



Government of Puerto Rico  
**OFFICE OF THE COMMISSIONER OF INSURANCE**

November 12, 1997

**NORMATIVE LETTER NO. N-C-8-89-97**

**TO ALL INSURERS AUTHORIZED TO  
TRANSACT VEHICLE INSURANCE IN PUERTO RICO**

Re: Effect of Act No. 253 of December 27, 1995 in premium financing plans and deferred premium plans applicable to the traditional liability insurance of motor vehicles

Ladies and Gentlemen:

Act No. 253 of December 27, 1995, known as the "Compulsory Liability Insurance Act for Motor Vehicles", establishes a compulsory liability insurance program applicable to all motor vehicles that travel on our public roadways and imposes on the Commissioner of Insurance the responsibility of overseeing the observance and compliance of its provisions.

As of January 1, 1998, no person on whom the Puerto Rico Vehicle and Traffic Act imposes the obligation to obtain for the first time or to renew the license of a motor vehicle may handle, operate, drive or allow such vehicle to travel along public roadways without first acquiring the compulsory liability insurance. However, those owners of motor vehicles who have in force, at the time of the issuance or renewal of the license of such vehicles, a traditional liability insurance with a coverage similar to or greater than that of the compulsory liability insurance, hereinafter designated as traditional liability insurance, may use said traditional insurance to comply with the insurance requirement established by law.

Since it is a common practice in the insurance market to acquire policies through premium financing plans or through deferred payment plans, it is necessary to modify said plans to comply with the requirement of maintaining in force the protection of the compulsory liability insurance during the effective period of the license of the motor vehicle in case that the cancellation of the traditional liability insurance policy occurs.

To this effect, we hereby require that every premium financing plan and deferred premium payment plan related to a traditional liability insurance comply with the following conditions:

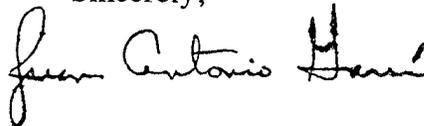
1. The down payment of any of these plans must include at least the amount corresponding to the compulsory liability insurance. That is, the premium payment of a traditional liability insurance may be financed or deferred provided that at least the amount corresponding to the annual premium of the compulsory liability insurance has been paid. For example, if the cost of the traditional liability insurance of a private passenger vehicle is \$175, and a premium financing plan or a deferred premium payment plan is desired to pay the same, it must be required that of the \$175, at least the \$99 corresponding to the compulsory liability insurance premium be payed in advance and the remaining amount will be the portion that will be subject to the financing plan or to the deferred premium payment plan, in accordance with the regulation in force. Specifically, the amount of financed or deferred premium will be also subject to the provisions of Rule XXIX of the Regulations of the Insurance Code of Puerto Rico.
2. Upon cancellation of the traditional liability insurance of a motor vehicle, the amount of premium necessary to maintain the compulsory liability insurance in force, up to the next renewal date of the license (sticker) of said vehicle, will be deducted from the premium to be returned.

The objective of this requirement is to guarantee compliance with the insurance provision imposed by law, because the compulsory liability insurance, contrary to the traditional liability insurance, is not cancelable, except in the few instances in which it is so provided by regulation. Therefore, the insurers must inform about the preceding requirement to the premium financing entities with whom they do business and must submit the pertinent amendments to the deferred premium payment plans already filed at the Office of the Commissioner of Insurance.

For any questions or doubts pertaining to this letter, please contact Ms. Cristina M. Morán, Advisor to the Commissioner of Insurance in matters relating to the Compulsory Liability Insurance Program, through telephone number 722-8686, extensions 2269 or 2270.

Strict compliance with the norm established in this letter is required.

Sincerely,



Juan Antonio García  
Commissioner of Insurance