

COMPULSORY LIABILITY INSURANCE POLICY – PUERTO RICO

THIS POLICY INCLUDES TEXT FROM THE ANNEX TO RULE LXX OF THE REGULATIONS OF THE INSURANCE CODE OF PUERTO RICO, WHICH CONTAINS THE UNIFORM POLICY FORM THAT PROVIDES THE PROPERTY DAMAGE LIABILITY COVERAGE REQUIRED BY THE PUERTO RICO "MOTOR VEHICLE COMPULSORY LIABILITY INSURANCE ACT". THIS COVERAGE APPLIES ONLY TO ACCIDENTS THAT OCCUR IN PUERTO RICO AND THAT RESULT FROM THE USE OF "YOUR COVERED AUTO".

Various provisions in this Policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

In consideration of the premium for the compulsory liability insurance and subject to all of the terms of this Policy, we agree with you the following:

SECTION I – DEFINITIONS

- A.** Throughout this Policy, "you", "your" and "yours" refer to:
1. The "named insured" owner of "your covered auto" shown in the Declarations;
 2. If the "named insured" is an individual:
 - a. The spouse, if a resident of the same household; and
 - b. If the "named insured" dies, the surviving spouse, if a resident of the same household at the time of death. Coverage applies to the spouse as if the "named insured" shown in the Declarations.
- B.** "We", "us" and "our" refer to the Company providing this insurance.
Other words and phrases are defined. They are in quotation marks when used.
- C.** "Family member", if the "named insured" is an individual, means a person related to you by blood, marriage or adoption who is a resident of your household. This includes a ward or foster child.
- D.** "Insured" means:
1. You or any "family member" with respect to the use of "your covered auto".
 2. Any person using "your covered auto" with your permission, except someone using "your covered auto" while working in a business of selling, servicing, repairing or parking motor vehicles, unless that business is yours.
 3. The legal representative of the deceased person, if the "named insured" shown in the Declarations is an individual and dies. This applies only with respect to the representative's legal responsibility for the use of "your covered auto".
- E.** "Traffic accident" refers to an accident between motor vehicles in which at least one of the motor vehicles involved is in motion.
- F.** "Trailer" means a vehicle designed to be pulled by a "private passenger vehicle" or a "commercial vehicle". "Trailer" includes semitrailer.
It also means a farm wagon or farm implement while towed by a "private passenger vehicle" or a "commercial vehicle".
- G.** "Private insurer" means an insurer that is authorized or may be authorized in the future to underwrite in Puerto Rico, insurance against any loss, expense or liability for loss of or damage to persons or property, resulting from or incidental to the ownership, maintenance or use of any land vehicle, aircraft or draft or riding animal, all this in accordance with Article 4.070(1) of the Insurance Code of Puerto Rico, provided that the volume of premiums written for that kind of insurance by said insurer is greater than one (1) percent of the total volume of premiums underwritten in Puerto Rico for the same.
- H.** "Joint Underwriting Association" means the Compulsory Liability Insurance Joint Underwriting Association made up of all the private insurers, whose main purpose is to provide compulsory liability insurance to applicants of said insurance who have been rejected by the private insurers.
- I.** "Your covered auto" means:
1. Your motor vehicle shown in the Declarations and classified as a "private passenger vehicle" or as a "commercial vehicle".

2. Any "trailer" attached to the motor vehicle shown in the Declarations, if registered in the Puerto Rico Department of Transportation and Public Works as having a loading capacity of two (2) tons or under.
 3. Your "trailer" shown in the Declarations, if registered in the Puerto Rico Department of Transportation and Public Works as having a loading capacity of over two (2) tons.
- J. "Property damage" means physical injury to or destruction of a motor vehicle and does not include loss of use of a motor vehicle.
 - K. "Declarations" means the page in this Policy designated as such and for the insureds of the "Joint Underwriting Association" means the license of the vehicle covered under this Policy.
 - L. "Suit" means a civil proceeding in which damages because of "property damages" to which this insurance applies are alleged.
 - M. "Joint accident report" means the uniform accident report that all "insureds" shall use to notify the "private insurers" or the "Joint Underwriting Association", of an accident between two (2) or more motor vehicles and the circumstances pertaining to how, when and where the accident occurred.
 - N. "Police" means the Puerto Rico State Police and the Municipal Guard or Municipal Police.
 - O. "Traditional liability insurance" means vehicle insurance as defined in Section 4.070(1) of the Insurance Code of Puerto Rico, which is written by a "private insurer" different from the compulsory liability insurance established by Act No. 253 of December 27, 1995, as amended.
 - P. "System" means the Initial Liability Determination System adopted in accordance with Act No. 253 of December 27, 1995, as amended.
 - Q. "Commercial vehicle" means a motor vehicle that the Puerto Rico Department of Transportation and Public Works does not register as a private automobile, an automobile of a handicapped person or a motorcycle. The term "commercial vehicle" includes a "trailer" registered by said Department as having a loading capacity of over two (2) tons.
 - R. "Racing vehicle" or "high-speed vehicle" means a motor vehicle that has been modified or that, by its own design, is suited for driving at a higher than normal speed depending on the condition of the road. This classification results because of the motor, the chassis, the suspension, the brakes and the tires with which the vehicle is endowed.
 - S. "Motor vehicles" means and includes commercial vehicles and private passenger vehicles.
 - T. "Private passenger vehicle" means a motor vehicle that the Puerto Rico Department of Transportation and Public Works registers as a private automobile, an automobile of a handicapped person or a motorcycle.
 - U. "Public vehicle" means a motor vehicle used on public roads for the transportation of passengers, in exchange of payment, by a public carrier as defined in Section 2(d) of Act No. 109 of June 28, 1962, as amended, known as the "Puerto Rico Public Service Act".

SECTION II – COMPULSORY LIABILITY INSURANCE COVERAGE

A. Insuring Agreement

We will pay the following damages for "property damage" for which any "insured" becomes legally responsible because of a "traffic accident" resulting from the use of "your covered auto":

1. In the case of a "traffic accident" which is within the scope of the diagrams mentioned in Article No. 7 of the "System", the amount, if any, payable under the applicable diagram. The amount thus determined is the most we will pay regardless of any subsequent adjudication of additional amounts, unless a court of competent jurisdiction determines that said "traffic accident" is not within the scope of the diagrams mentioned in Article No. 7 of the "System" or that the selection of the diagram applied in that particular "traffic accident" was incorrectly made.

- a. If the court determines that the "traffic accident" is not within the scope of the diagrams mentioned in Article No. 7 of the "System", we will pay the amounts, if any, settled through the use of available means, subject to the provisions of the Insurance Code of Puerto Rico. Damages will include prejudgment interest awarded against the "insured". We will settle or defend, as we consider appropriate, any claim or "suit" asking for these damages. Therefore, in addition to our limit of liability, we will pay all defense costs we incur. Our duty to settle or defend ends when our limit of liability for the coverage has been exhausted through payment of judgments, settlements or court consignments.

If the court determines that the "traffic accident" is not within the scope of the diagrams mentioned in Article No. 7 of the "System", we will also pay the legal defense costs, if any, you incurred in presenting your case, to the court, regarding the applicability of the diagrams, until the court's decision as to the nonapplicability of the diagrams is final.

- b. If the court determines that the selection of the diagram applied in a particular "traffic accident" was incorrectly made, we will pay the amount, if any, corresponding to the applicable diagram, as determined by the court. In this event, we will also pay the legal defense costs, if any, you incurred in presenting your case, to the court, regarding the applicability of the diagrams, until the court's decision as to the correct selection of diagram is final.
2. In the case of a "traffic accident" that does not fall within the scope of the diagrams mentioned in Article No. 7 of the "System", we will pay the amount, if any, settled or awarded through the use of available means, subject to the provisions of the Insurance Code of Puerto Rico. Damages will include prejudgment interest awarded against the "insured". We will settle or defend, as we consider appropriate, any claim or suit asking for these damages. Therefore, in addition to our limit of liability, we will pay all defense costs we incur. Our duty to settle or defend ends when our limit of liability for the coverage has been exhausted through payment of judgments, settlements or court consignments.

We have no duty to defend or settle any claims for "property damage" not covered under this Policy.

B. Supplementary Payments

In addition to our limit of liability, we will pay on behalf of an "insured":

1. Up to two hundred and fifty dollars (\$250.00) for the cost of bail bonds required because of a "traffic accident", including violations related to Act No. 141 of July 20, 1960, as amended, known as the Puerto Rico Vehicles and Traffic Act. The "traffic accident" must result in "property damage" covered under this Policy.
2. Premiums on appeal bonds and bonds to release attachments in any "suit" we defend.

3. Interest accruing after a judgment is entered in any "suit" we defend. Our duty to pay interest ends when we offer to pay that part of the judgment which does not exceed our limit of liability for this coverage.
4. All reasonable expenses incurred by an "insured", at our request, and the actual loss of earnings up to fifty dollars (\$50.00) a day.
5. The cost of towing "your covered auto" by a tow truck to your residence or to a secure location for storage of the vehicle, as designated by an "insured", when the motor vehicle cannot move under its own power because of a traffic accident. We will determine the cost, subject to the following conditions:
 - a. The cost of towing which from time to time will be set by the Puerto Rico Public Service Commission.
 - b. We will use the distance chart published by the Puerto Rico Highway Authority to calculate the distance. When use of the chart is not feasible, the distance will be calculated by using alternative methods.
 - c. We will pay for the towing expense as a reimbursement, provided that we are given evidence that payment has been made.
 - d. Only services provided by tow trucks duly authorized by the Puerto Rico Public Service Commission will be honored.
6. A payment of \$100.00 as supplementary compensation to assist the affected individual in coping with the difficulties of having a motor vehicle being repaired in a shop. Eligibility for this benefit will include all those motor vehicle owners whose vehicles have been damaged by an "insured" with "your covered auto" in a traffic accident, provided that such owners have not contributed to or been liable for the accident, in accordance with the diagrams of Rule LXXI of the Regulations of the Insurance Code of Puerto Rico. The benefit will be paid as a reimbursement after the motor vehicle has been repaired and it has been inspected by our representative.
7. The cost of the sales and use tax (IVU) paid by the insured for the cost of parts and labor incurred in repairing a motor vehicle.

C. Exclusions

1. We will not provide "property damage" liability coverage to any "insured" for:
 - a. "Property damage" intentionally caused by any "insured".
 - b. "Property damage" to property owned or being transported by any "insured".
 - c. "Property damage" to property:
 - i. Rented to;
 - ii. Used by; or
 - iii. In the care, custody or control of any "insured".
 - d. The use of any motor vehicle, other than "your covered auto".
 - e. The use of any vehicle, located inside a facility designed for racing, for the purpose of:
 - i. Competing in; or
 - ii. Practicing or preparing for, any prearranged or organized racing or speed contest.
 - f. Any "insured" who, in connection with any "traffic accident" for which coverage is sought under this Policy, has made fraudulent statements or engaged in fraudulent conduct.
 - g. "Property damage" for which any "insured":
 - i. Is an insured under a nuclear energy liability policy; or
 - ii. Would be an insured under a nuclear energy liability policy but for its termination upon exhaustion of its limit of liability.

A nuclear energy liability policy is a policy issued by any of the following or their successors:

 - i. American Nuclear Insurers;
 - ii. Mutual Atomic Energy Liability Underwriters; or

iii. Nuclear Insurance Association of Canada.

- h. "Property damage" arising out of the actual, alleged or threatened discharge, dispersal, release or escape of pollutants.

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

The exclusion does not apply to fuels, lubricants, fluids, exhaust gases or other similar pollutants that are needed for or result from the normal electrical, hydraulic or mechanical functioning of "your covered auto" or its parts, if the pollutants escape or are discharged, dispersed or released directly from "your covered auto's" part designed by its manufacturer to hold, store, receive or dispose of such pollutants.

2. We will not pay damages for "property damage" to any motor vehicle that is not insured as required by Act No. 253 of December 27, 1995, as amended in accordance with the provisions of Article 11(b) of said Act.

D. Limit Of Liability

The limit of liability established by Act No. 253 of December 27, 1995, as amended, is our maximum limit of liability for "property damage" resulting from any one "traffic accident". This is the most we will pay regardless of the number of:

1. "Insureds";
2. Claims made or claimants; or
3. Motor vehicles involved in the "traffic accident".

Except with respect to the limit of liability, the coverage afforded in this Policy applies separately to each "insured" who is seeking coverage or against whom a claim or "suit" is brought.

SECTION III – DUTIES AFTER A TRAFFIC ACCIDENT

- A. We have no duty to provide coverage under this Policy unless there has been full compliance with the following duties:
 1. We must be notified promptly of how, when and where a "traffic accident" occurred.

Notice should also include the names and addresses of any witnesses.

2. A person seeking any coverage must:
 - a. Cooperate with us in the investigation, settlement or defense of any claim or "suit";
 - b. Promptly send us copies of any notices or legal papers received in connection with a "traffic accident";

- c. Submit, as often as we reasonably require, to examination under oath and subscribe the same;
- d. Authorize us to obtain pertinent records;
- e. Submit a proof of loss when required by us; and

- f. Report to the "police" a "traffic accident" in which "your covered auto" is involved, within forty-eight (48) hours from its occurrence, except for justifiable causes.

SECTION IV – GENERAL PROVISIONS

A. Legal Action Against Us

No legal action may be brought against us until there has been full compliance with all the terms of this Policy.

B. Changes

1. This Policy contains all the agreements between you and us. Its terms may not be changed or waived except by endorsement issued by us.
2. If we make a change which broadens coverage under this edition of your policy, that change will automatically apply to your policy as of the date we implement the change in Puerto Rico.

This item 2. does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

- a. A subsequent edition of your policy; or
- b. An amendatory endorsement.

C. Conformity With State Statutes

Any provision of this Policy which, on its effective date, is in conflict with the statutes of Puerto Rico is hereby amended to conform to the minimum requirements of such statutes.

D. Entire Contract

This Policy will become effective only when its corresponding premium has been paid at the time of issuance or renewal of the license of the motor vehicle to which this insurance applies.

When the compulsory liability insurance is provided by the "Joint Underwriting Association", this Policy and the license of the motor vehicle to which this insurance applies will constitute the entire contract between you and us.

When the compulsory liability insurance is provided by the private insurers, this Policy, the "Declarations" pertaining to the same and the application for this insurance attached to this Policy constitute the entire contract between you and us.

E. Errors In Classification

In the event that the classification pertaining to "your covered auto" is incorrectly stated, the policy premium corresponding to the correct classification shall be deemed to be applicable.

F. Joint Accident Report

Our receiving, within fifteen (15) days after a "traffic accident", the "Joint accident report", duly completed, will expedite the resolution of a claim.

G. Bankruptcy

Bankruptcy or insolvency of the "insured" shall not relieve us of any obligations under this Policy.

H. Other Insurance

This Policy provides primary insurance for "your covered auto".

I. Termination

1. Cancellation

- a. We may not cancel this Policy for any reason.
- b. You may cancel this Policy only if "your covered auto":
 - i. Is a total loss and therefore unable to cause any damage in the public roads and you provide us the corresponding certification issued by the Puerto Rico Department of Transportation and Public Works, to the effect that the vehicle is shown in the Motor Vehicle Register of said Department with an annotation indicating that it has a scrap lien and that its motor vehicle license and license plate have been surrendered for cancellation to the mentioned Department.

- ii. Is exported from Puerto Rico and you provide to us the corresponding certification, issued by the Puerto Rico Department of Transportation and Public Works, to the effect that the vehicle is shown in the Motor Vehicle Register of said Department with an annotation indicating that it has an exportation lien and that its motor vehicle license and license plate have been surrendered for cancellation to the mentioned Department.

If you request this Policy's cancellation pursuant to item **1.b.** above, before the expiration of the policy period, you may be entitled to a premium refund. If so, we will refund the pro rata unearned premium subject to a minimum earned premium of seven dollars (\$7.00).

2. Renewal

- a. This Policy will be renewed by us at expiration. Nevertheless, we will not renew it if you have obtained other equal coverage on "your covered auto" and you have notified us, in writing, of this other coverage, no less than forty (40) days prior to the expiration date of this Policy.
- b. At renewal date we may find that you no longer qualify under the underwriting guidelines established for the compulsory liability insurance issued by "private insurers" because of any of the following reasons:
 - i. "Your covered auto" is used as a "public vehicle";
 - ii. "Your covered auto" is a "racing vehicle" or "high-speed vehicle";
 - iii. You or the main driver of "your covered auto" has accumulated five (5) or more points on account of traffic law violations during the past three (3) years;
 - iv. You or the main driver of "your covered auto" has been convicted of driving a motor vehicle under the influence of alcohol or drugs, or of participating in any type of racing activity on public roads;
 - v. Your driver's license or that of the main driver of "your covered auto" has been suspended or revoked within one year from the requested effective date of the compulsory liability insurance policy; or

- vi. "Your covered auto" is not insurable in accordance with the written underwriting guidelines that we maintain for the underwriting of the traditional liability insurance policies that we issue. When applying this rule, we shall neither establish nor permit any discrimination in favor of particular persons and in detriment of others or between insureds or objects of insurance that essentially have the same elements of insurability, risk and exposure, or expense factors, and as far as it is applicable, we shall not incur in any unfair discrimination of those typified in the Insurance Code of Puerto Rico.

If such is the case, we must notify you, in writing, of our decision, by regular mail to the last address notified to us, in writing, or to the mailing address appearing in this Policy, no less than thirty (30) days prior to the expiration date of the Policy. However, the "Joint Underwriting Association" cannot deny the compulsory liability insurance coverage for any of the reasons stated in the above item **2.b.**

We shall maintain in our files evidence supporting the defense of any rejection that we may effect in accordance with the above guidelines, including the reference to the underwriting rule applied for the rejection.

3. Other Termination Provisions

If you obtain "traditional liability insurance", with similar or broader coverage than the compulsory liability insurance, on "your covered auto", the compulsory liability insurance provided by this Policy will terminate, at your request, on the effective date of the other insurance.

In such event, you may be entitled to a premium refund. If so, we will refund the pro rata unearned premium, subject to a minimum earned premium of seven dollars (\$7.00), to the insurer that provides your "traditional liability insurance", to be credited to the premium of said insurance or to be returned to you, if your "traditional liability insurance" is fully paid.

4. Notices

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

J. Territory And Policy Period

This Policy applies only to "traffic accidents" which occur in Puerto Rico during the policy period. The policy period will commence:

- 1. On the effective date of the "your covered auto's" license, if the premium for this Policy is paid on or before said date; or
- 2. On the date that the premium for this Policy is paid, if payment is made after the effective date of "your covered auto's" license.

The policy period will terminate on the expiration date of "your covered auto's" license.

K. Transfer Of Your Interest In This Policy

Your rights and duties under this Policy may not be assigned without our written consent, except that if ownership of "your covered auto" is transferred, the coverage provided by this Policy will automatically be transferred to the new owner of the vehicle. You will have no further rights under this Policy. However, you should notify us of any transfer of ownership of "your covered auto" within ten (10) days of such transfer. Failure to do so could affect your loss experience record.