

MANDATORY PREMIUM AND COVERAGE CONDITIONS ENDORSEMENT – PUERTO RICO

It is hereby understood and agreed that pursuant to the regulations approved by the Commissioner of Insurance of Puerto Rico; this policy is amended according to the following conditions and stipulations:

1. **Policy Premium Paid in Full by You:** If the premium for this policy is to be paid by you in its entirety and is not subject to any form of financing as contemplated by this endorsement, insurance coverage will be afforded only if the total premium is paid in full to, and received by, us or our authorized representative on or before the effective date shown on the declarations of this policy. Otherwise, the policy will be effective on the date the total premium is paid in full to, and received by, us or our authorized representative, and we will proceed as indicated in Section 10 of this endorsement.
2. **Policy Premium Subject to Our Deferred Payment Plan:** If we have available a deferred payment plan duly approved by the Commissioner of Insurance of Puerto Rico under which the premium for this policy will be paid, insurance coverage will be afforded only if the initial or down payment under said payment plan is paid to, and received by, us or our authorized representative on or before the effective date shown on the declarations of this policy. Otherwise, the policy will be effective on the date the initial or down payment is paid in full to, and received by, us or our authorized representative, and we will proceed as indicated in Section 10 of this endorsement.

3. **Policy Premium to be Financed as Part of a Financing or Leasing Transaction:** If the premium for this policy is being financed in its entirety (and accordingly no initial or down payment is made by you) in connection with the financing or leasing of property, insurance coverage will be afforded as of the effective date shown on the declarations of this policy only if, within thirty (30) days following the end of the month in which the policy is to be effective, we receive from the bank or financing institution the corresponding total premium.

In the event the payment from the bank or financing institution is not received by us or our authorized representative by the due date indicated above, no insurance coverage will be afforded under this policy and the same will be void as of the date on which it should have become effective.

4. **Policy Premium to be Financed by a Financing Institution or by a Bank:** If the premium for this policy is financed through a financing institution or by a bank in a situation not covered by the preceding Section 3, this policy will be effective on the date the down payment of at least 20% of the total annual premium to be paid by you, together with the corresponding premium finance contract duly executed, are received by us or our authorized representative.

In the event the financing institution or the bank does not make the total corresponding payment and said payment is not received by us or our authorized representative within the thirty (30) days following the inception date of the policy, we will cancel the policy in accordance with the cancellation clause of this policy.

5. **Policy Premium to be Paid Under an Escrow Account:** If this policy is issued in connection with the financing or leasing of property and the premium for this policy is to be paid from funds proceeding from an escrow account, insurance coverage will be afforded as of the effective date shown on the declarations of this policy only if, within thirty (30) days following the end of the month in which the policy is to be effective, we receive from the bank or financing institution the corresponding total premium.

In the event the payment from the bank or financing institution is not received by us or our authorized representative by the due date indicated above, no insurance coverage will be afforded under this policy and the same will be void as of the date on which it should have become effective.

6. Policy Premium to be Paid Under an Escrow Account (Condominium Policies Only): If this policy is issued for a condominium and 25% or more of the premiums for this policy will be paid with funds originating from an escrow account, insurance coverage will be granted on the effective date reflected in the declarations of this policy only if we or our authorized representative have received the premiums thus deposited from the bank or financial institution within thirty (30) days following the last day of the month on which the policy is to enter into effect, and if we have received from you the remaining premium within sixty (60) days following the effective date of the policy.

If this policy is issued for a condominium and less than 25% of the premiums for this policy will be paid with funds originating from an escrow account, insurance coverage will be granted on the effective date reflected in the declarations of this policy only if we or our authorized representative have received from you 25% of the total premium at the time this policy enters into effect and the remaining premium is received by us within sixty (60) days following the effective date of the policy.

In the event full payment of the premium corresponding to this policy is not received by us or our authorized representative by the expiration dates indicated above, insurance coverage under this policy will be cancelled on the date in which the premiums paid are used up. We will send you a notice of cancellation, in accordance with the cancellation clause of this policy, indicating when this cancellation will be effective.

7. Policy Premium to be Partly Paid with Proceeds of Single Interest Insurance Cancellations: If a portion of the total premium for this policy will be paid with the proceeds of the premium return resulting from the cancellation of a single interest policy or certificate, this policy will be effective as of the date the greater of the following amounts is paid to, and received by, us or our authorized representative:

- a. 20% of the annual premium corresponding to this policy, or
- b. the difference between the total premium payable under this policy and the proceeds of the premium return resulting from the cancellation of the single interest policy or certificate.

In the event said premium return is not received by us or our authorized representative within the sixty (60) days following the end of the month in which this policy became effective, we will mail you a notice of cancellation in accordance with the cancellation clause of this policy, to be effective on the date the premium paid by you is exhausted.

8. Endorsement Premium: Endorsements issued after the inception date of this policy, affording additional insurance and which result in an additional premium, shall not be effective until the total additional premium due thereon is paid in full to, and received by, us or our authorized representative. This procedure will be followed if the premium for this policy has been paid in full by you or has been financed by the bank or financing institution. If the premium for this policy is subject to a deferred payment plan the aforesaid endorsement shall not be effective until a down payment of the additional premium in accordance with such plan is paid to, and received by, us or our authorized representative, and accordingly subsequent payments of the plan are amended to include the unpaid portion of the additional premium for the endorsement.

9. Premium Corrections: Any additional premium due resulting from changes in rates, classifications, premium bases, or any other adjustments (as determined by us or the proper rating organization), shall be paid in full within thirty (30) days from the date of billing of the corrective endorsement. If the payment corresponding to this policy is subject to a deferred payment plan or a premium financing contract, a down payment of the additional premium in accordance with such plan or financing contract shall be paid to, and received by, us or our authorized representative within that same thirty (30) day period and accordingly subsequent payments of the plan will be amended to include the unpaid portion of the additional premium for the endorsement. Otherwise, we shall mail to you a notice of cancellation in accordance with the cancellation clause of this policy using the sum of the original premium plus the premium of the corrective endorsement as the basis for the calculation of the amount of premium return due to you, if any.

10. Late Payments: If payment is received after the specified due date, we will proceed as follows:

- a. For new policies (Sections 1 and 2 above) we will issue a change of effective date of coverage notice stating:
 - (1) that the insurance afforded under the policy is effective as of the date of receipt of the applicable premium payment,
 - (2) the resulting amended inception and expiration dates of the policy, which will be postponed by the same number of days that coverage was not afforded due to the late receipt of the premium payment, and
 - (3) the corresponding period of time during which coverage is not afforded under the policy.

- b. For premium correction endorsements (Section 9 above) we will issue, subject to the applicable regulations, a limited reinstatement notice stating:
- (1) that the insurance afforded by the policy will be reinstated as of the date of receipt of the applicable additional premium payment,
 - (2) the period for which coverage is not afforded, and
 - (3) the amount of premium return due to you, if any.
- 11. Cancellation of Policy:** Upon failure in the payment of any premium when due under a policy in force, we must, within the next twenty (20) days following the due date, issue a notice of cancellation in accordance with the provisions of this policy.
- 12. Definition of Authorized Representative:** Authorized representative for the purpose of this endorsement means a general agent, an authorized policy writing agent, or a person duly authorized in writing by us for premium collection purposes.
- 13.** This mandatory endorsement supersedes any other conditions to this effect in the policy to which it is attached.