GOVERNMENT OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE

June 18, 2010

RULING LETTER NO.: 2010-114-AP

TO ALL INSURERS AUTHORIZED TO TRANSACT PERSONAL AUTOMOBILE INSURANCE IN PUERTO RICO

2010 Personal Auto Rate Revision

Dear Sirs and Madams:

On March 3, 2010, this Office issued Ruling Letter No. 2010-108-AP informing that the Insurance Services Office, Inc. ("ISO") had submitted the *2009 Personal Auto Informational Loss Cost Review,* and that thereby, we were establishing the profit and expense component which could be used to develop the final rates using the indications proposed in the document. ISO's participating insurers writing personal auto insurance in Puerto Rico had to elect among adhering to the final rates developed with the profit and expense components established by us, or submitting, for our evaluation and approval, its own profit and expense components. A thirty (30) day period was granted for the insurers to inform us their election. Afterwards, by our Circular Letter No. 2010-1807-AP of March 24, 2010, said period was extended for 60 additional days, period which expired on June 1st, 2010.

During the aforesaid extension period, ISO submitted a new personal auto loss cost level review, the *2010 Personal Auto Informational Loss Cost Review* which indicates a new overall lost cost level change of -7.8%. As a result, most ISO's participating insurers that answered Ruling Letter No. 2010-108-AP requested us to consider (before taking any definitive action regarding the published rates) the new loss cost level review presented by ISO. In addition, even though they agreed to adhere to the final rates contained in Exhibit A of Ruling Letter No. 2010-108-AP, they suggested us to review the profit and expense components established by this Office.

In accordance with the above mentioned request, after analyzing the *2010 Personal Auto Informational Loss Cost Review* we have decided to developed the final rates using the indications proposed by ISO in this new document. To this effect, we have used the in force profit and expense component of the physical damage coverages to develop the final rates for all personal auto coverages, i.e., liability and physical damage. Upon doing this, we have taken into consideration: 1) the insurer's recommendations regarding the profit and expense component that we had established for the indications proposed in the *2009 Personal Auto Informational Loss Cost Review,* and 2) the aforementioned new revision to the loss cost components of the current

B5 Tabonuco Street, Suite 216 • PMB 356 • Guaynabo, PR 00968-3029 • Ph.: (787) 304-8686 • Fax: (787) 304-0099
www.ocs.gobierno.pr

rate level submitted by ISO. We will be communicating with ISO in order to request it to develop the printed pages of the Personal Auto Manual. Until the effective date of the rate revision is established, insurers must continue using the current rate level.

Notwithstanding the above, if any ISO's participating insurers writing personal auto insurance in Puerto Rico understands that the suggested final rate level is inadequate for the liability coverage, the physical damage coverage or both, such insurer may file, for our evaluation and approval, its own profit and expense components for both coverages or either one. The filing must include the corresponding actuarial justification and supporting documents prepared by a recognized professional in the field, and shall take into account the aforementioned new revision to the loss cost components of the current rate level submitted by ISO. In addition, the filing must be received by this Office within the next fifteen (15) days from the date of this ruling letter.

Please be advised that the final rates contained in the Exhibit A of this ruling letter will be deemed approved for all ISO's participating insurers, writing personal auto insurance in Puerto Rico, which decide not to file, as described in the preceding paragraph, its own profit and expense components.

Strict compliance with the provisions of this Ruling is hereby required.

Cordially,

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

Enclosure

Exhibit A

Personal Automobile Insurance Rates
Based on 2010 PA Informational Loss Cost Review

Bodily Injury Base Rates			
Territory	Current Rate	New Rate w/ Proposed Premium Distribution*	% of Change
1	$83	$59	-28.92%
3	74	46	-37.84%
5	77	51	-33.77%
6	75	49	-34.67%
7	78	52	-33.33%
8	75	49	-34.67%

Property Damage Base Rate			
Territory	Current Rate	New Rate w/ Proposed Premium Distribution*	% of Change
1	$166	$148	-10.84%
3	188	140	-25.53%
5	158	146	-7.59%
6	143	118	-17.48%
7	148	134	-9.46%
8	130	129	-0.77%

Single Limits Base Rate			
Territorio	Current Rate	New Rate w/ Proposed Premium Distribution*	% of Change
1	$294	243	-17.35%
3	307	217	-29.32%
5	277	231	-16.61%
6	257	196	-23.74%
7	267	218	-18.35%
8	243	209	-13.99%

Premium Dollar Distribution	Liability Current	*Liability Proposed Revision
Production Cost Allowance	17.80%	18.80%
General Expenses	5.40%	5.70%
Underwriting Profit & Contingencies	4.50%	4.70%
Taxes, Licenses & Fees	5.00%	5.00%
Total Expenses	32.70%	34.20%
Permissible Loss Ratio	67.30%	65.80%

Personal Automobile Insurance Rates
Based on 2010 PA Informational Loss Cost Review

Comprehensive Base Rate ($100 Deductible)			
Territory	Current Rate	New Rate	% of Change
1	$4.39	$2.48	-43.51%
3	2.55	1.44	-43.53%
5	3.22	1.82	-43.48%
6	2.29	1.30	-43.23%
7	2.6	1.54	-40.77%
8	2.26	1.86	-17.70%

Premium Dollar Distribution	Physical Damage Current
Production Cost Allowance	18.80%
General Expenses	5.70%
Underwriting Profit & Contingencies	4.70%
Taxes, Licenses & Fees	5.00%
Total Expenses	34.20%
Permissible Loss Ratio	65.80%

Exhibit A

Personal Auto Insurance Rates
Based on 2010 PA Informational Loss Cost Review

Current Collision Rates ($100 Deducible)							
Cost	Age Group	Territory					
		1	3	5	6	7	8
8890-10000	1	676	748	659	669	581	578
	2,3	592	655	577	585	508	506
	4	507	561	494	502	436	434
10001-11111	1	704	779	686	697	605	602
	2,3	616	682	600	610	529	527
	4	528	584	515	523	454	452

New Collision Rates ($100 Deducible)							
Cost	Age Group	Territory					
		1	3	5	6	7	8
8890-10000	1	771	695	767	621	604	691
	2,3	675	608	672	543	528	605
	4	578	521	575	466	454	518
10001-11111	1	803	724	799	647	629	719
	2,3	702	633	699	567	550	630
	4	602	542	600	486	472	540

% of Change - New Collision Rates ($100 Deducible)							
Cost	Age Group	Territory					
		1	3	5	6	7	8
8890-10000	1	14.05%	-7.09%	16.39%	-7.17%	3.96%	19.55%
	2,3	14.02%	-7.18%	16.46%	-7.18%	3.94%	19.57%
	4	14.00%	-7.13%	16.40%	-7.17%	4.13%	19.35%
10001-11111	1	14.06%	-7.06%	16.47%	-7.17%	3.97%	19.44%
	2,3	13.96%	-7.18%	16.50%	-7.05%	3.97%	19.54%
	4	14.02%	-7.19%	16.50%	-7.07%	3.96%	19.47%

Premium Dollar Distribution	Physical Damage Current
Production Cost Allowance	18.80%
General Expenses	5.70%
Underwriting Profit & Contingencies	4.70%
Taxes, Licenses & Fees	5.00%
Total Expenses	34.20%
Permissible Loss Ratio	65.80%