

Commonwealth of Puerto Rico
OFFICE OF THE COMMISSIONER OF INSURANCE

RULE 70

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COMMONWEALTH OF PUERTO RICO
OFFICE OF THE COMMISSIONER OF INSURANCE
PO Box 8330 – Fernández Juncos Station
Santurce, Puerto Rico 00910-8330

COMPULSORY LIABILITY INSURANCE FOR MOTOR VEHICLES

Section 1. By virtue of the provisions of Public Law No. 253, enacted on December 27, 1995, as amended, known as the "Compulsory Liability Insurance for Motor Vehicles Act," Section 2.040 of Public Law No. 77, enacted on June 19, 1957, as amended, known as the Puerto Rico Insurance Code, Section 2 H of Reorganization Plan No. 3, effective June 22, 1994, and Public Law No. 170, enacted on August 12, 1988, as amended, we are hereby notifying the insurance industry and the public at large that Rule 70 of the Regulations of the Puerto Rico Insurance Code is hereby amended in all of its sections to consolidate Rules 70 and 69 of said Regulations and modify them according to the experience obtained while they were in effect, as follows:

RULE 70

IMPLEMENTATION OF COMPULSORY LIABILITY INSURANCE FOR MOTOR VEHICLES

Subsection 1. - Purpose

The purpose of this Rule is to establish the necessary conditions to effectively implement the various provisions of Public Law No. 253, enacted on December 27, 1995, as amended, in conformance with the applicable provisions of Puerto Rico Insurance Code, as well as what is usual and customary in the insurance industry in Puerto Rico.

Subsection 2. - Definitions

For Purposes of this Rule, the following terms shall have the meanings set forth

below:

- (a) "Insurer" means a private insurer as well as the Joint Underwriting Association.
- (b) "Private Insurer " means an authorized insurer or that may be authorized in the future to underwrite insurance in Puerto Rico for any risk, expense, liability for loss or damages caused to persons or property, resulting from the possession, conservation or use of any land vehicle, aircraft or draft or riding animal, or incidental to such, all of which is in conformance with Section 4.070 (1) of the Code, provided that the volume of premium written for this class of insurance by such insurer is more than one (1) percent of the total volume of premiums written in of premiums in Puerto Rico for such class.
- (c) "Joint Underwriting Association" means the Compulsory Liability Insurance Joint Underwriting Association created by Law. The Association is a private for-profit insurer created by virtue of the provisions of Public Law No. 253, enacted on December 27, 1995, as amended, and is therefore subject to the provisions of the Code applicable to insurers for the activities for which it was created. Likewise, the Commissioner's authority with regard to the Association will be the same as with regard to private insurers.
- (d) "Code" means Public Law No. 77, enacted on June 19 1957, as amended, known as Puerto Rico Insurance Code
- (e) "Commissioner" means the Commissioner of Insurance of Puerto Rico.
- (f) "Uniform policy form" means the policy form, having an identical content, to be used by all insurers to write compulsory liability insurance.
- (g) "Board" means the Board of Directors of the Joint Underwriting Association.
- (h) "Act" means Public Law No. 253, enacted on December 27, 1995, as amended, known as the "Compulsory Liability Insurance for Motor Vehicles Act."
- (i) "Puerto Rico Vehicles and Traffic Act" means Public Law No. 141, enacted on July

20, 1960, as amended.

- (j) "Motor vehicle license" means any certificate of recording or registration of a motor vehicle issued in conformance with the Puerto Rico Vehicles and Traffic Act.
- (k) "Member" means each private insurer that is a member of the Joint Underwriting Association. The term will be used in the context of the interaction between the private insurer and the Joint Underwriting Association.
- (l) "Proportional share" means the percentage of the net direct premium written in Puerto Rico by a private insurer during a given year for insurance of any loss, expense or liability for the loss or the damages caused to persons or property, resulting from the possession, conservation or use of any land vehicle, aircraft or draft or riding animal, or incidental to such, all of which shall be in conformance with Section 4.070(1) of the Code, with regard to the total net direct premium of such insurance written in Puerto Rico by all private insurers during such year, as established by the Commissioner.
- (m) "Operational Plan" means the operational plan of the Joint Underwriting Association.
- (n) "Net direct premium" means gross direct premiums written in Puerto Rico for insurance policies covering any loss, expense or liability for the loss or damage caused to persons or property, resulting from the possession, conservation or use of any land vehicle, aircraft or draft or riding animal, or incidental to such, all of which is in conformance with Section 4.070(1) of the Code, less premium returned to policyholders in such direct business. The term "Net direct premium" does not include premiums related to contracts between insurers and reinsurers.
- (o) "Uniform Premium" means the maximum uniform premium to be charged for compulsory liability insurance for private passenger vehicles or for commercial vehicles.

- (p) "Compulsory liability insurance" means the insurance required by the Act and covers liability for damages caused to motor vehicles owned by third parties as a result of a traffic accident, for which the owner of the vehicle insured by this insurance is legally liable, and the use of such vehicle having caused such damages, according to the system for the initial determination of liability created under the Act. The insurance will have a coverage of three thousand (3,000) dollars per accident.
- (q) "Liability insurance" means insurance contra any loss, expense or liability for the loss or damage caused to persons or property, resulting from the possession, conservation or use of any land vehicle, aircraft or draft or riding animal, or incidental to such, as provided in Section 4.070(1) of the Code.
- (r) "Vehicle Insurance" means the insurance referred to in Section 4.070 of the Code.
- (s) "Traditional liability insurance" means liability insurance for vehicles, as defined in Section 4.070(1) of the Code, which is different from the definition in paragraph (p) of this Subsection, and which is written by private insurers.
- (t) "Commercial vehicles" means motor vehicles that the Puerto Rico Department of Transportation and Public Works does not register as a private automobile, an automobile for a disabled person, or a motorcycle. The term "commercial vehicles" includes trailer trucks with a capacity of more than two (2) tons that are registered as such with the Department.
- (u) "Racing vehicles" or "high-speed vehicles" means a vehicle that has been modified or by its design is capable of being driven at a higher than normal speed, according to the condition of the road. This capacity is determined by the vehicle's engine, chassis, suspension, brakes, and tires.
- (y) "Motor Vehicles" means and includes commercial and private passenger vehicles.
- (w) "Private passenger vehicles" means motor vehicles that the Puerto Rico Department of Transportation and Public Works has registered as private

automobiles, automobiles for persons with disabilities, and motorcycles.

- (x) "Public Vehicle" means a motor vehicle used to transport passengers on public thoroughfares, on a paying basis, and such transportation is provided by a public carrier as defined in Section 2 (d) of Public Law No. 109, enacted on June 28, 1962, as amended, known as Puerto Rico Public Service Act.

Subsection 3. - Circumstances under which it is considered that the subject of the insurance has disappeared

For the purposes of this Rule, it will be deemed that a motor vehicle insured under compulsory liability insurance has disappeared when it is a total loss and therefor lacks the ability to cause damage on public thoroughfares or when such vehicle is exported from Puerto Rico, and the license plate and the license of the vehicle have been delivered to the Puerto Rico Department of Transportation and Public Works for cancellation, subject to the following conditions:

- (a) It will be considered that a motor vehicle is a total loss when it cannot be repaired and the title shows an irreparable vehicle notation at the Registry of Motor Vehicles of the Puerto Rico Department of Transportation and Public Works. The sole use of such vehicle, if any, would be the legal use of it parts to repair or adapt another unit.
- (b) It will be considered that a motor vehicle has been exported from Puerto Rico when the vehicle is transferred outside of Puerto Rico and the title shows an exported vehicle notation at the Registry of Motor Vehicles of the Puerto Rico Department of Transportation and Public Works and the license plate and license of the vehicle have been deliver for the purpose of cancellation to said Department.

Subsection 4. - Substitution of compulsory liability insurance with traditional liability insurance

Any compulsory liability insurance may be substituted with traditional

liability insurance with a similar or greater coverage than that of the compulsory liability insurance. In such cases, the unearned premium of the compulsory liability insurance will be credited to the payment of the traditional liability insurance, subject to the retention of a minimum unearned premium of no more than seven (7) dollars, by the insurer of the compulsory liability insurance.

Since there are insurers that are authorized to transact insurance business in Puerto Rico that do not comply with the definitions of "insurer" and "private insurer" established in Subsections 2(a) and 2(b) of this Rule, but that write liability insurance with a coverage that is similar to or greater than that of the compulsory liability insurance, in fairness, this Rule recognizes the right that owners of motor vehicles that are insured by such insurers to use such insurance to comply with the compulsory liability insurance requirement.

Private insurers and insurers that are authorized to transact insurance business in Puerto Rico but that do not comply with the definitions of insurer and private insurer established in Subsections 2(a) and 2(b) of this Rule and who write liability insurances, shall be collectively name in this Rule as "authorized insurers."

Subsection 5. - Cancellation of compulsory liability insurance

The compulsory liability insurance policy will be in effect while the license of the motor vehicle is in effect and may only be cancelled under the followings conditions:

- (a) Showing the insurer that provides the compulsory liability insurance that the subject of the insurance has disappeared as provided in Subsection 3 of this Rule. This requests shall include a certification issued by the Puerto Rico Department of Transportation and Public Works to the effect that the title of the vehicle is recorded at the Registry of Motor Vehicles of the Department with a notation of as a non-repairable vehicle or with an exportation encumbrance, and that the license plate and the license of the

vehicle have been delivered to the Department for cancellation.

(b) Showing the insurer that provides the compulsory liability insurance, that liability insurance has been obtained with a coverage that is similar or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, to cover the motor vehicle, for at least the remainder of the time in which license of the motor vehicle will be in effect. The authorized insurer for said liability insurance will directly contact the insurer that is currently providing the compulsory liability insurance to obtain the unearned premium of the compulsory liability insurance that is to be cancelled, and will guarantee compliance with the compulsory liability insurance requirement until the next renewal date of the motor vehicle license.

Subsection 6. - Effective date of cancellation of compulsory liability insurance

- (a) Cancellation of the compulsory liability insurance, as provided in Subsection 5(a) of this Rule, will enter into effect on the date of disappearance of the subject of the insurance.
- (b) Cancellation of compulsory liability insurance, when such insurance is being substituted with liability insurance with coverage that is similar or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, will enter into effect as provided in Subsection 5(b) of this Rule, on the effective date of the last insurance.

Subsection 7. - Conditions of the cancellation of compulsory liability insurance

The insurer that provides the compulsory liability insurance will cancel such and return the unearned premium of such insurance, on a pro rata basis of the premium. A minimum unearned premium of no more than seven (7) dollars is established for the cancellation of compulsory liability insurance.

Subsection 8. - Criteria for denying applications for compulsory liability insurance

- (a) All insurers shall have the obligation to provide compulsory liability insurance to any motor vehicle owner that applies for such. However, private insurers will not have the obligation to provide such insurance under the following circumstances:
- (1) The motor vehicle is used as a public vehicle.
 - (2) The motor vehicle is a racing or high-speed vehicle.
 - (3) The owner or principal driver of the motor vehicle has accrued five (5) points or more for violations of the Puerto Rico Vehicles and Traffic Act, during the three (3) years prior to applying for the compulsory liability insurance.
 - (4) The owner or principal driver of the motor vehicle has been convicted of driving a motor vehicle under the influence of alcohol or drugs, or for participating in any kind of drag racing on public streets.
 - (5) If the driver's license of the owner or principal driver of the motor vehicle has been suspended or cancelled during the year before the effective date for which the compulsory liability insurance is requested.
 - (6) The motor vehicle is not insurable according to written underwriting criteria of the private insurer for the traditional liability policies it issues. In applying this standard, no private insurer will establish or allow the establishment of any difference in favor of certain persons and to the detriment of others or among the insureds under the insurance policy, who have essentially the same insurability, risk and exposure factors or expense elements, and insofar as may be applicable, the insurer may not engage in any kind of unfair differentiation as set forth in the Code.

- (7) The owner of the vehicle has not requested it.
 - (8) The duly completed application form adopted by the Commissioner, has not been submitted.
- (b) Whenever an insurance applicant is declined under paragraph (a) of this Subsection, the private insurer will notify the applicant in writing, by regular mail, at the address that is shown on the insurance application, no later than seven (7) days from the date on which the insurance application is received.
 - (c) A private insurer may refuse to renew a compulsory liability insurance policy for the reasons indicated in paragraph (a) of this Subsection. In such case the insurer must notify the insured, in writing, by regular mail, at the last reported address of the insured, or at the address shown on the policy, no later than thirty (30) days before the expiration date of the policy.

Subsection 9. - Payment of compulsory liability insurance premiums

- (a) Any
 person who obtains for the first time or renews a motor vehicle license of as required under the Puerto Rico Vehicles and Traffic Act, will have the obligation to pay the premium for the compulsory liability insurance, along with the payment made to the Secretary of the Treasury of Puerto Rico for the fees for issuing or renewing such license. The Secretary of the Treasury of Puerto Rico will transfer to the Joint Underwriting Association the premiums that have been paid, for distribution according to the provisions of the Act and this Rule.
- (b) Any
 person whose motor vehicle may circulate on the public thoroughfares of Puerto Rico, as provided in the Puerto Rico Vehicles and Traffic Act,

with a license and license plate from a jurisdiction other than Puerto Rico, shall comply with the insurance requirement provided in the Act, by obtaining compulsory liability insurance or liability insurance, with a coverage that is similar or greater than that of the compulsory liability insurance, through the Joint Underwriting Association or an authorized insurer, as provided in Subsection 4 of this Rule. The authorized insurer selected for the insurance, once said insurance has been paid for, will notify the Joint Underwriting Association, of the existence of such insurance, which will issue to the insured a certification of insurance showing that the motor vehicle is duly covered, as required in the Act. The certification of insurance will constitute evidence of compliance with insurance requirement provided in the Act.

- (c) When
 n a motor vehicle license is renewed after the deadline, no credit will be granted for the payment of the premium of the compulsory liability insurance because the period of coverage of the compulsory liability insurance would be less than one (1) year. Such insurance will enter into effect on the date that payment is made for the renewal and will remain in effect until the expiration of the license of the motor vehicle.

Subsection 10. - Licenses of motor vehicles issued for irregular periods of time

The premium of the compulsory liability insurance for motor vehicles to which the Puerto Rico Department of Transportation and Public Works issues transitory or provisional licenses, will be the uniform premium calculated on a pro rata basis according to the duration of such licenses.

Subsection 11. - Financing or deferred payment of premiums

- (a) Liability insurance policies with a similar coverage or greater than that of the compulsory liability insurance, issued by an authorized insurer as provided in Subsection 4 of this Rule, for which premiums are financed

or paid under a deferred payment plan shall include in the down payment an amount equivalent to the total amount of the premium of the compulsory liability insurance. In other words, the amount of the premium of such liability insurance that may be financed or paid under a deferred payment plan is the total amount less the annual premium of the compulsory liability insurance.

- (b) The premium of the compulsory liability insurance shall be paid in full and will not be subject to any financing or deferred payment plan.

Subsection 12. -Insurer of the compulsory liability insurance

- (a) Any motor vehicle for which fees are paid to the Secretary of the Treasury of Puerto Rico for issuing or renewing a license along with the premium for the compulsory liability insurance will be considered to be insured by the Joint Underwriting Association under the terms of the uniform policy form, unless:
 - (1) The owner of the motor vehicle has selected a private insurer to provide the compulsory liability insurance; or
 - (2) At the time of paying the uniform premium, the vehicle is covered by liability insurance, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer as provided in Subsection 4 of this Rule; or
 - (3) Subsequent to paying the uniform premium liability insurance is obtained with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer as provided in Subsection 4 of this Rule, in which case, the private authorized insurer that provides such insurance will request that the Joint Underwriting Association the unearned premium that is proportionate to the time during which the motor vehicle was

covered by the association, but subject to the provisions regarding minimum earned premium in Subsections 4 and 7 of this Rule.

- (b) Once a compulsory liability insurance policy enters into effect, whether provided by a private insurer or by the Joint Underwriting Association, the insurer of such policy may not be changed until the renewal date of the policy.

Subsection 13.- Change of ownership of a motor vehicle

- (a) When ownership of a motor vehicle covered by compulsory liability insurance changes, the new owner of the motor vehicle will continue to be covered by the existing compulsory liability insurance until the date of expiration that appears on the license of the vehicle, unless the new owner of the motor vehicle has liability insurance, with coverage that is similar or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, which will begin to cover that motor vehicle at the time of transfer of title. In that event, the provisions of Subsection 6(b) of this Rule will be applicable and the unearned premium of the compulsory liability insurance will be returned by the insurer of said policy to the new authorized insurer of the motor vehicle, who will return to the new owner any excess premium that will not be necessary for providing coverage under the new insurance.
- (b) When ownership changes with regard to a motor vehicle covered by liability insurance with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, the authorized insurer that provides such insurance will notify the Joint Underwriting Association of the change, so that the Association will cover the new owner of the motor vehicle, under the terms of the uniform policy form, until the expiration of the license of the motor vehicle in effect at that time, unless the new owner of the motor vehicle

has liability insurance, c with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, which begins to cover the motor vehicle at the time of transfer of title. To this effect, the authorized insurer of such policy will retain and subsequently forward to the Joint Underwriting Association the portion of the unearned premium that remains after the cancellation of the coverage of such liability insurance, for the motor vehicle on which transfer of title was made, and that it will be necessary for the Joint Underwriting Association to provide the compulsory liability insurance. When said unearned premium is insufficient to defray the cost of the coverage of the required compulsory liability insurance, the Joint Underwriting Association may use for these purposes the investment income that has been derived form the management of compulsory liability insurance premiums, as provided in Subsection 16 of this Rule. That is to say, with regard to a motor vehicle for which title has been transferred, the authorized insurer will terminate existing coverage of the vehicle and the Joint Underwriting Association will provide compulsory liability insurance for the new owner until the expiration date shown on the license of the vehicle. This will not prevent the new owner from obtaining liability insurance, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, if the new owner deems it advisable, and applies and pays for such insurance.

Subsection 14. - Cancellation or non-renewal of liability insurance

- (a) All liability insurance policies, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, shall contain a

provision that in the event of the cancellation or non-renewal of the policy, the Joint Underwriting Association will provide compulsory liability insurance for any motor vehicle whose liability insurance is terminated up to the date of expiration that is shown on the license of each of the motor vehicles covered under said policy and starting on the date of cancellation or non-renewal of said policy, in order to comply with the insurance requirement provided in the Act. The authorized insurer that provides such liability insurance will notify the Joint Underwriting Association regarding such cancellation or non-renewal.

- (b) Wh
When cancelling liability insurance of a motor vehicle, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, said authorized insurer will subtract from the unearned premium to be returned the premium amount needed for the Joint Underwriting Association to maintain the compulsory liability insurance in effect until the date of expiration shown on the license of said vehicle. The authorized insurer will forward to the Joint Underwriting Association the amount of the retained premium so that the Association may be able to provide the compulsory liability insurance until the expiration date shown on the license of the motor vehicle whose liability insurance is being terminated.

- (c)
In the event that on the termination of liability insurance of a motor vehicle, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, because of non-renewal or cancellation of the policy, there is no unearned premium or such

premium were insufficient to defray the cost of coverage of the required compulsory liability insurance, the Joint Underwriting Association may use for these purposes the investment income that has been derived from the management of compulsory liability insurance premiums, as provided in Subsection 16 of this Rule.

(d) All liability insurance policies, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, shall include a provision to the effect that whenever there is an interruption in the coverage of said policy, while the motor vehicle license of the insured vehicle is in effect, the period in which the coverage of the liability insurance policy was interrupted will be considered to be covered by the Joint Underwriting Association only under the terms of the uniform policy form and as provided in this Subsection 14 of this Rule.

(e) In the case of motor vehicles sold by dealers, the insurer that provides the compulsory liability insurance, or the Joint Underwriting Association, if such vehicles have been covered by liability insurance, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, will provide compulsory liability insurance to the buyer of the vehicle from the time the buyer acquires the motor vehicle until the expiration of the license of the vehicle, as provided in Subsections 13(a) and 13(b) of this Rule.

(f) Any authorized insurer that provides liability insurance, with coverage that is similar to or greater than that of the compulsory liability insurance, as

provided in Subsection 4 of this Rule, whose premium rates are established based on other than a per vehicle rating system, will make the appropriate adjustments to the rates, to ensure compliance with the provisions of Subsection 13(b) of this Rule.

In the event of the termination of liability insurance, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, the cost of the compulsory liability insurance issued up to the next date of renewal of the motor vehicle license will be aligned with the cost of the liability insurance that has terminated, if the cost of this liability insurance were less than the uniform premium.

Subsection 15.- Deductible amounts in liability insurance policies

When a liability insurance policy, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, has a deductible amount, the authorized insurer that issues said policy shall be obligated to pay said deductible amount to the injured party. Once the payment is made, the authorized insurer will claim the amount paid from the insured.

Subsection 16. — Cost of the coverage of the compulsory liability insurance at the termination of the coverage of the liability insurance

The Joint Underwriting Association may use the investment income that has been derived from the management of compulsory liability insurance premiums and the premium received from the authorized insurers at the time of the cancellation of the liability insurance, with coverage that is similar to or greater than that of the compulsory liability insurance, written by such authorized insurers, as provided in Subsection 4 of this Rule, to defray the cost of the coverage of the compulsory liability insurance that such entity must provide due to the cancellation or non-renewal of the

liability insurance, from the time of the termination of this insurance until the expiration date shown on the motor vehicle license whose insurance terminates according to Subsection 14 of this Rule. However, when the total premium received by the Joint Underwriting Association as a result of the cancellation of said liability insurance policies, along with the investment income that such Association may have derived from the management of the premiums of the compulsory liability insurance that the Association may use for this purpose, are insufficient to defray the cost of compulsory liability insurance coverage, the Commissioner may allow a remedy to be adopted to solve the problem. The Commissioner will establish the necessary provisions for the compliance of this Subsection.

Subsection 17. – Certification of compliance the compulsory liability insurance

(a) Government vehicles

- (1) At the moment when a motor vehicle license required under the Puerto Rico Vehicles and Traffic Act is obtained for the first time or renewed, for any vehicle that is the property of an instrumentality, agency, public corporation or municipality of the Commonwealth of Puerto Rico, if such vehicle is covered by a liability insurance policy, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, obtained through the Public Insurance Division of the Department of the Treasury, a certification issued by the Public Insurance Division to the effect that such vehicle is covered by such insurance policy may be submitted as satisfactory evidence of compliance with the insurance requirement established in the Act,.
- (2) If the liability insurance with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, referred to in the above paragraph (a)(1) were not obtained through the Public Insurance

Division of the Department of the Treasury, the insurance broker of the government entity that owns the vehicle will provide the certification that such vehicle is covered by such liability insurance. The form adopted by the Commissioner of Insurances will be used for the certification.

(b) Other vehicles

When a motor vehicle license required under the Puerto Rico Vehicles and Traffic Act for a motor vehicle other than those included in paragraph (a) above is being obtained for the first time or renewed, when allowed by Secretary of the Puerto Rico Treasury Department, a certification that such vehicle is covered by a liability insurance policy with coverage that is similar to or greater than that of the compulsory liability insurance written by an authorized insurer, as provided in Subsection 4 of this Rule may be submitted as satisfactory evidence of compliance with the insurance requirement established in the Act. The certification will be issued by the Joint Underwriting Association or the authorized insurer that provides such insurance, using the mechanism established by the Commissioner. The certification form will be uniform and shall be approved by the Commissioner.

Subsection 18.- Statistical Information

All insurers will have the obligation to maintain separate statistical information on premiums, losses and expenses related to the compulsory liability insurance, according to criteria and plans approved by the Commissioner.

Subsection 19.- Distribution of premiums collected for compulsory liability insurance

The Joint Underwriting Association will take all such action as may be necessary so that when authorized insurers request the premiums paid by Secretary

of the Treasury, by its insureds for compulsory liability insurance, the Association will forward such premium in a timely manner.

Subsection 20. – Joint Underwriting Association

(a) General Powers

The Joint Underwriting Association will have such general corporate powers as provided in Section 29.050 of the Code and the power to negotiate all contracts that may be necessary to further its purposes as well as the power to carry out any activity that may be incidental to its purposes that could contribute to the success of its ultimate purpose. The Joint Underwriting Association will also be subject to the provisions of the Code applicable to insurers for their actions.

(b) Policyholders surplus

The Association shall maintain a minimum surplus as to policy holders of \$1,000,000. If such minimum surplus were impaired, the Board will levy a special assessment on the members as may be necessary to cover the deficiency according to the proportional share of each member.

(c) Operational Plan

(1) The operational plan shall harmonize the provisions of the Act, the Code, and this Rule and shall be the basic document for the administration of the Association. This document will provide for the following:

i. Proc
 edures for levying and the payment of special assessments for the members, to ensure that the Joint Underwriting Association will at all times have the minimum required surplus and the necessary funds to meet its obligations.

ii. Pro
 visions regarding the termination of the members, to ensure that the terminating member who was a part of the Joint Underwriting Association meets the obligations it incurred.

- iii. Composition
and procedures of the Board, which shall be comprised of five (5) directors, four (4) of these who will be elected by the members at annual meetings and the remaining director will be the officer in charge of the administration of the Joint Underwriting Association.
- iv. The term for
which each director of the Board will serve will not exceed three (3) years. It will be further provided that there cannot be more than one member that belongs to a group of insurers occupying the position of director of the Board, whether such are directly or indirectly affiliated by ownership, management or control,.
- v. Election of the
officers of the Board, which shall be held no later than ten (10) days after the annual meeting of the Joint Underwriting Association. The officers will be at least a Chair, a Vice Chair, and a Secretary.
- vi. Authority and
duties of the officers of the Board and procedures for selecting the officers of the Board.
- vii. Authority of the Board to appoint committees, and it is further disposed that there will be at least a Nominations Committee for Candidates to the Board and an Executive Committee, whose functions will include tending to the affairs of the Joint Underwriting Association between the Board meetings.
- viii. Powers and duties of the Board, including powers and duties to appoint or remove the officer in charge of the administration of the Joint Underwriting Association; levy

special assessments on the members when necessary; establish any kind of policy; execute contracts; approve work plans and budgets of the Association; evaluate the performance of the Joint Underwriting Association; ensure that there is a database including the loss experience; and exercise all the powers and fulfill all the obligations established in applicable laws and regulations.

- ix. Authority and duties of the officers of the Joint Underwriting Association, which shall be at least a President and a Vice President of Operations.
- x. Legal indemnity, where mechanisms are established, including obtaining insurance policies for the protection of at least the directors, offers, and members of the Joint Underwriting Association, when they act in good faith in furthering the purposes of the Joint Underwriting Association.
- xi. Procedures to establish rating plans that establish individual surcharges for risk characteristics, and the elimination of such, as well as procedures for the review of rate levels, according to the Act and the Code.
- xii. Standards for designating an intermediary, without negatively affecting the right of all vehicle owners to obtain the compulsory liability insurance provided by the Joint Underwriting Association.
- xiii. Management and distribution of all funds received by the Joint Underwriting Association.
- xiv. Selection of external auditors.
- xv. Procedures for amending the Operational Plan with the approval of the Commissioner or on the initiative of the

Commissioner. The amendments to the Operational Plan recommended by the members shall have the votes that represent a combined proportional share of more of the 50%, according to the most recent determination made by the Commissioner under paragraph (e)(2) of this Subsection.

- xvi. Review mechanisms for the decisions made by the Joint Underwriting Association.
- xvi. Transitory provisions that will allow for an effective initiation of operations.
- xviii. Other provisions that are needed for successfully achieving the objective of the Joint Underwriting Association.

(d) Members

The Joint Underwriting Association will be comprised of all private insurers, who will be the members of the Association. Each member will have obligations with regard to the Joint Underwriting Association under the provisions of this Rule, the Operational Plan, and the Act.

(e) Share in profits or losses

- (1) The Joint Underwriting Association will annually determine what its profits or losses are according to the Annual Statement required in Section 3.310 of the Code.
- (2) Members will share in the annual profits or losses of the Joint Underwriting Association according to the proportionate share of each of such members for the year in which such profits or losses are determined. With regard to sharing profits, the share may not exceed the maximum percentage established for the distribution of the premium dollar as profits, applied to the earned premium for that year.

Excess profits for each year with regard to the amounts that are distributed according to the share stipulated in this paragraph will be accumulated in a special surplus reserve that will be used exclusively for

the future stabilization of the compulsory liability insurance premiums and the future increase of the benefits of such insurance In no event may the accumulated surplus reserve be used for the distribution of profits as established in the above paragraph.

- (3) The proportional share of each member in the annual profits and losses of the Joint Underwriting Association referred to in paragraph (e)(2) of this Subsection, shall be determined annually by the Commissioner.
- (4) In conformance with the provisions of Section 29.470 of the Code, in the event of a merger or consolidation of insurers, the surviving private insurer or new private insurer will become member of the Joint Underwriting Association, if such insurer were not already a member, and will be liable to the Joint Underwriting Association for any obligation of the insurer or insurers that disappear as a result of the merger or consolidation, as well as for its own obligations.

(f) Compliance with payment obligations

- (1) If a member should become insolvent, or a private insurer should cease to be authorized to underwrite insurance against any loss, expense or liability for loss or damages caused to persons or property, resulting from the possession, conservation or use of any land vehicle, aircraft or draft or riding animal, or incidental to such, as provided in Section 4.070(1) of the Code, and the member or private insurer fails to pay any obligation imposed by the Joint Underwriting Association within the term established by the Board, the Board, in addition to advising the Commissioner of these circumstances, will take such action as the Board deems advisable to recover the amount owed. The remaining members will have the obligation to cover the unpaid amount and each member will contribute to cover the debt according to the proportional share of each remaining member, except that net direct premium of private insurers will be excluded from said calculations.

- (2) Any member that is not in agreement with the determination made by the Board with regard to payments made under the provisions of this Subsection shall make payment to the Joint Underwriting Association and, having complied with this requirement, then bring any review procedure as the member may deem advisable, as provided for such purposes under this Rule. Every day a member incurs in a delay in complying with the provisions of this paragraph will be considered an independent violation of this Rule and will be subject to the penalties provided in the Code.
- (3) The Joint Underwriting Association will reimburse members for any contribution made under the provisions of paragraph (f) (1) of this Subsection as soon as the surplus funds are available for such purpose as shown on the next Annual Statement. Likewise, the Joint Underwriting Association will recover the unpaid amount owed by the member or private insurer, partially or totally, from the Miscellaneous Insurance Guaranty Association or any other available source, and will return the recovered amount proportionally to the members if such is owed to them.

(g) Meetings of the members

- (1) The Joint Underwriting Association will hold an annual meeting of all of its members no later than on the 31st of May of every calendar year at the time and place in Puerto Rico designated by the Board. The first meeting of the Joint Underwriting Association will be called and chaired by the Commissioner on the date that the Commissioner deems appropriate. Except for the first meeting of the Joint Underwriting Association called by the Commissioner, notices of the annual meetings shall be sent to all members of the Joint Underwriting Association and the Commissioner, by ordinary mail, at least thirty (30) days in advance, to the address of record at the Joint Underwriting

Association.

- (2) The Joint Underwriting Association will hold special meetings of the members according to a resolution by the Board, or a written petition by a number of members whose combined proportional share is 20% or more, according to the most recent determination made by the Commissioner under paragraph (e)(3) of this Subsection, or, at the request petition of the Commissioner. The notices for special meetings shall specify the purpose of the meetings and not action will be taken at the special meeting on any matter that is not included in the notice of the meeting. The Notices of the special meetings shall be sent by ordinary mail to all members, at least ten (10) days in advance, to the address of record with the Joint Underwriting Association.
- (3) Voting at annual or special meetings may be in person or by proxy. To be valid, proxy votes must be granted in writing, signed by an officer of the member, and submitted to the Joint Underwriting Association before quorum is constituted for the meeting where such votes will be cast.
- (4) Quorum for annual or special meetings will be constituted when 20% or more of the members are present or represented by proxy, representing a combined proportional share of more of the 50%, according to the most recent determination made by the Commissioner under paragraph (e)(3) of this Subsection.
- (5) Every member that is present or represented by proxy at an annual or special meeting shall have a vote with regard to the business considered at such meetings, except for the election of the directors of the Board and for the amendments to the Operational Plan recommended by the Commissioner, in which case the vote will be weighted according to the proportional share of each member,

according to the most recent determination made by the Commissioner under paragraph (e)(3) of this Subsection.

(h) Database

- (1) The Joint Underwriting Association shall maintain a database including all activity related to claims generated under insurance policies issued in compliance with the Act, or that directly or indirectly affect the experience of the compulsory liability insurance.
- (2) All members have the obligation to provide the Joint Underwriting Association with the necessary information to achieve the purposes set forth in paragraph (h)(1) of this Subsection, according to the guidelines established by the Joint Underwriting Association.
- (3) Any failure by a member to provide the Joint Underwriting Association with the information required under paragraph (h) of this Subsection shall be considered an independent violation of this Rule and shall be subject to the sanctions provided in the Code.

Subsection 21. - Transitory Provisions

Until the use of the certification stipulated in Subsection 17 of this Rule is fully implemented, any person who at the time of issue or renewal of a motor vehicle license required by the Puerto Rico Vehicles and Traffic Act who has liability insurance that is currently in effect, with coverage that is similar to or greater than that of the compulsory liability insurance, written by an authorized insurer, as provided in Subsection 4 of this Rule, may receive from the Joint Underwriting Association a check issued by such association, made out to Secretary of the Treasury of Puerto Rico, for the amount of the premium of the compulsory liability insurance, to be used as payment for the compulsory liability insurance in the issue or renewal of the person's motor vehicle license.

Subsection 22.- Uniform Policy Form

The uniform policy form included in the Appendix, which has been duly

approved by the Commissioner of Insurance of Puerto Rico is made a part of this Rule.

Any amendment to the policy form will be made a part thereof and will be notified to authorized insurers, the Joint Underwriting Association, all owners of motor vehicles in Puerto Rico and the public at large.

Subsection 23.- Severability

If any word, sentence, paragraph, subsection, section or part of this Rule were found to be null or invalid by a court of competent jurisdiction, the order entered by such court will not affect or invalidate the remaining provisions of this Rule, but rather the effect of such order will be limited to the word, sentence, paragraph, subsection, section or part that has been found to be invalid.

Subsection 24.- Interpretation

The provisions of this Rule shall be interpreted according to the Act, and the provisions of the Code, insofar as they are not incompatible.

Section 2 – With the consolidation of Rules 70 and 69 of the Regulations of Puerto Rico Insurance Code, said rules cease to exist as individual and independent rules. Consequently, the consolidation of such rules shall be designated as Rule 70 of the Regulations of the Puerto Rico Insurance Code.

Section 3.- This Rule will enter into effect five (5) days after publishing notice of its approval in a newspaper of general circulation in Puerto Rico, once a week, for two (2) consecutive weeks.

Until the December 31, 2001, the Commissioner, in administering the rule, will take into consideration the efforts made by the Joint Underwriting Association and the authorized insurers to make the necessary adjustments with a view to complying with the obligations established herein.

XENIA VELEZ-SILVA
SECRETARY OF THE TREASURY

JUAN ANTONIO GARCIA
COMMISSIONER OF INSURANCE

Approval date: December 16, 2000

Date Filed:
with the Department of State:

COMPULSORY LIABILITY INSURANCE POLICY - PUERTO RICO

THIS POLICY PROVIDES LIABILITY INSURANCE FOR DAMAGES TO PROPERTY AS PROVIDED IN THE PUERTO RICO COMPULSORY LIABILITY INSURANCE FOR MOTOR VEHICLES ACT. THIS POLICY ONLY COVERS ACCIDENTS THAT TAKE PLACE IN PUERTO RICO AND THAT RESULT FROM USING YOUR "INSURED VEHICLE"

Coverage is restricted by several provisions in this policy. Carefully read the entire policy to determine your rights and responsibilities, and to determine whether or not you are covered.

In exchange for payment of premium for the compulsory liability insurance and subject to any term provided in this policy, the following is agreed:

SECTION I -DEFINITIONS

A. In this policy "you", "your," and "yours" refer to:

1. The "named insured" who is the owner of the "insured vehicle" that appears in the Statements;

2. If the "named insured" is a natural person:

a. The spouse lives in the same residence; and

b. If the "named insured" dies, the surviving spouse, if said spouse resides in the same residence at the time of death. In such case, coverage applies to the spouse as if said spouse was the "named insured" that appears in the Statements.

B. "We", "our," and "ours," refers to the Company providing this insurance.

Other words and phrases are defined below. Said words and phrases are enclosed in quotation marks whenever they are used.

C. "Family member," if the "named insured" is a natural person, then said person is related to you by blood relationship, marriage, or adoption, who resides in the same residence as you. This includes a child that is under your custody or a child you have adopted.

D. "Insured" means:

1. You or any "family member" with regards to the "insured vehicle."
2. Any person that uses the "insured vehicle" with your permission, except someone that uses the "insured vehicle" while working at a motor vehicle sales, services, repair, or parking business, except if you own the business.
3. The legal representative of the deceased person, if the "named insured" that appears in the Statements is a natural person and dies. This only applies to the representative's legal responsibility when using the "insured vehicle."

E. "Traffic accident" refers to an accident between motor vehicles, during which at least one of the involved motor vehicles was in motion.

F. "Trailer" means a vehicle designed to be hauled by a "private passenger vehicle" or by a "commercial vehicle". "Trailer" includes semitrailer.

"Trailer" also means farming trailers or any farming tool that is pulled by a "private passenger vehicle" or by a "commercial vehicle."

G. "Private Insurer " means an authorized insurer or that may be authorized in the future to underwrite insurance in Puerto Rico for any risk, expense, liability for loss or damages caused to persons or property, resulting from the possession, conservation or use of any land vehicle, aircraft or draft or riding animal, or incidental to such, all of which is in conformance with Section 4.070 (1) of the Code, provided that the volume of premium written for this class of insurance by such insurer is more than one (1) percent of the total volume of premiums written in of premiums in Puerto Rico for such class.

H. "Joint Underwriting Association" means the Compulsory Liability Insurance Joint Underwriting Association comprised by every private insurers whose main purpose is to provide compulsory liability insurance to applicants of such insurance that have been rejected by private insurers.

I. "Insured vehicle" means:

1. Your vehicle that appears in the Statements and is classified as a private passenger vehicle or as a commercial vehicle.

2. Any "trailer" hooked to the motor vehicle that appears in the Statements, if said vehicle is registered in the Puerto Rico Transportation and Public Works Department with a capacity of two (2) tons or less.

3. Your "trailer" that appears in the Statements, registered in the Puerto Rico Transportation and Public Works Department with a capacity of more than two (2) tons.

J. "Damages to property" means physical damage to or destruction of a motor vehicle, and does not include loss of use of a motor vehicle.

K. "Statements" means the page of this policy thus named and for the insured of the "Joint Underwriting Association" it means the license of the insured vehicle covered under this policy.

L. "Complaint" means a civil action in which "damages to property" covered by this policy are claimed.

M. "Amicable accident report" means the uniform accident form that every "insured" will use to notify or inform "private insurers" or the "Joint Underwriting Association" of the accident between two (2) or more motor vehicles and how, when, and where the accident took place.

N "Police" means the Puerto Rico Police and the Municipal Police.

O. "Traditional liability insurance" means liability insurance for vehicles, as defined in Section 4.070(1) of the Puerto Rico Insurance Code, which is different from the compulsory liability insurance for vehicles as defined in Public Law No. 253, enacted on December 27, 1995, as amended, and which is written by a private insurer.

P. "System" "System" means the Initial Determination of Liability System adopted in accordance with Public Law No. 253, enacted on December 27, 1995, as amended.

Q. "Commercial vehicles" means motor vehicles that the Puerto Rico Department of Transportation and Public Works does not register as a private automobile, an automobile for a disabled person, or a motorcycle. The term "commercial vehicles" includes trailer trucks with a capacity of more than two (2) tons that are registered as such with the Department.

R. "Racing vehicles" or "high-speed vehicles" means a vehicle that has been modified or by its design is capable of being driven at a higher than normal speed, according to the condition of the road. This capacity is determined by the vehicle's engine, chassis, suspension, brakes, and tires.

S. "Motor Vehicles" means and includes commercial and private passenger vehicles.

T. "Private passenger vehicles" means motor vehicles that the Puerto Rico Department of Transportation and Public Works has registered as private automobiles, automobiles for persons with disabilities, and motorcycles.

U. "Public Vehicle" means a motor vehicle used to transport passengers on public thoroughfares, on a paying basis, and such transportation is provided by a public carrier as defined in Section 2 (d) of Public Law No. 109, enacted on June 28, 1962, as amended, known as Puerto Rico Public Service Act.

SECTION II - COMPULSORY LIABILITY INSURANCE

A. INSURANCE AGREEMENT

We will cover the following "damages to property" that result from a traffic accident that occurs as a result of using the "insured vehicle" and for which the "insured" is liable:

1. In the case of a "traffic accident" that is within the scope of the diagrams mentioned in Section 7 of the "System," the amount, if any, payable in accordance with the applicable diagram. The amount thus determined is the highest amount that we may pay regardless of any subsequent award of additional amounts, except if the court of competent jurisdiction provides that said "traffic accident" does not fall within the scope of the diagrams mentioned in Section 7 of the "System" or that the applied diagram to this "traffic accident" in particular was wrongly selected.

a. If the court provides that the "traffic accident" was not within the scope of the diagrams mentioned in Section 7 of the "System", we shall cover the agreed or awarded amount, if any, through means available to do so, subject to the provisions of the Insurance Code of Puerto Rico. Damages shall include the prejudgment interests awarded to the "insured." As we deem appropriate, we shall cover or represent any "judicial review" that demands payment for such damages. Therefore, besides our liability limit, we will cover the representation fees that may be incurred. Our payment or representation responsibility ends when our liability limit for such insurance is reached by means of judgment payments, transactions or awards in court.

If the court decides that the “traffic accident” does not fall within the scope of the diagrams mentioned in Section 7 of the “System,” we shall also cover the attorney’s fees, if any, that you have incurred while filing your case in court, regarding the applicability of the diagrams, until the court’s decision on the non-applicability of the diagrams is final.

b. If the court decides that the diagram applied to a “traffic accident” in particular was wrongly selected, we shall cover the corresponding amount, if any, based on the applicable diagram, in accordance with decision issued by the court. In this case, we shall also cover the attorney’s fees, if any, that you have incurred to while filing your case in court, regarding the applicability of the diagrams, until the court’s decision on the correct selection of the diagram is final.

2. In the case of a “traffic accident” that does not fall within the scope of the diagrams mentioned in Section 7 of the “System,” we shall cover the amount, if any, we shall cover the agreed or awarded amount, if any, through means available to do so, subject to the provisions of the Insurance Code of Puerto Rico. Damages shall include the prejudgment interests awarded to the “insured.” As we deem appropriate, we shall cover or represent any “judicial review” that demands payment for such damages. Therefore, besides our liability limit, we will cover the representation fees that may be incurred. Our payment or representation responsibility ends when our liability limit for such insurance is reached by means of judgment payments, transactions or awards in court.

We are not responsible of providing representation or covering any claim for “damages to property” that is not covered by this policy.

B. SUPPLEMENTARY COMPENSATION

Besides our liability limit, the following will be covered on behalf of the “insured”:

1. Up to \$250 for the cost of the required bail when such “insured” is involved in a “traffic accident”, which include violations related to Public Law No. 141, enacted on July 20, 1960, as amended, known as the Puerto Rico Vehicle and Traffic Act. The “traffic accident” must result in “damages to property” covered under this policy.
2. Premiums for appeal bonds and lien release bonds in any “judicial review” for which we provide a defense.

3. The interests accrued after a judgment is issued in any “judicial review” for which we provide a defense. Our liability for paying interests ends when we offer to cover the corresponding part of the judgment that does not exceed our liability limit for this policy.

4. All of the reasonable expenses incurred by an “insured” at our request and the real loss of income up to fifty dollars (\$50.00) a day.

5. The cost of towing by means of a tow truck” your “insured vehicle to your residence or to a place in which the “insured” has decided such vehicle may be safely stored, if the motor of such motor vehicle is not able to move such due to a traffic accident. The decision to cover such will be made subject to the following conditions:

a. The towing cost will be calculated on the basis of a \$20.00 hook-up fee plus \$1.50 per kilometer (\$2.40 per mile) traveled.

b. The distance chart issued by the Puerto Rico Highway and Transportation Authority to calculate the will be used to calculate the distance. In cases in which using said chart is not viable, alternate methods will be used to calculate the distance.

c. Payment will be issued for the towing expenses as a refund, provided evidence proving said payment was made is filed.

d. Only the services provided by tow trucks duly authorized by the Puerto Rico Public Service Commission will be honored.

6. A fixed amount of \$60.00 will be paid as supplementary compensation to help the injured party face the difficulties of having such party’s motor vehicle being repaired in a repair shop. Any owner of a motor vehicle that was damaged with the “insured vehicle” by the “insured” during a traffic accident is eligible for this compensation, provided said owner did not contribute or was not liable for such traffic accident, in accordance with Rule 71 of the Regulations of the Puerto Rico Insurance Code. Such benefit will be issued as a refund after the motor vehicle has been repaired and inspected by a representative of the Joint Underwriting Association.

C. EXCLUSIONS

1. Liability coverage for “damages to property” is not issued to any “insured” for:

a. “Damages to property” caused intentionally by any “insured.”

- b. "Damages to property" caused to property owned or transported by any "insured."
- c. "Damages to property" caused to property that is:
 - i. Rented to,
 - ii. Used by, or
 - iii. Under the care, custody, or control of any "insured."
- d. The use of any motor vehicle that is not your "insured vehicle."
- e. The use of any motor vehicle in a facility designed for racing, with the purpose of:
 - i. Competing in, or
 - ii. Practicing or preparing for any previously organized or arranged speed race or tournament.
- f. Any "insured" that has issued fraudulent claims or that has incurred in fraudulent conduct with regards to any "traffic accident" for which coverage under this policy is claimed.
- g. "Damages to property" caused to property for which any "insured:"
 - i. is insured under a nuclear energy liability policy, or
 - ii. Would be covered under nuclear energy liability insurance provided such insurance had not reached its liability limit.

Nuclear energy liability insurance is a policy issued by any of the following entities or their successors:

- i. American Nuclear Insurers.
 - ii. Mutual Atomic Energy Liability Underwriters, or
 - iii. Nuclear Insurance Association of Canada.
- h. "Damages to property" caused by the discharge, dispersion, release, or escape of pollutants, regardless of whether said discharge, dispersion, release or escape is real, alleged, or threatening of pollutants is real, alleged, or threatening.

Pollutants mean any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, fumes, soot, vapor, acids, alkalis, chemicals and waste. Waste includes materials to be recirculated, reconditioned, and reformulated.

This exclusion is not applicable to fuels, lubricants, fluids, fumes, or other similar pollutants that are needed to or that are produced as a result of the “insured vehicle’s” electric, hydraulic, and mechanical system or from the parts of such vehicle, if the pollutants escape or are directly discharged, dispersed, or released from a part of your “insured vehicle” that was designed by its manufacturer for retain, store, receive, or dispose of such pollutants.

2. “Damages to property” caused to any motor vehicle that is not insured will not be covered, as provided in Section 11(b) of Public Law No. 253 enacted on December 27, 1995, as amended.

D. LIABILITY LIMIT

The liability limit provided for in Public Law No. 253 enacted on December 27, 1995, as amended, is the limit in liability covered for “damages to property” caused by a “traffic accident.” This is the maximum amount covered, regardless of the number of:

1. "Insureds,"
2. Claims filed or claimants,
3. Motor vehicles involved in the “traffic accident.”

With the exception of the liability limit, the coverage offered through this insurance applies separately to any “insured” that seeks coverage or against whom a claim or “judicial review” was issued.

SECTION III - RESPONSIBILITIES FOLLOWING A TRAFFIC ACCIDENT

A. We are not in any way bound to provide coverage through this policy, except if full compliance with the following responsibilities has been achieved:

1. We must be promptly notified of how, when, and where the “traffic accident” took place.

The notification must also include the names and addresses of the witnesses, if any.

2. A person that requests any coverage must:
 - a. Cooperate with the investigation, payment or defense of any claim or “judicial review;”
 - b. Promptly provide copies of any notifications or legal documents received in relation to the “traffic accident;”

- c. Submit to questioning under oath and sign such, as frequently as may be reasonably required;
- d. Grant us authorization to acquire any relevant file;
- e. Provide evidence of loss whenever we request such, and
- f. Inform the “police” about the “traffic accident” in which your “insured vehicle” was involved within forty eight (48) hours from the event, unless there is a justifiable reason.

SECTION IV- GENERAL PROVISIONS

A. COMPLAINTS AGAINST US

Until all of the terms of this policy have been complied with, no complaints may be filed against us.

B. CHANGES

- 1. Every agreement between you and us is contained within this policy. The terms of this policy may not be changed, nor may any person be exempt from such, except through an endorsement issued by us.
- 2. If we make any change that increases the coverage provided in this draft of the policy, said change will automatically apply to your policy at the time in which we implement such in Puerto Rico.

The previous paragraph 2 does not apply to changes implemented through a general revision of the program that includes both increases in coverage, as well as decreases in coverage, regardless if such general revision of the program is implemented by introducing:

- a. A later draft of the policy, or
- b. An endorsement that amends your policy.

C. COMPLIANCE WITH STATE REGULATIONS

Any provision in this policy that on such policy’s effective date conflicts with any Puerto Rico regulations is hereby amended to comply with the minimum requirements of such regulations.

D. SOLE CONTRACT

This policy will only go into effect if the corresponding premium has been paid before issuing or renewing the registration of the motor vehicle to which this policy applies.

When the compulsory liability insurance is issued by the "Joint Underwriting Association," this policy and the motor vehicle registration to which such policy applies constitute the sole contract between you and us.

When the compulsory liability insurance is issued by private insurers, this policy, its corresponding "Statements," and the form enclosed with this policy constitute the sole contract between you and us.

E. CLASSIFICATION ERRORS

If your "insured vehicle" is classified incorrectly, the premium of the correct classification for the corresponding policy will apply.

F. AMICABLE ACCIDENT REPORT

Filing the duly completed "Amicable Accident Report" within fifteen (15) days from the "traffic accident" will expedite the claim decision.

G. BANKRUPTCY

The "insured's" bankruptcy or insolvency does not release from any of our duties under this policy.

H. OTHER INSURANCE

This policy provides primary liability insurance to your "insured vehicle."

I. TERMINATION

1. Cancellation

a. We may not cancel this policy for any reason.

b. You may only cancel this policy if your “insured vehicle:”

i. Is a total loss and therefore lacks the ability to cause damage on public thoroughfares, and you provide us with the corresponding certification issued by the Puerto Rico Department of Transportation and Public Works to the effect that such vehicle shows a scrap notation at the Registry of Motor Vehicles of the Puerto Rico Department of Transportation and Public Works, and the license plate and the license of the vehicle have been delivered to the Puerto Rico Department of Transportation and Public Works for cancellation.

ii. Is exported from Puerto Rico and you provide us with the corresponding certification issued by the Puerto Rico Department of Transportation and Public works to the effect that such vehicle shows an exportation notation at the Registry of Motor Vehicles of the Puerto Rico Department of Transportation and Public Works, and the license plate and the license of the vehicle have been delivered to the Puerto Rico Department of Transportation and Public Works for cancellation.

If you request the cancellation of this policy in accordance with the above paragraph 1.b. before the termination date of the policy, you may have the right to a premium refund. If that is the case, we will refund the pro-rated unearned premium, subject to minimum earned premium of seven dollars (\$7.00.)

2. Renewal

a. This policy will be renewed by us at its termination. However, we will not renew this policy if you have obtained another equal policy for your “insured vehicle” and you have provided us with a written notification of such no less than forty (40) days before the termination date of this policy.

b. Based on the underwriting standards established for the compulsory liability insurance that will be issued by “private insurers,” on the renewal date we may determine that you no longer qualify for this policy due to any of the following reasons:

i. Your “insured vehicle” is used as a “public vehicle.”

- ii. Your “insured vehicle” is a racing vehicle or a “high-speed vehicle.”
- iii. You or the main driver of your “insured vehicle” have accumulated five (5) or more points due to violations to transit regulations during the last three (3) years;
- iv. You or the main driver of your “insured vehicle” have been convicted for driving a motor vehicle under the influence of alcohol or drugs or for participating in any type of drag or speed racing on public thoroughfares; or
- v. The driver’s license of the owner or main driver of your “insured vehicle” has been suspended or revoked during the year prior to the effective date of the compulsory liability insurance.
- vi. Your “insured vehicle” is not insurable in accordance with the joint underwriting criteria that we have established for the traditional liability insurance provided by us. When applying this standard, we will not differentiate nor will we allow any differentiation between individuals in order to favor certain individuals and act against other individuals or between insurers or between insurance or objects of insurance essentially presenting the same insurability, risk, and exposure factors, or expense elements, and, as applicable, we will not incur any unfair differentiation as specified in the Code.

If that is the case, we must inform you of our decision with a written notification sent through regular mail to the last address provided or to the postal address included in this policy at least thirty (30) days before the termination date of such policy. However, the “Joint Underwriting Association” may not deny coverage under the compulsory liability insurance for any of the reasons stated in the above paragraph 2.b.

We will keep in our record evidence to support and justify any denial we may make under the above criteria, including reference to underwriting rules that may be applied to the denial.

3. Other Termination Provisions

If you obtain "traditional liability insurance" with a coverage that is similar or greater than the coverage provided by the compulsory liability insurance with regard to "your insured vehicle," the compulsory liability insurance provided under this policy, at your request, will end on the effective date of the other insurance.

In this event, you may have a right to a reimbursement of the premium. If this is the case, we will reimburse the unearned premium on a pro rata basis, subject to a minimum earned premium of seven dollars (\$7.00), to the insurer who provides your "traditional liability insurance" to be accredited to the premium for such insurance or be returned to you, if your "traditional liability insurance" has been paid for in full.

4. Notifications

- a. Any required notification may be hand-delivered or mailed by us or by you.
- b. Proof of mailing of any notification will be sufficient proof of notice.

J. TERRITORY AND TERM OF THE POLICY

This policy only covers "traffic accidents that occur in Puerto Rico during the term of the policy. The term of the policy will begin:

1. On the effective date of the license of "your covered vehicle," if the premium for this policy is paid on or before such date;
2. On the date on which the premium for this policy is paid, if it is paid after the effective date of the license of your "your covered vehicle."

The policy term will end on the expiration date of the vehicle license of "your covered vehicle."

K. TRANSFER OF YOUR INTEREST IN THIS POLICY

Your rights and obligations under this policy may not be transferred without our written consent, except that if title to "your covered vehicle" is transferred; the coverage under this policy is automatically transferred to the new owner of the vehicle. You will have no more rights under this policy. However, you must notify us of any transfer of title of "your covered vehicle" within ten (10) days of such transfer. Failure to do so could affect your loss experience history.