

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE
San Juan, Puerto Rico

Circular Letter No. E-7-557-73

July 9, 1973

TO ALL AUTHORIZED INSURERS AND THEIR GENERAL AGENTS OR MANAGERS

Highlights of Act 98; approved June 5, 1973, to amend Sections 304; 309; 310; 311; 312; 313; 314; 316; 320; 701; 907; 926; 1114; 2104; 2105; 2816; 3419; of, and add Section 21051 to Act No. 77 of June 1957, known as the Insurance Code of Puerto Rico.

The following is a summary of the amendments made to the Insurance Code of Puerto Rico by the above captioned Act.

Paragraph 7, added to Section 304, compels the Commissioner to deny authorization to write business in Puerto Rico to any insurer, if:

- (a) a substantial part of the capital stock of such insurer is owned or controlled directly or indirectly by a bank, financial institution, savings and loan association, trust company or any other institution engaged in the business of lending money in Puerto Rico;
- (b) one or more persons which are directors or officers of any of said institutions are, at the same time, officers or directors of said insurers; and
- (c) said insurer has directly or indirectly a substantial financial interest in any entity or corporation in

which any of said institutions may have also, directly or indirectly a substantial financial interest or relation as owner, subsidiary or affiliate.

However, this amendment provides that any authorized insurer in Puerto Rico which, as of the effective date of this provision, does not meet with the requirements stated in subparagraphs (b) and (c) will have five years from said effective date to comply with these requirements.

Section 309 increased the minimum capital and/or surplus requirements for foreign insurers up to \$1,000,000 in the case of a company writing all lines except life. However, a provision was included to permit those insurers not complying with the new requirements, to do so within a period of five years. In the case of domestic insurers, the rate of one half of the minimum required to foreign insurers was maintained.

Eventually, we shall inform each insurer regarding how much must they increase their capital or surplus during each of the next five years.

Section 310 was amended to increase the amounts required for additional classes of insurance from \$100,000 to \$200,000. Subparagraph (b) of Section 311 was amended to increase the minimum required capital for domestic insurers doing title insurance only from \$50,000 to \$250,000.

Paragraph (1) of Section 312 was reworded in order to clarify the intent of the section.

Paragraph (3) of Section 313 was reworded to delete from it the requirement of approval as to form by the Secretary of Justice of the certificate of deposit form that may be accepted by the Commissioner in lieu of a deposit.

Paragraph (2) of Section 314 was amended to increase the minimum deposit of foreign insurers not organized in the United States. The deposit required to be maintained in Puerto Rico, which used to be one half of the amount required to insurers organized in the United States, was increased to the same amount required to the latter.

Section 315 was reworded in order to allow insurers a period of five years to increase their respective deposits on account of the increase in minimum capital.

Section 316 provides that the increase in the required investment in Puerto Rico securities as a result of the increase in the minimum capital and/or surplus required may be complied with within one year after the effective date of this Act.

Section 320 was amended to add new grounds for non renewal, revocation or suspension of authorization of any insurer by the Commissioner, if it were found that the capital stock of an insurer is substantially owned or controlled directly or indirectly by any bank, financial institution, savings and loan association, trust company or any other institution dedicated to the business of lending money in Puerto Rico; or if one or more persons who are

directors or officers of any of said financial institution were at the same time officers or directors of said insurer or when said insurer may have directly or indirectly a substantial financial interest in any entity or corporation in which any of such institutions may have also directly or indirectly, a substantial financial interest or relation as owner, subsidiary or affiliate.

Section 701 was amended to increase several fees and establish new ones.

Paragraph (3) of Section 907 was amended to include trust companies, savings and loan associations and other institutions engaged directly or indirectly in the business of lending money, among the institutions to whom the Commissioner must not issue or renew any license as general agent, broker, solicitor or adjuster.

Section 926 was amended to preclude the issuance of non resident agents and brokers licenses to individuals.

Paragraph (2) of Section 1114 was changed to make mandatory the issuance of policies in the Spanish language, and permit its issuance in the English language whenever the assured may request it in English. Paragraph (6) was added to Section 1114 to provide a period of 3 years to the insurer to comply with the above mentioned requirement.

Paragraph (e) of Section 2104 related with the application for authority of automobile clubs, was amended to increase the deposit from \$2,500 to \$10,000 and the bond from \$5,000 to \$20,000.

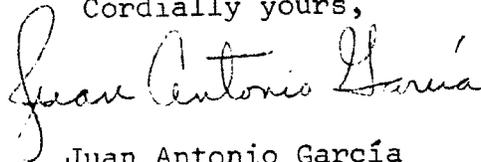
Section 2105 was amended to increase the fees for the Certificate of Authority from \$50.00 to \$200.00 and the fees for the agents from \$2.00 to \$25.00.

Section 2816 was amended to increase the minimum required surplus to domestic mutual insurers.

Section 3419 was amended to increase the minimum required funds to cooperative insurers.

And finally, Section 21051 was added to Chapter 21 to authorize the Commissioner to charge a fee of \$100.00 for the application for authorization of any automobile club.

Cordially yours,

A handwritten signature in cursive script that reads "Juan Antonio García". The signature is written in dark ink and is positioned above the typed name.

Juan Antonio García
Acting Commissioner of Insurance