



GOVERNMENT OF PUERTO RICO
Office of the Commissioner of Insurance

July 24, 2018

CIRCULAR LETTER NO. CC-2018-1935-D

TO ALL INSURERS THAT WRITE PROPERTY INSURANCE IN PUERTO RICO, THE JOINT UNDERWRITING ASSOCIATION FOR FIRE AND ALLIED LINES INSURANCE, AUTHORIZED REPRESENTATIVES, PRODUCERS, AND GENERAL PUBLIC

CHAPTER 37 OF THE PUERTO RICO INSURANCE CODE- “JOINT UNDERWRITING ASSOCIATION FOR FIRE AND ALLIED LINES INSURANCE”

Dear Sirs and Madams:

Chapter 37 of the Puerto Rico Insurance Code is the legal framework in which the Joint Underwriting Association for Fire and Allied Lines Insurance (the Association). The Association was created to ensure the availability of fire and allied lines insurance in situations in which it would be difficult to obtain that insurance in the regular insurance market. Fire and allied lines insurance is the insurance for all kinds of real or personal property and interest in such against loss or non-contractual liability for such loss or damage.

Section 37.020 of the Puerto Rico Insurance Code provides that the Association will be constituted by all insurers that are authorized to write insurance and that write fire and allied lines insurance in Puerto Rico. Under the provisions of Chapter 37 of the Puerto Rico Insurance Code, the Association, in representation of its members is authorized to issue fire and allied lines insurance policies, or to cause such to be issued, in cases in which it is difficult to obtain that insurance in the regular insurance market.

In view of this, any person who has insurable property as defined in Section 37.010(4) of the Puerto Rico Insurance Code, who has been denied coverage for such property in the regular market by more that one insurer (at least two insurers), shall be entitled to request coverage by the Association. Coverage must be requested either directly by the applicant or through an authorized representative or insurance producer authorized by the applicant.

As provided in Section 37.010(4) of the Puerto Rico Insurance Code, insurable property is “real property located in any part of Puerto Rico, or personal property located on such real property, with an insurable value not to exceed the limits provided in the operational plan of the Association and in no event more than two million dollars (\$2,000,000) on the same location, and that such property, further to being inspected and appraised following the criteria set forth in the operational plan, shall be considered by the Association as insurable property.”



Upon receipt of the application for coverage, the Association will carry out the corresponding evaluation and inspection according to the underwriting standards in the insurer's operational plan approved by the Office of the Commissioner of Insurance. As provided in Section 37.030(b) of the Puerto Rico Insurance Code, if it is determined that the property is insurable and that there are no outstanding premium payments, except those that have been objected in writing within thirty (30) days of the submission of an invoice for collection of such, the Association shall issue, subject to payment of the corresponding premium, a fire and allied lines insurance policy for the term of one (1) year.

The Association's operational plan establishes, among other things, the right of the applicant to have the property inspected, the coverage limits of the insurance, in no event to exceed two million dollars (\$2,000,000) for a single location, the conditions of the policy and the criteria the Association has for considering that properties are uninsurable.

The following are the coverage limits in the Association's operational plan:

| <u>Construction</u> | <u>Dwellings</u> | <u>Commercial</u> | <u>Farm</u> |
|---|------------------|-------------------|-------------|
| Fire Resistive (All concrete) | 200,000 | 2,000,000 | 2,000,000 |
| Masonry (Fire resistive wall and Metal &/or wood frame roof) | 125,000 | 1,000,000 | 1,000,000 |
| Non combustible (Steel structure Metal roof) | 125,000 | 500,000 | 500,000 |
| Frame (Wood frame &/or mix Construction having combustible structural elements) | 50,000 | 75,000 | 300,000 |

In addition, with regard to uninsurable properties, the Association's operational plan establishes the following criteria:

The following properties and contents therein are not insurable under this Plan:

26.41 Buildings which are vacant or unoccupied. A building is vacant when it does not contain enough business personal property to conduct customary operations. A building is unoccupied when a residence or other structures has furnishings or other personal property but no one is living there.

26.42 Buildings which are in danger of collapse due to structural conditions.

26.43 Buildings which have a high degree of hazard such as fire ruins; those in dilapidated condition or other buildings subject to hazardous conditions not contemplated by the filed ratings plans of the approved rating organization.

26.44 Properties that have been subject to more than two (2) losses in any 12 month period, or more than three (3) losses in any such 24 month period, of at

least \$500 for dwellings and \$5,000 for Commercial or one percent (1%) of the amount of insurance, whichever is greater, per loss.

26.45 Commercial or manufacturing risks, which are in an unsound financial condition.

26.46 Property and contents whose specific characteristic of ownership, conditions, occupancy, or maintenance are in violation of Law of public policy and that which may result in a substantially increased exposure to loss.

In accordance with the above and the provisions of Chapter 37 of the Puerto Rico Insurance Code and the underwriting standards established in the Association's operational plan, the Association will determine whether or not a property is insurable to decide whether to accept or decline to accept covering the risk. This decision shall be notified in writing to the applicant or the applicant's representative. If the coverage is denied, the Association shall explain the reasons for the decision.

The applicant that has been refused coverage shall have the right to appeal the Association's decision, as provided in Section 37.050 of the Puerto Rico Insurance Code. This Section provides that:

Any person who applies for insurance from the Association and any person who is insured under this chapter, or the representatives thereof, or affected insurer, may submit an appeal to Commissioner, within thirty (30) days of being notified of any order, action or decision by or on behalf of the Association.

If you have any questions or to obtain more information on the coverage provided by the Association, please contact the Association at telephone number 787-775-1151 or email prfpool11@gmail.com.

Very truly yours,

Javier Rivera-Ríos, LUTCF
Commissioner of Insurance of Puerto Rico