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Puerto Rico

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Regulatory Activity Ruling CN-2022-318-D

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September 20, 2022

RULING LETTER NO. CN-2022-318-D

TO ALL INSURERS, HEALTH SERVICES ORGANIZATIONS AUTHORIZED TO CONTRACT INSURANCE IN PUERTO RICO, THEIR GENERAL AGENTS, AUTOMOTIVE CLUBS OR ASSOCIATIONS, SERVICE CONTRACT PROVIDERS, FRATERNAL SOCIETIES AND THE GENERAL PUBLIC

GRACE PERIOD FOR PAYMENT OF PREMIUMS, TEMPORARY POSTPONEMENT OF CANCELLATION OF POLICIES DUE TO NON-PAYMENT AND EXTENSION OF VALIDITY OF INSURANCE CONTRACTS AND POLICIES

Dear Sirs and Madams,

On September 17, 2022, the Governor of Puerto Rico, Pedro R. Pierluisi Urrutia, issued Executive Order Number OE-2022-045, declaring a state of emergency throughout Puerto Rico because of the passage of the tropical storm Fiona. Later, by September 18, 2022, Fiona reached hurricane category and caused havoc on the Island. Since then, the President of the United States, Joseph R. Biden, Jr., declared a state of emergency in Puerto Rico and ordered federal assistance to supplement local response efforts due to emergency conditions resulting from Hurricane Fiona on the Island.

In response to the mentioned executive orders, and in accordance with the powers and faculties conferred to the Insurance Commissioner of Puerto Rico under the provisions of Article 2.030 of the Puerto Rico Insurance Code, the following guidelines are issued, in protection of the public interest:

(a) Temporary Postponement of Policy Cancellation or Insurance Contract

Hereby, it is established that while the decreed state of emergency lasts or the cancellation of this regulation, whichever occurs first, no property or contingency insurer may cancel a non-payment of premium, within a term of thirty (30) days from the due date of payment, an insurance policy or contract in the property or contingency line of business placed in Puerto Rico. In those lines of business in which the insurance policy or contract ordinarily enjoys a thirty (30) day payment grace period, such as life, health and/or disability, the insurer or health services organization, at its discretion, may extend said grace period for a term of thirty (30) additional days for the payment of the premium, for the benefit of the insured.

On the other hand, an insurer may not deny the renewal of an insurance policy or contract due to non-payment of premium, in those cases in which the insured has requested renewal, during the state of emergency. The payment of the premium corresponding to the renewal of the policy must be made within a term of thirty (30) days, from the effective date of the renewal of the policy. As an exception to the general rule and in consideration of the declared emergency, none of the foregoing shall be considered a discount or incentive prohibited by Chapter 27 of the Puerto Rico Insurance Code or Rule No. 29 adopted under it. This exception is limited to the practice of premium reduction or incentive regulated in the mentioned regulation and should not be interpreted as an exemption from compliance with any other of its provisions.

It is clarified that such determination does not imply a waiver of the payment of the premium. Once the grace period ends, the insured will have to pay the premium corresponding to the overdue payment term. The insurer will not be obliged to grant the insured more than one grace period during the validity of the state of emergency or of this regulation.

If payment of the corresponding premium is not received within the grace period granted in this ruling letter, the policy may be cancelled. In the case of property and contingency policies financed by a premium financial entity, the cancellation of the policy for non-payment will be retroactive to the date on which the entity that financed the premium originally sent the cancellation notice to the insurer. Notwithstanding the foregoing, a policy may be cancelled, before the end of the state of emergency, by written request of the insured.

(b) Penalties

Authorized insurers and health services organizations in Puerto Rico shall not apply penalties for more charges, while the state of emergency lasts, to their insured or beneficiaries of policies for non-payment of premiums. Likewise, in cases of premium payment through direct debit or checking account, the payment of penalties for insufficient funds must be exempted. The foregoing does not prevent the reaching of voluntary payment agreements with the insured and subscribers.

(c) Extension of the period of validity of contracts and insurance policies, renewals

To avoid interruptions in coverage, any contract or insurance policy of any kind or medical plan, whose term ends on September 31, 2022, or a later date, and if requested by the insured, its validity is extended for a period additional thirty (30) days, under the same terms and conditions (including the premium amount) of the current contract or policy. The thirty (30) day renewal will only operate until the contract between the parties has been renewed, or until the mentioned thirty (30) day period expires, whichever occurs first.

No insurer or health services organization may cancel the insurance policy or contract and will be obliged to honor the claims that arise, within the term of thirty (30) additional days of extension of the contract or policy established herein. It is clarified that such determination does not imply a waiver of the payment of the premium. The insured must comply with the premium payment corresponding to the term of the contract extension, within the grace period as established in this ruling letter.

The provisions contained in this Ruling Letter shall take effect as of today, September 20, 2022, and until the date the state of emergency ends or the Commissioner of Insurance of Puerto Rico suspends this letter, whichever occurs first.

All registered insurers are hereby notified that these regulations do not exempt them from compliance with the other provisions of the Puerto Rico Insurance Code, in everything that does not contravene the guidelines and criteria outlined herein.

The strictest compliance with the guidelines indicated here will be required. Failure to comply with the aforementioned guidelines will result in the imposition of severe sanctions.

Cordially,

/s/

Alexander Adams Vega

Insurance Commissioner

Value Added Table

Description	<p>Dated September 20, 2022. In the context of Hurricane Fiona, the DOI issues guidelines regarding grace period for payment of premiums, temporary postponement of cancellation of policies due to non-payment, and extension of validity of insurance contracts and policies. The provisions contained in this ruling letter take effect September 20, 2022, and will last until the date the state of emergency ends or the DOI suspends this letter, whichever occurs first.</p> <p>This letter addresses to all insurers, health services organizations authorized to contract insurance in Puerto Rico, their general agents, automotive clubs or associations, service contract providers, fraternal societies, and the general public. States that the strictest compliance with the indicated guidelines will be required, and that failure to comply with them will result in the imposition of severe sanctions.</p> <p>Among other provisions, prohibits an insurer from denying the renewal of an insurance policy or contract due to</p>
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non-payment of premium, in those cases in which the insured has requested renewal, during the state of emergency. The payment of the premium corresponding to the renewal of the policy must be made within a term of 30 days from the effective date of the renewal of the policy. As an exception to the general rule and in consideration of the declared emergency, none of the foregoing will be considered a discount or incentive prohibited by Chapter 27 of the Puerto Rico Insurance Code or Rule No. 29 adopted under it. This exception is limited to the practice of premium reduction or incentive regulated in the mentioned regulation, and should not be interpreted as an exemption from compliance with any other of its provisions.

Prohibits authorized insurers and health services organizations in Puerto Rico from applying penalties for more charges, while the state of emergency lasts, to their insured or beneficiaries of policies for non-payment of premiums. In cases of premium payment through direct debit or checking account, the payment of penalties for insufficient funds must be exempted.

Extends for an additional period of 30 days, under the same terms and conditions of the current contract or policy, any contract or insurance policy of any kind or medical plan, whose term ends on September 31, 2022, or a later date, if requested by the insured. The 30-day renewal will only operate until the contract between the parties has been renewed, or until the mentioned 30-day period expires, whichever occurs first.

Contains further provisions.

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

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

Life

Funeral Service Contract, Group Annuities, Group Blanket Life, Group Corporate Owned - Key Person, 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 Person, 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

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

Lines of Business

Functions

Claims
General Compliance
Legal
Policy Management
Underwriting

Subject Category

011 - All Lines
060 - Health insurance / insurers
065 - Health service corporations
080 - Group insurance (all lines)
100 - Property and fire insurance / insurers

	300 - The policy 700 - Trade practices 720 - Information practices 800 - Legal procedure / proceedings 840 - Government agencies
Status	New
Actions	New
CitationsAffected	Ruling CN-2022-318-D
Proposed	09/20/2022
Adopted	09/20/2022
Effective	09/20/2022
Last Modified	09/21/2022
Priority	
Topics	
Recommended Requirements	

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