



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

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December 16, 2004

**Ruling Letter N-I-12-55-2004**

TO ALL DOMESTIC INSURERS AND HEALTH SERVICES ORGANIZATIONS

**RE: ORIENTATION ON THE APPROVAL OF PUBLIC LAW NO. 18,  
JANUARY 8, 2004**

Insurance fraud is a multi-million dollar activity that affects both the insurance industry and the general public. Public Law No. 18 was approved on January 8, 2004 for the purpose of facilitating the investigation and processing of fraudulent activities in the insurance business by prohibiting specific practices that constitute insurance fraud.

Among other things, this law requires that all domestic insurers and health services organizations take active measures to detect, prevent, and combat insurance fraud. To this effect, Section 27.260 of the Puerto Rico Insurance Code provides that all insurers, health services organizations, general agents, brokers, adjusters or solicitors should provide information to the Office of the Commissioner of Insurance of Puerto Rico, hereinafter the OCI, regarding any fraudulent act as described in Sections 27.190, 27.200, and 27.210 of the Puerto Rico Insurance Code. Likewise, Section 27.270 of the Puerto Rico Insurance Code establishes the requirement that information related to claims received must be submitted to a central database.

Furthermore, Section 27.310 of the Puerto Rico Insurance Code, 26 L.P.R.A. sec. 2731, requires the Board of Directors of all insurers or health services organizations to adopt an action plan to detect, prevent, and combat fraud. Section 27.320 of the Puerto Rico Insurance Code requires all insurers and health services organizations to include on all insurance applications forms and all claims forms a notice advising insureds and claimants of the consequences of knowingly submitting false information in an insurance application or submitting a fraudulent claim.

With regard to the requisite of adopting an action plan, section 27.310 establishes in general terms what the plan should contain. As a guide, we are providing that as a minimum the action plan should contain:

- a) The fraud indicators for each line of business that is written.
- b) The internal procedure to be used to refer cases to the special investigations units or the staff that is designated for this task.
- c) The methodology to be used and the tools that are available to carry out the investigation.
- d) The training mechanisms that will be established to allow internal staff, producers, adjusters, and special investigators to receive the necessary training to detect and prevent fraud.

Furthermore, with regard to the requisite provided in Section 27.320, there are sectors of the insurance industry that have expressed concern with regard to how the Notice required in Section 27.320 should be made. In order to clarify all concerns and create uniformity in the implementation of the Notice, we are providing the following guidelines:

- Insurance applications and claim forms shall display in a visible location in 12 point type, the Notice that is required in Section 27.320 of the Puerto Rico Insurance Code, 26 L.P.R.A. sec. 2732. In cases in which the insurer receives claims by mail or by telephone, the aforementioned Notice will be stated in the acknowledgement of the receipt of the claim.
- For health services organizations, the text of the Notice will be included in the evidence of coverage that is delivered to the subscriber as well as in the contract between the health services organization and the health services provider.

In addition, and to make the best use of the resources of the OCI and of the insurers or health services organizations, the criteria to be considered for referring cases to the Anti-fraud Special Investigations Unit of the OCI are set forth below.

- Cases that the anti-fraud special investigations units, areas or divisions of the insurers or health services organizations have previously investigated may be referred to the OCI, when there are grounds to believe that an offense has been, is being or will be committed as established under the new Public Law. 18, supra.
- Cases that given their nature may also be referred to the OCI, when after effecting reasonable diligence, the insurer or health services organization cannot complete the investigation adequately.

- Claims that have been submitted and with regard to which there are grounds to believe they are fraudulent, but are subsequently withdrawn by the insureds or third party claimants before being resolved, shall not be referred to the OCI, but should be entered in the main database, as required under Section 27.270 of the Puerto Rico Insurance Code, 26 L.P.R.A. sec. 2727.
- All insurers or health services organizations will make such scientific tests as may be necessary as part of the investigation to determine that in fact there are grounds for referring the claim to the OCI.
- In cases that are referred to the OCI that are eventually brought before the Courts, the special investigations units, areas or divisions of the insurers or health services organizations will actively work with the prosecutor that may be designated by the Department of Justice to obtain the relevant evidence and will assign the necessary staff, when so requested.

All insurers and health services organizations whose action plans fail to comply with the provisions in will have a term of 60 days in which to correct the plan and resubmit it for the consideration of the OCI. After such term has elapsed, any action plan that fails to comply with the provisions of this Letter will be required to be corrected and will be subject to the sanctions provided under the law.

Finally, all insurers or health services organizations are required to submit to the OCI a report on fraud statistics. This report will be submitted on the form adopted for this purpose by the OCI, along with the annual statement, respectively required in Sections 3.310 and 19.090 of the Puerto Rico Insurance Code.

Strict compliance with the provisions of this Ruling Letter is hereby ordered.

Very truly yours,

SIGNED

Dorelisse Juarbe-Jiménez  
Commissioner of Insurance



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

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IN ANSWERING PLEASE  
REFER TO IEA 163 (C)

March 3, 2005

Mrs. Betsy Barbosa  
Executive Director  
Association of Insurance Companies of Puerto  
Rico  
P.O. Box 363395  
San Juan, Puerto Rico 00936-3395

**Ruling Letter N-I-12-55-2004, dated December 16, 2004 and  
Circular Letter C-I-12-1724-2004, dated December 17, 2004**

Dear Mrs. Barbosa:

On November 16, 2004, the Office of the Commissioner of Insurance, hereinafter "the OCI," issued Ruling Letter N-1-12-55-2004, in which guidelines were established for the effective submission of the Action Plan required in Public Law No. 18, enacted on January 8, 2004.

The Ruling Letter set forth as the principal measure the need to establish fraud indicators for the lines of business written by each insurer and health services organization. In addition, training and continuous education was called for for all staff of the insurers and health services organizations. With regard to the notice that should be included in all insurance applications and claim forms, it was required that at a minimum such should be printed in a 12 point font. Furthermore, it was requested that all investigation cases of the insurers and health services organizations that are referred to the Anti-fraud Investigations Unit of the OCI include all of the information of the investigation that had been carried out and be duly completed.

The next day, December 17, 2004, the OCI issued Circular Letter C-1-12-1724- 2004, in which insurers and health services organizations were requested to submit

statistical information on suspicious claims that may have arisen during 2004, which should be submitted to the OCI on or before March 31, 2005.

On February 10, 2005, the Association of Insurance Companies of Puerto Rico, hereinafter ACODESE, met with the Commissioner of Insurance to discuss certain questions regarding the aforementioned Ruling Letter and the Circular Letter. The following was agreed at the meeting:

Ruling Letter N-I-1 2-55-2004

- (1) Fraud indicators - With regard to the fraud indicators, it will not be required that they be exhaustive. They may be grouped by insurance sector or area, so that each insurer or health services organization may be aware of its own exposure by using its own fraud indicators.
- (2) Training- each insurer and health services organization shall train their employees, especially their special fraud investigators.
- (3) Notice - The requisite for the font size is twelve (12) points. However, each insurer or health services organization may show the OCI that in documents where a font size other than the recommended size has been used, the notice is prominent, conspicuous, and legible. For this purpose, copies of the documents in question should be submitted as soon as possible to the attention of the attorney Ms. Solange of Lahongrais for review.<sup>1</sup> Once the document has been reviewed it will be approved by OCI according to the provisions of the Ruling Letter.
- (4) Referrals - On February 24 and 25, 2005 and March 1, 2005, the OCI met with different sectors of the insurance industry and ACODESE, for the purpose of establishing the format to be used to refer cases where fraud is suspected to the Anti-fraud Special Investigation Unit of the OCI. The approved form is included as part of this letter. The form includes a section for comments by the insurers and health services organizations on which they shall set forth the reasons why it was not possible to complete an investigation, if that was the case.

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<sup>1</sup> Only a copy of the page where the notice appears should be submitted.

- (5) Grace Period - Since amendments to an Action Plan, as set forth in the aforementioned Ruling Letter had a deadline of February 14, 2005, we have decided to extend this term for sixty (60) days, to be counted from the date of this letter, so that all insurers and health services organizations may modify their Action Plans according to the provisions of this letter, and the Board of Directors of each insurer and health services organizations may meet in full to approve the corresponding amendments to the Action Plan.

Circular Letter C-I-1 2-1724-2004

- (1.) Term - the Circular Letter requires all insurers or health services organizations to complete, on or before March 31, 2005, the statistical table for suspicious claims. Being aware of the short time frame in which the information has been requested and that many insurers and health services organizations do not have all of the data duly compiled, it will only be required to complete the table with the available information. However, it must be submitted by March 31, 2005.

Insurers and health services organizations should gather the data that is needed for the statistical information that has been requested in the manner set forth in the Circular Letter by March 31, 2006.

We trust that the foregoing comments will allow you to clarify any questions that may have arisen regarding Ruling Letter N-I-12-55-2004 and Circular Letter C-I-12-1724- 2004 dated December 16 and 17, 2004, respectively.

Very truly yours,

SIGNED

Dorelisse Juarbe-Jiménez  
Commissioner of Insurance