



# GOVERNMENT OF PUERTO RICO

## Office of the Commissioner of Insurances

March 16, 2020

### **RULING LETTER NO. CN-2020-267-D**

**A TO ALL INSURERS, HEALTH SERVICES ORGANIZATIONS THAT ARE AUTHORIZED TO CONTRACT INSURANCE IN PUERTO RICO, THEIR GENERAL AGENTS, AUTOMOBILE CLUBS OR ASSOCIATIONS, SERVICE CONTRACT PROVIDERS, FRATERNAL ASSOCIATIONS, AND GENERAL PUBLIC**

**GRACE PERIOD FOR PAYMENT OF PREMIUMS AND TEMPORARY POSTPONEMENT OF CANCELATION OF POLICES DUE TO LACK OF PAYMENT**

Dear Sirs and Madams:

On March 15, 2020, the Governor of Puerto Rico, Honorable Wanda Vázquez-Garced, issued Executive Order 2020-023, ordering the closure of government and commercial operations until March 30, 2020, with the exception of essential services, as a control and prevention measure against coronavirus contagion (COVID-19). In the light of that executive order, and in accordance with the powers and authority conferred on the Commissioner of Insurance under the provisions of Section 2.030 of Act 77, enacted on June 19, 1957, we issue the following guidelines for the protection of the public interest.

**“Temporary Postponement of Cancellation of Policies or Insurance Contracts** - it is established that while the closure of operations is in effect no property or casualty insurer may cancel any policy or insurance contract in the property or casualty line placed in Puerto Rico due to the lack of payment of premiums, within thirty (30) days of the due date of the payment. In business lines for which normally the policy or insurance contract has a grace period of thirty (30) days for payment, such as life, health, and/or disability, the insurer, at its discretion, may extend such grace period for an additional term of thirty (30) days, for the benefit of the insured.

In addition, insurers may not deny the renewal of a policy or insurance contract for lack of payment of a premium, when the insured has requested such renewal, for the duration of the state of emergency. Payment of the premium for the renewal of the policy shall be made within the thirty (30) day term to be counted from the effective date of the renewal of the policy. As an exception to the general rule and in consideration of the current emergency, the above shall not be deemed to be a discount or incentive prohibited in Chapter 27 of the Insurance Code or Rule No. 29 of its Regulations. The exception is limited to the practice of discounting or incentive for premiums as regulated in the aforementioned regulation and must not be interpreted as a waiver of compliance with any of its remaining provisions.



It is clarified that this ruling does not imply an exemption from payment of the premium. Once the grace period has elapsed, the insured must pay the premium that is due.

During the state of emergency all notifications of cancelation of policies for lack of payment that are issued or sent to the insured by the insurer or the entity that financed the policy premium must be withdrawn. If payment for the premium is not received within the extended payment term provided in this ruling letter, the policy may be cancelled. In the case of a property and casualty policy financed by a premium financing entity, the cancelation of the policy will be retroactive to the date on which the entity that financed the premium originally sent the notice of cancelation to the insurer. Notwithstanding the above, a policy may be cancelled by written request from the insured before the state of emergency ends.

**“Penalties”**- the insurers that are authorized in Puerto Rico shall not apply penalties nor deny coverage for the duration of the state of emergency, to their insureds or beneficiaries of policies due to the lack of payment of premiums. Likewise, in the case of premiums that are paid through direct deposit or a checking account penalties for insufficient funds will also be waived.

The provisions of this Ruling Letter will enter into effect from the date ordered for closure of operations on March 15, 2020, until the end of such on March 30, 2020, unless otherwise provided and notified.

All of the aforementioned insurers are advised that this ruling letter does not exempt them from compliance with the remaining provisions of the Insurance Code, Act No. 77-1957, *supra*, in all respects that do not contravene the guidelines and criteria set forth herein. Strict compliance with these guidelines is hereby required. Failure to comply with such will entail the application of severe sanctions.

Very truly yours,

Rafael Cestero-Lopategui, CIC  
Subcommissioner of Insurance