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Puerto Rico
INsight Regulations

Regulatory Activity Ruling CN-2020-253-D

January 8, 2020

RULING LETTER NO. CN-2020-253-D

**TO ALL INSURERS, HEALTH SERVICES ORGANIZATIONS THAT ARE
AUTHORIZED TO CONTRACT INSURANCE IN PUERTO RICO, THEIR GENERAL
AGENTS, AUTOMOBILE CLUBS OR ASSOCIATIONS, SERVICE CONTRACT
PROVIDERS, FRATERNAL ASSOCIATIONS, AND GENERAL PUBLIC**

**GRACE PERIOD FOR PAYMENT OF PREMIUMS AND TEMPORARY
POSTPONEMENT OF CANCELATION OF POLICES DUE TO LACK OF PAYMENT**

Dear Sirs and Madams:

On January 7, 2020, the Governor of Puerto Rico, the Honorable Wanda Vázquez-Garced, issued Executive Order OE-2020-001, decreeing a state of emergency due to the earthquakes that have occurred in Puerto Rico. Pursuant to this executive order, and under the powers and functions vested in the Commissioner of Insurance in the provisions of Section 2.030 of Act No. 77, enacted on June 19, 1957, as amended, the Commissioner of Insurance hereby sets forth the following guidelines, for the protection of the best public interest.

“Temporary Postponement of Cancellation of Policy or Insurance Contract - it is established that while the state of emergency is in effect no property or casualty insurer may cancel any policy or insurance contract in the property or casualty line placed in Puerto Rico due to the lack of payment of premiums, within thirty (30) days of the due date of the payment. In business lines for which normally the policy or insurance contract has a grace period of thirty (30) days for payment, such as life, health, and/or disability, the insurer, at its discretion, may extend such grace period for an additional term of thirty (30) days, for the benefit of the insured.

In addition, insurers may not deny the renewal of a policy or insurance contract for lack of payment of a premium, when the insured has requested such renewal, for the duration of the state of emergency. Payment of the premium for the renewal of the policy shall be made within the thirty (30) day term. to be counted from the effective date of the renewal of the policy. As an exception to the general rule and in consideration of the current emergency, the above shall not be deemed to be a discount or incentive prohibited in Chapter 27 of the Insurance Code or Rule No. 29 of its Regulations. The exception is limited to the practice of discounting or incentive for premiums as regulated in the aforementioned regulation and must not be interpreted as a waiver of compliance with any of its remaining provisions.

It is clarified that this ruling does not imply an exemption from payment of the premium. Once the grace period has elapsed, the insured must pay the premium that is due.

During the state of emergency all notifications of cancellation of policies for lack of payment that are issued or sent to the insured by the insurer or the entity that financed the policy premium must be withdrawn. If payment for the premium is not received within the extended payment term provided in this ruling letter, the policy may be cancelled. In the case of a property and casualty policy financed by a premium financing entity, the cancellation of the policy will be retroactive to the date on which the entity that financed the premium originally sent the notice of cancellation to the insurer. Notwithstanding the above, a policy may be cancelled by written request from the insured before the state of emergency ends.

“Penalties”- the insurers that are authorized in Puerto Rico shall not apply penalties nor deny coverage for the duration of the state of emergency, to their insureds or beneficiaries of policies due to the lack of payment of premiums. Likewise, in the case of premiums that are paid through direct deposit or a checking account penalties for insufficient funds will also be waived.

The provisions of this Ruling Letter will enter into effect as of the date of the state of emergency was decreed January 7, 2020, until the date on which the state of emergency ends or the Commissioner of Insurance suspends the effect of the Letter, whichever occurs first.

All of the aforementioned insurers are advised that this ruling letter does not exempt them from compliance with the remaining provisions of the Insurance Code, Act No. 77-1957, *supra*, in all respects that do not contravene the guidelines and criteria set forth herein. Strict compliance with these guidelines is hereby required. Failure to comply with such will entail the application of severe sanctions.

Very truly yours,

Javier Rivera-Ríos
Commissioner of Insurance

Value Added Table	
Description	Dated January 8, 2020. Relates to a grace period for payment of premiums and temporary postponement of cancellation of policies due to lack of payment. Addresses to all insurers, health services organizations that are authorized to contract insurance in this State, their general agents,

	<p>automobile clubs or associations, service contract providers, fraternal associations, and general public.</p> <p>Informs that, while the state of emergency declared, due to earthquakes, on January 7, 2020 is in effect, no property or casualty insurer may cancel any policy or insurance contract in the property or casualty line placed in this State due to the lack of payment of premiums, within 30 days of the due date of the payment. In business lines for which the policy or insurance contract has a grace period of 30 days for payment, the insurer may extend such grace period for an additional term of 30 days. Insurers may not deny the renewal of a policy or insurance contract for lack of payment of a premium, when the insured has requested such renewal, for the duration of the state of emergency. During the state of emergency all notifications of cancelation of policies for lack of payment that are issued or sent to the insured by the insurer or the entity that financed the policy premium must be withdrawn. If payment for the premium is not received within the extended payment term, the policy may be cancelled. Makes clarifications.</p> <p>The insurers that are authorized in this State must not apply penalties nor deny coverage for the duration of the state of emergency, to their insureds or beneficiaries of policies due to the lack of payment of premiums.</p> <p>Clarifies that this ruling does not imply an exemption from payment of the premium. Once the grace period has elapsed, the insured must pay the premium that is due. Insurers are not exempted from compliance with the remaining provisions of the Insurance Code, Act No. 77-1957, in all respects that do not contravene this Ruling Letter. Failure to comply with these guidelines will entail the application of severe sanctions.</p>
Lines of Business	<p>Personal P&C Personal Automobile, Personal Credit, Personal Earthquake, Personal Flood, Personal Homeowner Warranty, Personal Homeowners, Personal Inland Marine, Personal Liability, Personal Property, Personal Title, Personal Umbrella/Excess Liability, Personal Vehicle Service Contract, Personal Watercraft</p> <p>Commercial P&C Commercial Aircraft, Commercial Automobile, Commercial Boiler and Machinery, Commercial Credit, Commercial Crime, Commercial Crop/Hail, Commercial Earthquake, Commercial Farmowners, Commercial Fidelity, Commercial Financial Guaranty, Commercial Flood, Commercial General Liability, Commercial Inland Marine, Commercial Medical Malpractice, Commercial Mortgage, Commercial Ocean Marine, Commercial Professional Liability, Commercial Property, Commercial Surety, Commercial Title, Commercial Umbrella/Excess Liability, Workers' Compensation</p> <p>Life Funeral Service Contract, Group Annuities, Group Blanket Life, Group Corporate Owned - Key Man, Group Credit Life, Group Deferred Annuities, Group Fixed Annuities, Group Industrial Life, Group Term Life, Group Universal Life, Group Variable Annuities, Group Variable Life, Group Whole Life, Individual Annuities, Individual Corporate Owned - Key Man, Individual Credit Life, Individual Deferred Annuities, Individual Fixed Annuities, Individual Industrial Life, Individual Term Life, Individual Universal Life, Individual Variable Annuities, Individual Variable Life, Individual Whole Life, Viatical Settlements</p> <p>Health Continuing Care Facilities, Group Accident, Group Blanket Medical and Disability, Group Comprehensive Major Medical, Group Credit Accident and Health, Group Critical Illness/Specified Disease, Group Dental, Group HMO/Managed Care, Group Industrial Health, Group Long Term Care, Group Long Term Disability, Group Medical/Surgical - Outpatient Benefits, Group Medicare Supplement, Group Short Term Disability, Group Stop Loss, Group Supplemental - Hospital Indemnity, Group Vision, Individual Accident, Individual Comprehensive Major Medical, Individual Credit Accident and Health, Individual Critical Illness/Specified Disease, Individual Dental, Individual HMO/Managed Care, Individual Industrial Health, Individual Long Term Care, Individual Long Term Disability, Individual Medical/Surgical - Outpatient Benefits, Individual Medicare Supplement, Individual Short Term Disability, Individual Stop Loss, Individual Supplemental - Hospital Indemnity, Individual Vision, Medicaid</p>
Functions	General Compliance Legal Policy Management Underwriting
Subject Category	011 - All Lines 300 - The policy 700 - Trade practices 800 - Legal procedure / proceedings
Status	Adopted
Actions	New
Citations Affected	Ruling CN-2020-253-D
Proposed	01/08/2020
Adopted	01/08/2020
Effective	01/08/2020
Last Modified	1/14/2020

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