERCIAL PROPERTY FOR OCEANFRONT CONDOMINIUMS, PURSUANT TO ARTICLE 12.080 OF THE PUERTO RICO INSURANCE CODE**

Dear Sirs and Madams:

 On December 21, 2001, the Office of the Insurance Commissioner of Puerto Rico ("OIC") issued Ruling Letter N-AM-11-10-2001, suspending rate filing requirements for certain classes, subdivisions or combinations of insurance listed therein. Subsequently, on May 30, 2003, Ruling Letter N-AM-5-37-2003 was issued for the purpose of amending the aforementioned Ruling Letter to include property insurance for oceanfront condominiums as one of the subdivisions for which the rate filing requirements for the class were to be suspended. The effective dates of the provisions of both Ruling Letters originally expired on December 31, 2003.

Ruling Letter C-AM-12-1765-2006 of December 7, 2006 once again extended said provisions for another year, until December 31, 2007.

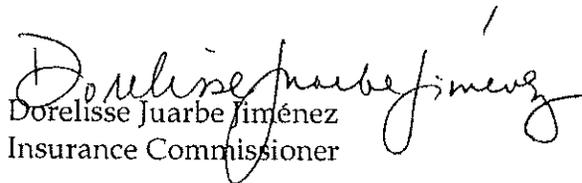
As we advised you in said letter, in order to make a final decision regarding the desirability of continuing to suspend the rate filing requirements for such classes, subdivisions or combinations of insurance, an evaluation regarding the impact that the suspension of the rate filing requirements has had on the insurance market and for consumers has been included in the proposed revision of the Puerto Rico Insurance Code, which is still being drafted at the OIC with the collaboration of the insurance industry and the Inter American University of Puerto Rico Law School. We are hereby

extending the effective dates of said Ruling Letters to December 31, 2009. Notwithstanding the above, we advise you that the OIC may at any time reinstate the rate filing requirements for these classes of insurance, if said evaluation showed that the protection of public interest warrants such a decision.

We reiterate that the suspension of the rate filing requirements for Commercial Property Insurance for Oceanfront Condominiums is limited to the condominiums defined in Ruling Letter No. N-AM-5-37-2003 as oceanfront condominiums, in other words, those that are located at no more than 1,000 feet from the seaside. We likewise reiterate that no increase above 170% of the annual premium for Group I, Group II, and Special risks, and Earthquakes may be applied for coverage for Oceanfront Condominiums as defined in said Ruling Letter. Insurers who use such a rate to calculate premiums for condominiums that do not qualify as oceanfront condominiums shall be subject to severe sanctions.

All of the provisions in the aforementioned Ruling Letters remain in full force and effect, except as regarding their effective dates. We remind you that the provisions of these Ruling Letters only exempt you from the rate filing requirement, not from annual reports or insurance forms. Therefore, you are required to comply strictly with all the remaining provisions of the Puerto Rico Insurance Code, especially with Articles 12.150, 12.320, 27.080, 27.090, and 27.100 of the Code, regarding the requirements for statistical reports, submission of policies for auditing by the rating organism, and the prohibition of unfair differentiation and illegal incentives, respectively.

Cordially yours,

  
Dorelisse Juarbe Jiménez  
Insurance Commissioner

Authorize by:  
State Elections Commission Commonwealth of Puerto Rico  
CEE-SA-08-3254