



GOVERNMENT OF PUERTO RICO
Office of the Commissioner of Insurance

March 17, 2023

CIRCULAR LETTER NO.: CC-2023-2012-D

**TO ALL PROPERTY INSURERS THAT WRITE PROPERTY INSURANCE IN PUERTO RICO
DEVIATIONS OF RATES FOR DWELLING AND RESIDENTIAL CONDOMINIUM INSURANCE**

To Whom It May Concern:

As is common knowledge, Section 12.140 of the Puerto Rico Insurance Code provides that:

" Every subscribing member of a rating organization shall adhere to the filings made on its behalf by such organization, except that any such insurer may make written application to the Commissioner for permission to file a uniform percentage deviation to be applied to the premiums produced by the rating system filed by such rating organization for a kind of insurance or for a class of insurance which is found by the Commissioner to be a proper rating unit for the application of such deviation, or for a subdivision of a class of insurance:

- (1) Comprised of a group of classifications by rate manual which is treated as a separate unit for rate-making purposes, or*
- (2) for which separate expense provisions have been included in the filings of the rating organization.*

The application must specify the basis for the modification, and a copy of said application shall be sent simultaneously to the rating organization.

In considering the application for permission to file such deviation, the Commissioner shall give consideration to the available statistics and the rate-making principles as provided in § 1204 of this title. The Commissioner shall issue an order permitting the deviation for such insurer to be filed, unless he finds that the resulting premiums would be excessive, inadequate, or unfairly discriminatory.

Each deviation permitted to be filed shall be in effect until terminated, with the approval of the Commissioner."

In view of the need insurers have to maintain adequate levels of catastrophe reinsurance protection and the current increase in cost of this protection, we will allow insurers to use deviations of a uniform percentage to be applicable to premiums for hurricane fire, vandalism, Group II, and earthquake perils, that are currently in effect for coverage offered for dwelling and residential condominium insurance.



Approval of such deviations will be subject to the following:

1. Submittal to this Office of an application for the deviation within thirty (30) days, to be counted from the date of this letter.
2. Including with the application an actuarial study and the statistical data that support the request deviation.
3. Submittal of the Sworn Statement included with this Circular Letter.
4. The percentage of the deviation that may be approved will be based on the increase factor based on an actuarial study, statistical data, and the duly sworn to information.
5. The percentage increase that is granted will be exclusively applicable to the portion of the premium dollar related to the expected loss ratio.
6. The portions of the premium dollar that are for acquisition expenses, administrative expenses, and profit must be applied at the **current premium** rate without the deviation percentage, that is to say the absolute dollars that are for these items may not be greater than those produced by the premium rates and distributions of the premium dollar that are currently registered and approved.
7. The deviation will be applicable to new and renewed policies that are in effect on or after the date of approval of the deviation. Cancellation of current policies will not be allowed for the purpose of benefitting from the approved deviation.
8. The deviation will be in effect for a maximum of one year and will be subject to an audit.

In view of the fact that this is an extraordinary procedure, which is intended to provide a rapid availability of reinsurance for the catastrophic perils of hurricanes and earthquake, strict compliance with the guidelines set forth herein is hereby required.

Very truly yours,

SIGNED

Alexander S. Adams-Vega, Esq.
Commissioner of Insurance



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Office of the Commissioner of Insurance

SWORN STATEMENT

I, _____ the President of

_____, under solemn oath declare that the information provided in the application for a deviation of rates for property and/or residential condominium insurance is correct and truthfully represents the information related to the catastrophic reinsurance treaties in effect at the time of the application.

In view of the financial effect that the information that is provided will have on the cost of dwelling and residential condominium insurance that will be borne by insurance consumers, I hereby acknowledge that if any of the information that is provided should be found to be false, in addition to the applicable penalties for perjury, the Commissioner of Insurance may determine that I have engaged in illegal, unfair or dubious practices in insurance transactions and I will be subject to, among others, the consequences stipulated in Section 3.260 of the Insurance Code of Puerto Rico.

In _____, Puerto Rico, this ___ day of __ 202 .

President

Affidavit No.

Signed and sworn to before me by _____, of legal age, _____, President of _____ and a resident of _____, who is to me personally known, on _____, this_ day of _____ 202_____.

Notary Public [Attorney]

