

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

No. 4779

Date: September 15, 1992 3:02 p.m.

Salvador M. Padilla, PhD

Approved

Secretary of State

By: (Signed) Assistant Secretary of  
State

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INSURANCE CODE**

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AMENDMENTS TO THE PUERTO RICO INSURANCE CODE

The Commissioner of Insurance of Puerto Rico hereby amends Sections 2, 3, 4, 5, and 6 of Rule 29 of the Regulations of the Puerto Rico Insurance Code.

The purpose of the amendments is to harmonize the provisions of endorsement IL-0136 "Mandatory Premium and Coverage Conditions Enforcement-Puerto Rico" since it will be used to enforce the following regulatory sections.

Section 1. By virtue of the provisions of Section 2.040 of Public Law No. 77, enacted on June 19, 1957, as amended, I hereby notify the insurance industry, the insurance subscribing public, and the public in general of the approval of Rule 29 of the Regulations of the Puerto Rico Insurance Code, which provides the following:

RULE 29

Advantages in Payment of Premiums and Installment Plants

Authority: Section 27.090

Section 2. Premium of an insurance contract or bond, or any endorsement attached to the insurance policy or bond at the request of the insured, after the date of issue, including, including the premium deposit or tentative premium or the first installment of an insurance contract or bond subject to a payment plan, shall be due and payable on the effective date of the contract.

Section 3. Payment of premium of an insurance contract or bond in installments will be an act of discounting if an annual interest rate is charged on the unpaid balance of the premium of the contract

after deducting the amount of the installment provided in Section 1, that is different from the interest rate that from time to time may be set by the Commissioner having taken into account prevailing interest rates being earned by the insurers on their investments. If the unpaid balance is \$1,000 or less, the insurer may collect a fixed charge not greater than \$7.00 for each installment.

Interest or fixed charges collected under the provisions of this section, will not be considered insurance premium and shall be added to the due and payable premium before determining the amount of the installment. The insurance contract or bond shall include a detailed list of each installment to be paid and the due date, itemizing separately the amount of the insurance premium and the charges being applied, whether interest or a fixed charge.

Section 4. All premium installment plans used by an insurer will be subject to prior approval by the Commissioner and will be available for use by the representatives of the insurer.

Section 5. Activating an insurance contract or bond considered to be new business, or as a renewal, as such terms are customarily defined in the insurance business, when the insured has not paid the insurer or the insurer's representative, as provided in Section 9.380 of the Puerto Rico Insurance Code, at least a partial payment under a premium installment plan that has been duly approved by the Commissioner, constitutes an act of prohibited discount as provided in Section 27.090 of the Puerto Rico Insurance Code. This section will not be applicable to insurance contracts or bonds related to credit or personal property lease transactions provided that (1) the premium on such contracts or bonds is entirely financed in such transaction or deposited in an escrow account related to such transaction and (2) the premium related to transactions effected during a given month are paid to the insurer within thirty (30) days following the last day of such month.

Section 6. Activating an insurance contract using funds advanced by a representative of the insurer or the broker or extending credit

or in any manner that is not by payment by the applicant for the insurance or bond from the applicant's own resources will be considered a prohibited discount under the provisions of Section 27.090 of the Puerto Rico Insurance Code. This provision does not prohibit any representative of the insurer or broker from making available to the insured the services of a duly authorized financing entity of insurance premium, nor is it applicable to insurance contracts or bonds excepted in Section 4 of this Rule.

Section 7. Installment plans for payment of premium that have been used by an insurer shall provide that the portion of the premium paid to the insurer at no time will be less than the premium to which the insurer would have a right on the cancellation of the insurance contract or bond at any time after the payment following the uncovered payment becomes due and payable.

Section 8. Premium payment plans to be used by an insurer and any other modality of payment of premium will not be subject to the usual finance charges of premium financing institutions or any other institution engaged in the business of lending money, except as provided in this Rule.

Section 9. Failure by the insurer or the insurer's representative to send the cancellation notice of the insurance contract or bond, according to the terms thereof, within thirty (30) days of the due date of any unpaid premium installment, will be considered as a prohibited discount according to the provisions of Section 27.090 of the Puerto Rico Insurance Code.

Section 10. The provisions of this Rule will not be applicable to life or disability insurance as defined in Sections 4.020 and 4.030 of the Puerto Rico Insurance Code, or insurance excepted in section 12.020(3) of the code, or to oral binders.

Section 11. If any provision of this Rule were found to be unconstitutional in a judgment entered by a Court of competent jurisdiction, such ruling or judgment will not affect the remaining provisions of the Rule, which will continue to be in full effect.

Section 12. All of the provisions in any of the rules approved by the Office of the Commissioner of Insurance that are contrary to or are incompatible with the provisions of this Rule shall be deemed to have been amended according to the provisions herein.

Section 13. This Rule will enter into effect thirty (30) days after filing at the Department of State or five (5) days after publication of the notice of approval in a newspaper of general circulation, once a week for two consecutive weeks, whichever is later. Nevertheless, the provisions of the rule will enter into effect separately by class or subdivision of a class of insurance as may be determined by the Commissioner, as of August 1, 1992.

Ralph J. Rexach-Chandri  
Commissioner of Insurance

Amended: September 12, 1992

Date Filed at the Department of State: September 15, 1992