



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF INSURANCE

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May 21, 2015

**RULING LETTER NO.: CN-2015-189-LR**

TO ALL ENTITIES THAT ARE AUTHORIZED TO COLLECT COMPULSORY LIABILITY INSURANCE AND PARTICIPATING INSURERS IN THE COMPULSORY LIABILITY INSURANCE SELECTION FORM.

**RE: PROCEDURES RELATED TO THE COMPULSORY LIABILITY INSURANCE SELECTION FORM AND THE IMPLEMENTATION OF PUBLIC LAW 245-2014**

Dear Sirs and Madams:

Public Law No. 245-2014 amended the Compulsory Liability Insurance Act, Public Law No. 253-1995, for the purpose, among other things, of facilitating the selection of the Compulsory Liability Insurance (CLI) insurer of preference at the time of paying registration fees. For that purpose, a Selection Form was established as the sole mechanism to be used at the "Entities that are authorized to collect premiums for compulsory liability insurance" ("AE"), so that owners can freely make their selection at the time they acquire or renew the motor vehicle registration.

Under the powers and duties vested by Public Law 253-1995 on the Office of the Commissioner of Insurance (Commissioner), the following standards are promulgated, to enter into effect as of July 1, 2015, as well as the administrative procedures, and the use of the Selection Form, the collection and transfer of premiums, and related duties and rights.

**I. Requirements for authorization of the "Entities that are authorized to collect premiums for compulsory liability insurance" ("AE")**

Any entity that is interested in being authorized to collect the CLI premium must comply with the requirements as set forth below:

- A. Banks, cooperatives, and official inspection stations that under Public Law No. 253-1995, as amended, are interested in being authorized to collect CLI premiums must apply and comply with the requirements that may be established by the Secretary of the Treasury and the Secretary of Transportation and Public Works for the collection of the fees that are required by law at the time of issuing or renewing the motor vehicle registration, and consequently, for the collection of the CLI premium.
- B. The Secretary of the Treasury and the Secretary of Transportation and Public Works may require the entity that submits the application to provide any information that may be deemed pertinent as required under the laws administered by them and subject to the respective regulations for the purpose of evaluating the application. Further to evaluating the application, the Secretary of the Treasury, at the Secretary's discretion, may issue an authorization to that effect.
- C. The AE, with the exception of the Internal Revenue Collection Offices, will submit this authorization to the Joint Underwriting Association to then complete the "Authorization for Electronic Payment agreement," to authorize the Joint Underwriting Association to make daily debits from the designated bank account for the amount of the CLI premiums collected by the entity.
- D. The Joint Underwriting Association may require that each AE, except the Internal Revenue Collection Offices, to have a bond issued by an authorized insurer. The bond will be renewable annually and will guarantee the availability of the sums that are collected for CLI premiums. The amount of the bond will not exceed twenty-five thousand dollars (\$25,000), of which only a maximum of one thousand dollars (\$1,000) may be required in cash.

Under no circumstances will a transaction for the selection of an insurer or the collection of the CLI premium be allowed by an entity that is not duly authorized to do so.

Official inspection stations that are not authorized to collect fees for the acquisition or renewal of motor vehicle registration may not be authorized as AEs.

## **II. Distribution of the Selection Form to the AEs**

- A. Each AE will be responsible for obtaining the Compulsory Liability Insurance Selection Forms at the place and in the manner that may be determined by the Secretary of Transportation and Public Works for the delivery of registration stickers or any other procedure that may be established by the Secretary for this purpose.
- B. Once the Compulsory Liability Insurance Selection Forms are received, the AE will be responsible for keeping these forms accessible to consumers to be used at the time of paying the registration fees for the motor vehicle, along with the CLI premium payment.
- C. Beginning on July 1, 2015, no AE may collect the CLI premium along with the fees for issuing or renewing the motor vehicle registration, unless the Compulsory Liability Insurance Selection Form is used.
- D. The Compulsory Liability Insurance Selection Form approved by the Commissioner will be in effect for one year. The first form is the 2015-2016 Selection Form, which will remain in effect until June 30, 2016; and likewise in subsequent years. Selection Forms that do not correspond to the particular fiscal year for which they were authorized may not be used.
- E. The AE may not reproduce in any manner the Selection Form approved by the Commissioner for a specific year.
- F. Since the form is the only method that may be used to make the selection of the insurer and that it may not be reproduced, it is important that the entity that is authorized for the collection obtain the forms in a timely manner so that the inventory of forms is not depleted and the entity cannot carry out the transactions to collect the fees for issuing or renewing the motor vehicle registration when there is no Certificate of Compliance.

## **III. Procedure for the selection of the CLI insurer and collection of premiums**

- A. The procedure for the selection of the CLI insurer and the collection of the premium, which is applicable to banks, cooperatives, Internal Revenue Collection Offices, and official inspection stations that are authorized AEs will be the following:
  - 1. The Compulsory Liability Insurance Selection Form approved by the Commissioner of Insurance will be the only mechanism used at the AE to select the Compulsory Liability Insurance at the time of paying the fees to

acquire or renew the motor vehicle registration. One form will be used for each motor vehicle for which the registration is being renewed.

2. Unless a Certificate of Compliance is submitted, every person who wants to acquire CLI at the time of obtaining or renewing the motor vehicle registration required under the Vehicle and Traffic Act of Puerto Rico will select the insurer by making a mark (such as an x), on the logo of the insurer of his or her preference on the Compulsory Liability Insurance Selection Form provided by the AE. The authorized entity for collection will verify that the Selection Form only has one mark, that the mark is clear, and that the selected insurer may be clearly identified. Any mark will be valid, provided that it is clear. If a person makes two marks on the same form, another form must be filled out.
3. The person who completes and signs the Compulsory Liability Insurance Selection Form will be responsible for the information provided on the form being correct.
4. The AEs, including internal revenue collection offices, will be responsible for identifying the owner of the vehicle at the time of the renewal of the registration sticker, who may or not be the owner shown on the title of the vehicle. If the owner of the vehicle designates another person for the transaction, the owner must also carry out the procedures established in section B below.
5. If the owner of the motor vehicle is not the same person as the title holder of the vehicle , unless a Certificate of Compliance is submitted, the owner of the vehicle at the time of payment of the renewal fees for the vehicle registration will be the person who will select the insurer of preference to write the CLI, even though the person does not hold title.
6. The Selection Form shall show the name and identification number of the owner of the motor vehicle and his or her representatives as evidence that the identification was performed. The AE shall corroborate that any name and identification number shown on the form coincides with the identifications submitted. The AE need not keep a copy of the identifications. Aside from this corroboration, the AE will not be responsible for the veracity of the information that is written on the Selection Form .
7. After selecting the insurer and completing the required information on the Selection Form, the person must pay the amount of the premium of the corresponding CLI, along with the payment of the fees for issuing or renewing the motor vehicle registration.

8. The electronic information system for collecting CLI premiums will have a drop box with the names of all of the insurers that participate in the Selection Form for a specific year. The AE will identify in the system the name of the insurer that was selected in each Selection Form that is processed. AEs that are Official Inspection Stations should also enter in the electronic system the control number of the Selection Form that corresponds to the transaction being processed. Entry of the control number and the selection of the insurer in the electronic system may not be postponed and must be effected at the time when the owner of the motor vehicle or the owner's representative is processing the transaction at the AE.
  9. Once the CLI premium has been collected, along with the fees for issuing or renewing the motor vehicle registration, the AE will stamp the first and second pages of the Selection Form as paid.
  10. The AE will give the owner or the owner's representative the first page of the stamped Selection Form. The third part of the form is for the AE as evidence of each transaction that was carried out and the AE shall keep the form in its files.
- B. In situations in which the owner of the vehicle acquires or renews the registration through an intermediary or third party, the AE shall:
1. Require that the intermediary or third party show identification and identify the motor vehicle owner with a valid photo identification. The AE need not retain a copy of any of the identifications submitted for the transaction.
  2. The mere presence of the representative to carry out the transaction will have the effect of a valid authorization and it will not be necessary to submit written authorization to carry out the transaction.
  3. The intermediary or third party will fill out the spaces with his or her name and identification number on the Selection Form.
  4. A Selection Form signed by an intermediary or representative of the owner of the vehicle is valid.
  5. Intermediaries and third parties will be responsible for ensuring that the information on the form is correct and true, including the information on the owner of the motor vehicle.

#### IV. Duties and responsibilities of the AE

##### A. Mandatory use of signage

Every AE will post in a visible place in the area where premiums and the fees for issuing or renewing motor vehicle registrations are collected a sign in 45 point type with the following text:

“All persons have the right to select the insurer of their preference for the Compulsory Liability Insurance. The Selection Form will be used for this purpose.”

##### B. Responsibilities at the time of collecting the fees for issuing or renewing the motor vehicle registration fees.

- The AE will verify whether there is a Certificate of Compliance that shows that the owner of the motor vehicle has liability insurance that is similar or greater than the CLI. If there is, the AE will enter the number of the certificate of compliance and it will not be necessary to use the Selection Form.
- Identifying the owner of the vehicle, the owner's representative or intermediary, and corroborating that this information is shown correctly on the form, since these persons are responsible for ensuring that the information is correct as written.
- Verifying that the owner of the motor vehicle has clearly selected an insurer.
- Entering the selection in the electronic system at the time the owner of the motor vehicle or the owner's representative is processing the transaction.
- If the AE is an Official Inspection Station that is authorized to collect fees for issuing and renewing the registration, the AE will enter the control number of the Selection Form.
- Stamping the first two pages of the Selection Form.
- Verifying that the Selection Form shows the date of the transaction and that it is duly signed.
- Collecting the CLI premium along with the fees for issuing and renewing the motor vehicle registration.
- Giving the first sheet of the Selection Form to the owner of the motor vehicle or the owner's representative.

### C. Service fees

The AE will retain as a service fee five per cent (5%) of the amount of the Compulsory Liability Insurance premiums that are collected by the AE at the time of issuing or renewing a motor vehicle registration.

### D. Distribution of completed Selection Forms

#### 1. Copy for the owner of the vehicle (white sheet):

The first page of the form will be returned to the owner of the motor vehicle or the owner's representative at the time of the transaction.

#### 2. Copy for the Joint Underwriting Association (yellow copy):

The second sheet of the Selection Form is for the Joint Underwriting Association as the administrator. These will be collected by the Joint Underwriting Association every week from each of the authorized collection entities, except in the case of banks, in which they will be collected at the main offices of each bank and not at each branch. As for the cooperatives, the Joint Underwriting Association will collect the forms every week at the Banco Cooperativo. In the case of the internal revenue collection offices, the Joint Underwriting Association will collect the copies every week at Office 400A at the main building of the Department of the Treasury.

#### 3. Copy for the AE (pink copy):

Each AE will keep and maintain in its files the third page of the Selection Form used in each transaction for auditing purposes.

#### 4. Copy for the selected insurer (green copy):

The selected insurer (including the Joint Underwriting Association, if it is selected), will receive the fourth sheet of the Selection Form. The insurer may delegate the collection of these copies to the Joint Underwriting Association, so that they will be collected when the Association collects its own copies. It is further provided that an insurer may decide to collect its copies of the form and not delegate the collection to the Joint Underwriting Association. We clarify that the AE may dispose of the copies that have not been collected by the insurers when two months have elapsed since the time the transaction was effected. That is to say, copies of the insurers of forms that were completed in July may be decommissioned as of October 1.

5. Copy for the Department of Transportation and Public Works (gold copy):

The copy of the form for the Department of Transportation and Public Works is the last sheet. The AEs, except the internal revenue collection offices, will deliver the respective copy of the Selection Form to the Department of Transportation and Public Works as may be provided by that department.

E. Custody and storage of the Selection Forms that have been used in each transaction

1. Each AE will be responsible for protecting the privacy and safekeeping of the personal information contained in the Selection Forms used in each transaction and that the AE stores, according to applicable law.
2. The AEs may not disseminate, transfer or share with a third party any personal information on the Selection Form.
3. All Selection Forms that have been used in each transaction effected by an AE must be available and accessible for inspection by the Commissioner or any other related government agency, at any time during business hours for the five (5) years following the expiration of the CLI policy. After five (5) years or after a shorter period if authorized by the Commissioner, the AE may dispose of the Forms taking the relevant measures to decommission and destroy them, taking into consideration that such documents contain personal information.

F. Process of validation or corroboration of the premiums

The insurers that participate on the Selection Form and the Joint Underwriting Association may carry out once a year a validation or corroboration process of the premiums received for Compulsory Liability Insurance collected at the Internal Revenue Collection Offices and other entities that are authorized to collect Compulsory Liability Insurance. This procedure will be carried out jointly and in a reasonable manner so that there will be no interruption of operations or any undue burden for the parties that are involved.

The Selection Forms that have been used in each transaction carried out by an AE shall be available and accessible for the validation and corroboration process of the Compulsory Liability Insurance premiums that are collected during the issuing or renewing of the vehicle's registration.



**V. Prohibited Practices during the selection process for an insurer on the CLI Selection Form**

The followings acts will be considered prohibited practices:

- A. During the process of collecting the fees for issuing or renewing the motor vehicle registration no AE may enter in the electronic system any selection made by the owner of the vehicle regarding the CLI insurer, unless the insurer was selected by means of the Selection Form approved by the Commissioner for that period and the Form has been duly completed. No other mechanism may be used as a substitute for the form.
- B. At the AE, the transaction of the selection of the CLI insurer and the payment of the corresponding premium must be effected simultaneously with the payment of the fees for issuing or renewing the vehicle registration. AEs may not accept nor encourage vehicle owners to select any insurer or pay any CLI premium as a transaction that is separate from the transaction of collecting the fees for issuing and renewing the motor vehicle registration, nor allow these transactions not to be simultaneous.
- C. No AE or intermediary acting on its own behalf or through third parties will attempt to influence, limit, coerce or interfere with the will of the consumer when the consumer is selecting the CLI insurer of his or her preference on the Selection Form.
- D. No insurer will offer to pay or pay a commission or financial compensation or any kind of emolument, nor will the insurer reimburse any expenses related to the CLI or other kind of service charges incurred by an AE, in addition to the five per cent (5%) for service charges as provided in Section 7(a) of Public Law No. 253-1995, as amended.

No AE may solicit or receive commissions, compensation or any other kind of emolument or reimbursement for expenses related to the collection of the CLI premium or any other of the functions inherent to this service, in addition to the percentage for service charges as provided by law.

- E. No insurer may enter into any kind of agreement on exclusivity with an AE, nor may the parties enter into any kind of contractual agreement that could give the impression that due to the relationship between the parties the environment that is free of any undue influence at the AE is compromised.

- F. Neither intermediaries nor automobile dealers are AEs. They may not in any manner attempt to influence, limit, coerce or interfere with the will of the owner of the vehicle in making a selection on the Selection Form of the CLI insurer of his or her preference.

No insurer will pay an intermediary or automobile dealer any commission or emolument for CLI premiums.

- G. No insurer will seek to have an AE publish, disseminate or deliver, directly or indirectly any advertising information or material, including, but not limited to, signage, T-shirts, caps or other object, person or media to promote or attempt to influence or induce consumers with regard to the selection of a particular CLI insurer.

The above does not mean that CLI insurers that participate in the Selection Form may not engage in any promotion or marketing efforts related to the sale of Compulsory Liability Insurance outside the facilities and premises of an AE.

- H. Promotional campaigns of the insurers will be subject to the provisions of Chapter 27. This campaign will not be of such a nature that consumers will be confused regarding the message and purpose of the campaign to orient consumers, which must be carried out according to Public Law 245-2014. Promotional and marketing efforts of the insurer may not affect or confuse the public with regard to the web page related to choosing insurance, [www.escogetuseguroobligatorio.com](http://www.escogetuseguroobligatorio.com) or the telephone number (787) 304-2525 that the OCI has designated for this purpose.

- I. No AE will publish or disseminate any advertising material or information that promotes or attempts to influence or induce consumers in the selection of a CLI insurer in particular at the place where the Compulsory Liability Insurance premium is collected or at any part of the establishment that is AE property.

- J. No person may make any solicitation or sales efforts related to the CLI at the AE and no AE representative may orient or advise in any manner the owner of a vehicle regarding the advantages or disadvantages of any insurer with regard to other insurers.

- K. No insurer or AE will provide false or malicious information directed at harming the reputation of any Compulsory Liability Insurance insurer that participates in the Selection Form or that is directed at misrepresenting the process for selecting an insurer by using the CLI Selection Form.

- L. Any insurer or AE, or representative thereof, that commits any of the violations set forth in Public Law 253-1995, as amended, or in this Ruling Letter, will be subject to a fine of \$2,500 per incident, and any other fine that may be set forth in Chapter 27 of the Insurance Code. In addition to the sanctions provided in this letter, the Commissioner, subject to the provisions of the Insurance Code and the regulations that are adopted under the Code, may take any other additional measures that may be necessary to protect the rights of all consumers in selecting the CLI insurer of his or her preference by using the CLI Selection Form. The Commissioner, in addition to the fine, may deny participation by an insurer in the Selection Form, or request that the corresponding government agencies revoke the authorization of an AE.
  
- M. Any prohibited act of an insurer or an AE is applicable with the same effect for any person acting in representation of such.

## **VI. Certificate of Compliance**

If the registration renewal date coincides with the expiration date of the CLI policy, the insurer must act diligently to issue and deliver in the shortest time possible a Certificate of Compliance as evidence of compliance with the requirement to have similar or greater coverage under the CLI. If these periods of time do not coincide and the liability insurance policy was renewed one or more months before, the insurer will submit the Certificate of Compliance at least two weeks before the date of renewal of the vehicle registration.

Because the Certificate of Compliance has the effect of exempting a vehicle from the payment of the fees for Compulsory Liability Insurance at the time of the payment of the motor vehicle registration fees, no AE may refuse to accept the Certificate of Compliance submitted by the owner of the vehicle. The AE may not collect from the owner of the vehicle or the CLI insurer any service fee or amount for recording the Certificate of Compliance instead of the 5% that the AE would have collected if the CLI had been acquired.

If the owner of the vehicle has paid the CLI premium twice, because at the time of the renewal of the motor vehicle renewal the owner had traditional liability insurance, the CLI premium will be credited net of the 10% for service charges provided in Section 7(b) of Public Law 253-1995, as amended, if this was paid to the AE and other corresponding entities.

These standards for the implementation of the Selection Form and of the amendments promulgated in Public Law 245-2014 are provided and clarified to protect the interests of consumers and the public at large, and strict compliance with this letter is hereby required.

Very truly yours,

SIGNED

Ángela Weyne-Roig  
Commissioner of Insurance