



COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

November 14, 2016

RULING LETTER NO.: CN-2016-207-CM

TO ALL MORTGAGE LENDERS, BANKS AND LOAN SERVICERS

INSURANCE TRANSACTED WITH UNAUTHORIZED INSURERS

Dear Sirs and Madams:

Mortgage loans require real property owners to maintain adequate insurance on the corresponding property so that the lender's interest is protected in case of loss. Lender-placed insurance, also known as creditor-placed or force-placed insurance, is an insurance policy placed by a lender, bank or loan servicer when the owner of the property fails to maintain adequate coverage, allowing the lender to protect its financial interest in the property. This Office has found that some mortgage lenders and banks, or its loan servicers, are purchasing their lender-placed insurance with unauthorized insurers.

Section 3.030 of the Insurance Code of Puerto Rico prohibits an insurer to transact insurance in Puerto Rico without being duly authorized by this Office. Also, Section 10.010 of the Insurance Code states that no person shall assist any unauthorized insurer in the procuring and placing of any insurance coverage upon or with relation to any subject of insurance resident, located, or to be performed in Puerto Rico.

Furthermore, Section 10.200 of the Insurance Code of Puerto Rico states that when an insured residing in Puerto Rico transacts an insurance relative to a subject of insurance residing, located or to be performed in Puerto Rico with an unauthorized insurer, such insured shall file with this Office a report about the insurance transacted and withhold and pay a tax equal to fifteen percent (15%) of the total premium charged by the unauthorized insurer, within the period of thirty (30) days after the effective date of said insurance. Section 10.200 also states that if the insured fails to withhold the tax on the premium charged, he shall be responsible for its payment.

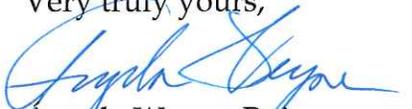
According to the above provisions, a lender-placed insurance relative to a property residing in Puerto Rico shall not be placed with an unauthorized insurer. Nevertheless, an insured, in this case the mortgage lender, bank or loan servicer residing in Puerto

Rico, that transacts the insurance with an unauthorized insurer, is responsible to withhold the tax on the premium, and if fails to do so, shall be responsible for its payment.

Therefore, mortgage lenders, banks and loan servicers that transact their lender-placed insurance with unauthorized insurers are hereby reminded of their obligations to comply with the provisions of Sections 10.010 and 10.200 of the Insurance Code of Puerto Rico. Failing to do so will entail the respective penalties.

Strict compliance with the provisions of Sections 10.010 and 10.200 of the Insurance Code of Puerto Rico and this Ruling Letter is hereby required.

Very truly yours,



Angela Weyne-Roig
Commissioner of Insurance