



GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

November 28, 2011

RULING LETTER NO.: 2011-133-AP

TO ALL INSURERS AUTHORIZED TO TRANSACT VEHICLE INSURANCE
BUSINESS IN PUERTO RICO

Automobile Single Interest Insurance

Dear Sirs and Madams:

On January 1st 1998, the last amendment realized to the Automobile Single Interest Insurance Experience Rating Plan for Financing Institutions (hereinafter denominated "Rating Plan") entered in force. In order to determine if it is justified to maintain in force or amend said Rating Plan, this Office has realized an analysis of the premium and loss experience of the Automobile Single Interest Insurance, which has produced the following results. Let us see:

1. In the last years, the loss ratio of this type of insurances has been adequate; it compares favorably with the expected loss ratio of 68.5% established in the Rating Plan. In fact, among the insurers that subscribe this type of insurance, the highest loss ratio reflected for 2010 was 51%.
2. Of the last seven (7) years reviewed, according to the results of the Rating Plan application, this Office has not had to approve, in said period, any surcharge in premium for the aforesaid insurance.
3. Of an ample sample of cases rated, it was found that usually, the premium of the single interest insurance, based on the manual rate, results higher, for new as well as used cars, than the premium of the double interest insurance, both calculated for the same financing term of the vehicle.

In view of the above, and so that more financial institutions can be benefited by the application of the plan, as well as to benefit the public, this Office has modified the eligibility rule of the Rating Plan. We have reduced the annual premium volume requirement to \$250,000.00, for each of the two preceding calendar years for the automobile single interest exposures to be rated (copy of the Rating Plan, as amended, is enclosed).

Therefore, we hereby inform that in the process of evaluating the statistical information that by means of Circular Letter AM-5-V-1507-98 of 18 of May of 1998, this Office requires, we will be applying the procedure of the Rating Plan according to the aforementioned amendment. It will be the responsibility of the insurers that subscribes this type of insurances to apply the discounts or surcharges in premium that yearly notify this Office as a consequence of the application of the Rating Plan.

Strict compliance with the provisions established in this Ruling Letter is required.

Sincerely,

SIGNED

Ramón L. Cruz Colón, CPCU, ARe, AU
Commissioner of Insurance