

COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE
P. O. BOX 3508 - OLD SAN JUAN STATION
SAN JUAN, PUERTO RICO - 00904

Circular Letter No. AA-2-497-71
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TO ALL CASUALTY DOMESTIC INSURANCE COMPANIES AND GENERAL AGENTS
AND MANAGERS OF FOREIGN INSURANCE COMPANIES AUTHORIZED TO TRANSACT
LIABILITY INSURANCE IN PUERTO RICO

Gentlemen:

It has come to our attention that most of the small liquified petroleum gas dealers are having serious difficulties in obtaining their public liability insurance. Such insurance is required for the issuance of their dealers' license.

As of this date, we do not have a clear picture of the reasons responsible for the restriction of this insurance market. The only reasonable explanation that we can think of, is one of underwriting practices.

However, most companies have on file, rating plans which may be used in bringing the premiums to adequate levels.

We would like to call your attention to the fact that Article 12.200 of the Insurance Code of the Commonwealth of Puerto Rico provides that "agreements may be made among vehicle or casualty insurers with respect to the equitable apportionment among them of insurance which may be afforded applicants who are in good faith entitled to but are unable to procure such insurance through ordinary methods, and such insurers may agree among

themselves on the use of reasonable rate modifications for such insurance, such agreements and the rate modifications to be subject to the approval of the Commissioner."

In addition, said article states that "the Commissioner shall, by regulation for the purpose and when he deems it justified, distribute equitably among the principal insurers those insurances which by law are imposed on certain persons in order to transact certain businesses, whenever such persons are unable to obtain the coverage from the domestic insurers authorized to transact such insurances."

This Office is considering the application of the provisions of the Assigned Risk Article as a possible solution to the above mentioned problem. May we please have your comments regarding this problem within the next thirty (30) days.

We are counting on your cooperation in order to reach a satisfactory solution.

Cordially yours,


Pedro J. Fernández Badillo
Commissioner of Insurance