



GOVERNMENT OF PUERTO RICO
Office of the Commissioner of Insurance

April 2, 2018

RULING LETTER NO.: CN-2018-239-D

TO ALL INSURERS IN PUERTO RICO AUTHORIZED TO WRITE PROPERTY AND HAZARD INSURANCE, AND TO ALL MANAGERS, GENERAL AGENTS, AGENTS, INSURANCE PRODUCERS, AND GENERAL PUBLIC

SUSPENSION OF THE FILING REQUIREMENT FOR AMENDMENTS TO ENDORSEMENT FORMS REFERRING TO INTERRUPTION OF BUSINESS COVERAGE IN COMMERCIAL PROPERTY POLICIES AND COASTAL CONDOMINIUM INSURANCE POLICIES

Dear Sirs and Madams:

As you are aware, on September 20, 2017 Puerto Rico was impacted by Hurricane María, which resulted in insured losses that will exceed the losses caused by any other hurricane or catastrophic event that had ever happened on the Island. The conditions of our property insurance market after the severe damage caused by Hurricane María are combined with catastrophes that occurred at the national level last year with the earthquake in Mexico, hurricanes Harvey and Irma, which principally impacted the states of Texas and Florida, respectively, and forest fires in California.

Given this scenario, this Office must take the necessary precautions to ensure the availability and accessibility of coverage for catastrophic risk, particularly for commercial insurance lines and coastal condominiums in Puerto Rico. Specifically, it has become necessary to provide additional alternatives through modification of endorsements for the fixed terms to activate policies that are currently provided in the respective business income and/or extra expenses forms as approved by this Office.

Furthermore, with regard to insurance for coastal condominiums, for which the alternatives for deductibles are currently 1%, 2% or 5%, it is necessary to facilitate the availability of addition deductible percentages of 3% and 4%, through the modification of endorsements, to provide more options for access to this insurance coverage in the market. If modification of the endorsements of these coverages is not allowed and given the possibility of yet another climatic catastrophic event could again impact Puerto Rico in the short or mid term, the availability of this coverage could become inaccessible in the market, or accessible under costly premiums that in practice are inaccessible to consumers.



As a general rule, insurance policy forms or ENDORSEMENT FORMS require filing and approval by the Commissioner before they may be used. Paragraph (1) of Section 11.110 of the Insurance Code provides:

“(1) No person shall issue, deliver or use any basic insurance policy form or application form where a written application is required or printed rider or endorsement form, unless previously filed before and approved by the Commissioner. [...]”

The same paragraph (1) of Section 11.110, immediately identifies several classes of insurance coverage that are exempted from the requirement of filing and approval before use. In addition, paragraph (5) of Section 11.110, affords the Commissioner the discretion to exempt from the filing requirement any insurance document or form or kind under the followings circumstances:

“(5) The Commissioner may exempt from the requirements of this section, for the time he/she deems convenient, any insurance document or form or type thereof, as specified in said [sic] order, to which, in his/her opinion, this section cannot be practicably applied, or the filing and approval of which are not, in his/her opinion, desirable or necessary to protect the public.

[...]”

In view of the above, and pursuant to the power vested in the Commissioner under Section 11.110(5) of the Insurance Code, in this Ruling Letter a suspension is decreed of the requirement of filing and prior approval by the Commissioner of the amendments to the ENDORSEMENT FORMS for the term of two (2) years beginning on the date of approval of this Ruling Letter, with regard to the following coverage:

A. Form CP 15 45 10 12 – Insurance Services Office, Inc. 2011 – “UTILITY SERVICES – TIME ELEMENT”

With regard to this form (which modifies policies CP 00 30 10 12, CP 00 32 10 12, and CP 00 50 10 12), endorsement forms are exempted from the filing requirement if they only add a subsection “G,” with the following text:

“G. For purposes of the coverage provided under this endorsement, the “Period of Restoration” will begin not on the date indicated in the applicable Coverage Form for Business Income and/or Extra Expense, but on the date entered (“X”) below:

[] 5 days after the interruption in the utility service to the described premises.

[] 15 days after the interruption in the utility service to the described premises.

- 30 days after the interruption in the utility service to the described premises.
- 45 days after the interruption in the utility service to the described premises.”

B. Form CP 04 17 10 12 – Insurance Services Office, Inc. 2011 – “UTILITY SERVICES – DIRECT DAMAGE”

With regard to this form (which modifies policies CP 00 20 10 12, CP 00 10 10 12, CP 00 17 10 12, CP 00 18 10 12, CP 00 99 10 12, and CP 00 80 10 12), endorsement forms are exempted from the filing requirement if they only add a new subsection “F,” with the following text:

“F. Coverage under this endorsement is for loss or damage occurring from the date entered (“X”) below:

- 5 days after the interruption in the utility service to the described premises.
- 15 days after the interruption in the utility service to the described premises.
- 30 days after the interruption in the utility service to the described premises.
- 45 days after the interruption in the utility service to the described premises.”

C. Form CP 03 30 10 12 – Insurance Services Office, Inc. 2011 – “PUERTO RICO – WINDSTORM PERCENTAGE DEDUCTIBLE CLAUSES”

With regard to this form (which modifies policies CP 00 20 10 12, CP 00 10 10 12, CP 00 17 10 12, CP 00 18 10 12, CP 00 99 10 12, and CP 00 80 10 12), endorsement forms will be exempted from the filing requirement if they only amend for coastal condominium insurance (defined as those that are located not more than 1,000 feet from the shore) the deductible percentage that will be applicable as follows:

- (i) In the “SCHEDULE,” “Enter 1%, 2% or 5%” by “Enter 1%, 2%, 3%, 4% or 5%.”
- (ii) In paragraphs B.1., B.2., C.1., C.2., D.1., and D.2., “1%, 2% or 5%” may be substituted by “1%, 2%, 3%, 4% or 5%.”
- (iii) In paragraph E.1., “1%” may be substituted with “1% or 2%.”

(iv) In paragraph E.2., “5%” may be substituted with “3%, 4% or 5%.”

As a precautionary measure, we are providing that since the aforementioned amendments to the ENDORSEMENT FORMS will be excepted from the requirement of filing and prior approval established in Section 11.110 of the Insurance Code, the amendments may only take effect if the insured consents to such in writing. The endorsement form should therefore have a space where the insured may sign to indicate acceptance.

The suspension of the filing requirement established hereby is limited solely to the aforementioned modifications of the ENDORSEMENT FORMS with regard to writing new policies or renewals of previously approved policies, and that are written within the effective period of two (2) years of this Ruling Letter. If the Commissioner should consider it necessary, the effect of the provisions of this Ruling Letter may be extended for such time as may be deemed advisable, for the protection of the public interest.

You are advised that under the powers vested by the Insurance Code, the Commissioner may carry out such investigations and require the information as may be deemed necessary to ensure compliance with the guidelines set forth herein as well as any of the provisions of the Insurance Code, and the Rules and Regulations adopted under the Code.

The provisions of this Letter will enter into effect immediately upon approval. Strict compliance with the provisions of this Ruling Letter is hereby required.

Very truly yours,

Javier Rivera-Ríos, LUTCF
Commissioner of Insurance