



## Department of Business Regulation

1511 Pontiac Avenue  
Cranston, RI 02920

# Insurance Bulletin Number 2003-18

## Property & Casualty - 2003 Legislative Changes

The following legislative amendments were enacted during the 2003 session of the Rhode Island General Assembly. This information is provided for informational purposes only and may not be an all-inclusive list of amendments that impact the Property & Casualty industry. Insurers should refer to the referenced bills to determine the impact these bills have on the insurer in order to be in compliance with these recent amendments.

### **S0911: Exceptions to Licensing**

Public Laws 03-411

Effective: August 6, 2003

Amendments to **R.I. Gen. Laws § 27-2.4-5**. These amendments add back the exemption for rental car companies and their employees that offer, in connection with and incidental to rental of vehicles, various optional insurance coverage during the term of the rental agreement which term shall not exceed forty five (45) days. The exemption mirrors language under R.I. Gen. Laws § 27-16-1.2(10) that was inadvertently omitted when Chapter 2.4 replaced Chapter 2.3.

### **S840/H5091: Property Insurance**

Public Laws 03-102/03-105

Effective: July 3, 2003

Amendments to **R.I. Gen. Laws § 27-5-3.2**. These amendments provide that a holder of a mortgage would not be entitled to payment from property insurance proceeds if the insurance proceeds equals less than three thousand five hundred dollars (\$3,500.00), and for which such holder of a mortgage is otherwise entitled to payment, unless no liability exists as to the mortgagor.

### **S0431/H5063: Cancellation/Nonrenewal of Standard Fire**

Public Laws 03-101/03-104

Effective: July 3, 2003

Amendments to **R.I. Gen. Laws § 27-5-3.4**. These amendments remove the certified mail, return receipt requirement for cancellation or nonrenewal of standard fire insurance policies. First class mail is now required. Proof of mailing by US Postal Service certificate of mailing is sufficient proof of notice.

### **S137/H5362: Use of Credit Rating**

Public Laws 03-370/03-316

Effective: January 4, 2004

Amendments to **R.I. Gen. Laws § 27-6-53** and **R.I. Gen. Laws § 27-9-56**. These amendments establish additional restrictions on insurers use of credit for private passenger and homeowners insurance. Also clarifies that any increase/decrease in rates as a result of updated credit score must be done at renewal.

### **S0022/H6066: Standards for Use of Aftermarket Parts**

Public Laws 03-368/03-239

Effective: July 17, 2003

Amendments to **R.I. Gen. Laws § 27-10.2-3**. These amendments establish new standards for the use of after market parts.

### **S280/H5368: Payment of Premium- Cancellation**

Public Laws 03-334/03-315

Effective: January 1, 2004

Amendments to **R.I. Gen. Laws § 27-29-13**. These amendments introduce a six (6) month installment payment option for private passenger vehicle insurance in addition to the twelve (12) month option plan currently required under statute. The six (6) month plan allows insurers to require thirty five percent (35%) payment at time of issuance with balance to be paid in three (3) subsequent and equal monthly installments. The service charge has increased from three dollars (\$3.00) to five dollars (\$5.00) for such payment plans. It also sets a maximum amount that may be levied for late payments of ten dollars (\$10.00). A late fee may only be imposed if payment is received more than five (5) business days following date payment is due.

### **S404/H5901: Unfair Competition and Practices**

Public Laws 03-231/03-251

Effective: July 15, 2003

Amendments to **R.I. Gen. Laws § 27-29-17**. These amendments mandate notice of nonrenewal, notice of premium or coverage changes and proof of notice requirements for commercial property, commercial liability (other than aviation and employers liability policies) and commercial multi-peril policies. (These sections do not apply to reinsurance, residual risk markets, workers compensation, multi-state risks, policies subject to retrospective rating plans or excess or umbrella policies).

### **S281/H5476: Basic Property Insurance Defined**

Public Laws 03-335/03-357

Effective: January 1, 2004

Amendments to **R.I. Gen. Laws § 27-33-10**. Expands FAIR Plan coverage to include general liability for one (1) to four (4) family owner and nonowner occupied dwellings either by endorsement or as a stand-alone policy. The amendment also require that rates for such coverage shall be calculated to be self-supporting consistent with sound actuarial principles.

**S668/H5714: Owners' Liability for Acts of Others**

Public Laws 03-117/03-115

Effective: July 7, 2003 (With a scheduled repeal date of July 1, 2004)

Amendments to **R.I. Gen. Laws § 31-33-6**. Limits the liability of a lessor of a short-term rental motor vehicle or truck to two hundred fifty thousand dollars (\$250,000) for bodily injury to or death of one (1) person, five hundred thousand dollars (\$500,000) for bodily injury to or death of two (2) or more persons and twenty five thousand (\$25,000) because of injury to or destruction of property of others in any one accident

**S433/H6021: Insurance Premium Finance Agreements**

Public Laws 03-079/03-082

Effective: July 1, 2003

Repeals **R.I. Gen. Laws § 27-40** and enacts new statute under Banking Laws, **R.I. Gen. Laws § 19-14.6**.

**S0434/H6018: Order to Cease & Desist**

Public Laws 03-068/03-057

Effective: June 27, 2003

Amendments to **R.I. Gen. Laws § 42-14-16.1**. These amendments allow the Department to issue cease & desist orders against persons conducting activities in violation of state insurance laws. Hearings are subject to the Administrative Procedures Act.

## **Workers' Compensation**

**S0857: Workers' Compensation Insurance Fund**

Public Laws 03-410

Effective: August 6, 2003

Repeals **R.I. Gen. Laws § 27-7.2** in its entirety and reenacts the "Workers' Compensation Insurance Fund" in the public laws.

**S626/H5600: Secondary Provisions for Workers' Compensation**

Public Laws 03-395/03-388

Effective: July 31, 2003

Amendments to **R.I. Gen. Laws § 28-29, § 28-30, § 28-33, § 28-35, § 28-36, § 28-37**. These amendments make changes to procedures, benefits, insurance and general provisions under the Act. It also makes failure to secure workers' compensation coverage a felony.

Copies of Rhode Island General Laws are accessible by visiting the Secretary of State's website at <http://www.rilin.state.ri.us/statutes/statutes.html>.

Copies of Senate and House Bills are accessible by visiting the General Assembly's website at: <http://dirac.rilin.state.ri.us/BillStatus/webclass1.asp>.

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October 3, 2003