Government of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE

Juan Antonio Garcia
Commissioner of Insurance

RULING NO. N-C-5-70-95
December 27, 1995

TO ALL DOMESTIC INSURERS, FOREIGN INSURERS, GENERAL AGENTS, ADMINISTRATORS AND ADJUSTERS
(Official English Translation)

RE: Section 27.162(2) of the Insurance Code of Puerto Rico

Ladies and Gentlemen:

On April 8, 1993, we issued Ruling No. N-OE-02-54-93, explaining and discussing the opinion issued by the Honorable Supreme Court of Puerto Rico on January 23, 1993, in Commissioner of Insurance of Puerto Rico vs. General Accident Insurance Co. of P.R. Ltd., 93 JTS 10.

In accordance with the aforementioned opinion, and pursuant to the principle of legal hermeneutics to the effect that the letter of the law must be obeyed, unless its literal interpretation contradicts the purpose of the statute, the ninety (90) days term established in Section 27.162(1) of the Insurance Code of Puerto Rico, 26 L.P.R.A. sec. 2716b(1), begins from the moment when the claim is filed with the insurer or with its authorized representative. Said term constitutes the maximun time limit which the insurer has in order to resolve the claim, unless a term extension has been granted for this purpose.

On June 8, 1993, in Ruling No. N-OE-5-58-93, we established the four (4) elements which must be met in order to set up a claim, and distinguish it from an incident report, thus permitting that the term which the insurer has to investigate, adjust and resolve a claim may be triggered.

For the purpose of verifying compliance with the aforesaid legal provision, we have proceeded to audit the investigation, adjustment and resolution of claim procedures which the insurers authorized to transact insurance business in Puerto Rico perform. Such audits have revealed severe deficiencies in said procedures.

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In order that strict compliance be given to Section 27.162(1), supra, we call your attention to the following directives:

. The notification of a claim may be made to an insurer or to its authorized representative by the claimant, or by the insured designated in the insurance policy pursuant to which protection is being claimed, or by the authorized representative of any of these.

2. The fifteen (15) working days term to acknowledge receipt of a claim, established in Section 5(a) of Rule XLVII of the Regulations of the Insurance Code of Puerto Rico, shall begin once the claim is presented to the insurer or to its authorized representative.

3. The concession of a term extension to resolve a claim is an extraordinary mechanism. Due care must be taken in order that insurers do not use this mechanism to unnecessarily prolong the resolution of their claims, or to render moot the maximum term stipulated by law.

4 The aforementioned Section 27.162(1) requires that any request for an extension of the referred ninety (90) days term, be presented to this Office by the insurer at least twenty (20) days before the expiration of said term. As a general rule, it shall constitute a violation of said section of law, if a request for a term extension is submitted not complying with the above, and the insurer will be penalized by this Office as prescribed by law.

5 Any request for a term extension in addition to the first extension shall be submitted to this Office at least ten (10) days in advance of the expiration date of the term extension previously granted. As a general rule, if a request for an additional term extension is submitted without complying with the above, the extension requested shall not be not granted.

6. The petitioner of any term extension must notify the corresponding claimant with copy of the extension request and, in addition, must certify to this Office that it has executed the aforementioned notification.

7 Every request for a term extension must be in writing and must be duly justified

8 Starting from January 15, 1996, any request for a term extension must be submitted to this Office in the form provided by this Office for said purpose, a copy of which is included with this ruling. As a general rule, a request for a term extension which is not submitted in said form shall not be granted by this Office.

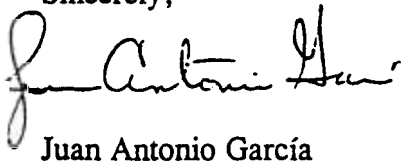
9. If a suit concerning a claim is established within the ninety (90) days period of the filing of the claim to the insurer, or within any other additional term which may have been granted by this Office, the same shall entail the granting of an indefinite term extension which shall expire fifteen (15) days after the corresponding court decision becomes final.

10. Finally, only the following events shall constitute the resolution of a claim:

    a. the total payment of the claim, or
    b. the written denial of the claim, or
    c. a written offer of payment and its corresponding acceptance in writing.

Strict compliance with Section 27.162 of the Insurance Code of Puerto Rico, and with the directives herein included is hereby required. Failure to comply with said section or with the aforementioned directives shall entail the imposition of severe penalties.

Sincerely,



Juan Antonio García
Commissioner of Insurance

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Enclosure

COMMONWEALTH OF PUERTO RICO

OFFICE OF THE COMMISSIONER OF INSURANCE

P.O. Box 8330 Fernández Juncos Station - Santurce, Puerto Rico 00910-8330
Tel. (787) 722-8686 Fax (787) 722-4400

REQUEST FOR TERM EXTENSION

To the Claimant: The insurer indicated below has requested a term extension in order to investigate, adjust and resolve the claim which you have filed. If you believe that said extension should not be granted, write to the Office of the Commissioner of Insurance indicating the reasons for your opposition. Include the claim number.

To the Insurer: Type or print the information included in this form

Name and address of the Insurer:

_____
_____
_____
_____

Claimant's name : _____
Claim No. : _____
Policy No. : _____
Name of the insured: _____

Indicate, by marking with an X, whether this request for a term extension is the first request or a request subsequent to the first one ____.

If this is a first request, indicate the date in which the claim was filed to the insurer:
_____ (Month/Day/Year)

If this is a subsequent request, indicate the number assigned by this Office to the first term extension:
_____

Indicate, by marking with an X, the reason why the term extension is being requested. If necessary, include additional information on a separate sheet:

____ Court case pending. Indicate the date said lawsuit was filed: _____(Month/Day/Year)
____ Case pending at the State Insurance Fund Corporation.
____ Case pending before the Attorney General for Minors.
____ Case pending at the Automobile Accident Compensations Administration (ACAA).
____ Awaiting documents requested from the claimant.
____ Awaiting response on the offer made to the claimant.
____ The claim is a medical expense or bodily injury claim, and the claimant is under medical treatment.
____ Awaiting for the Certificate of Release of State Tax Lien by Department of the Treasury. If the payment permitted by law has been made, indicate the date in which the same has been made: _____(Month/Day/Year)
____ Other reasons; indicate the same on the back of this page.

I hereby, **CERTIFY** that I have sent on the date shown below a copy of this request to the claimant, or to his/her attorney, whose name, mailing address and telephone number are indicated below:

_____
_____
_____
_____

Telephone No. _____

_____
Signature of the Insurer's Representative

_____
(Month/Day/Year)

_____
Print signee's name

_____
Title

Decision of the Office of the Commissioner of Insurance to the request hereby filed

Keep this document for 6