

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE

In answering,
please refer to

June 4, 1992

Ruling Letter No. N-LI-02-48-92

TO ALL INSURERS, RATING ORGANIZATIONS, ADVISORY OR
SERVICE ORGANIZATION, GENERAL AGENTS, AND MANAGERS OF
FOREIGN INSURERS, LICENSED AGENTS, BROKERS OR
ADJUSTERS IN PUERTO RICO

RE: Use of alternative
document storage systems

Dear Sirs:

Being aware of the economic needs of the insurance industry and for the purpose of minimizing administrative costs incurred by insurance companies related to file storage, we have drafted this ruling letter to allow the use of microfilm and/or optical disk technology for file storage.

In accordance with the above, as of June 1, 1992, the use of microfilm and optical disk technologies will be allowed for document storage, under the conditions set forth below:

Any insurer, general agent, manager, agents, broker or adjuster seeking authorization to store documents using an image or optical disk system may only do so using a "write one/read many" programming method. Any subsequent change to the document must be done by means of an endorsement.

The following minimum requirements must also be complied with:

1. It must be possible to generate a copy of the document having the same characteristics as the original.
2. In the case of optical disks, there must be a backup system for the stored data and access software for the data.
3. The system must have a multiuser capability, if compatible with the system.

4. The scanner, camera or other equipment used to copy and to store data shall have the capacity to copy complete documents and not just by sections.

5. The copies of the documents should not be in the same location as where the originals are filed and stored.

The above requirements will be taken into account by this Office for the authorization of these systems.

These storage systems shall comply with the requirements established in Section of Rule 12 204-661, of the Regulations of the Insurance Code, to wit:

"All insurers, rating organizations, advisory or service organizations, general agents, managers, agents, brokers or adjuster shall retain account books, records and any other document related to their insurance business for a period of no less than five (5) calendar years."

Any person who is interested in using any of these document storage systems shall submit an application with the Office of the Commissioner of Insurance providing a description of the system to be used and enclosing literature from the manufacturer of the system. In addition, the person should set forth in detail how the following conditions will be complied with:

- A. Describe in writing the need for and convenience of using alternative systems such as those described above for document storage, under the following criteria:
 1. Legal criteria: Describe the measures that would be taken into account to comply with legal provisions, in terms of whether the document could be used in legal or administrative proceedings under the Puerto Rico Rules of Evidence and with regard to:
 - a. Storage and reproduction procedure during the ordinary course of business.
 - b. Precision in the reproduction of the original.
 - c. Reliability of the identification process.
 2. Quality criteria: Describe the measures to be taken which will make it possible to obtain a high quality product:
 - a. Preparation, filming, processing, inspection and duplication of the document to be stored.

b. Quality of storage: Describe the measures to be taken so that the images will last for more than the five (5) years required by law.

1. Relative humidity
2. Changes or variations in the environment
3. Deviation

3. Common element:

- a. Every microfilm reel or disk to be used should contain a statement from the corporation, business or authority indicating authorization of the storage..
- b. The authorized person shall keep an updated record listing the documents that are stored on microfilm or images, the date, the person who is responsible for supervising the operation and the person who has custody of the disk or microfilm.
- c. The authorized person shall provide as part of the internal audit program a record where compliance with the established controls can be verified.
- d. The authorized person shall keep a record showing, at a minimum, the name of the company or agency where the system has been installed, the date of the initial installation, date of subsequent monitoring, and the contact or coordination person at the company or agency.
- e. The authorized person shall provide an alternative method to substitute for the original file in the event that the original is destroyed.

. The Commissioner will verify compliance with the provisions of this Circular Letter, whether in regular or special interventions.

General agents are advised that they should inform agents of the provisions of this letter.

Once an application is submitted, it will be evaluated by the Office of the Commissioner of Insurance. The system may be used only after express and written permission has been given for such.

Any violation to the provisions of this letter will be sufficient reason to withdraw approval of the system.

Very truly yours,

Ralph H. Rexach-Chandri

Commissioner of Insurance