



Department of Business Regulation
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Insurance Bulletin Number 2010-6

2010 Legislative Changes

The following legislative amendments were enacted during the 2010 session of the Rhode Island General Assembly. This information is being provided in accordance with [R.I. Gen. Laws § 27-71-14\(a\)](#). This bulletin is being provided for informational purposes only and may not be an all-inclusive list of amendments that impact the insurance industry. Licensees should refer to the bills themselves to determine the impact. Any person wishing to be included in these annual notifications pursuant to R.I. Gen. Laws § 27-71-14(b) who is not currently on the interested parties list should send an email request to DBR.InsNotice@dbr.ri.gov.

Title Insurance

[H7709Aaa](#)

[2010 P.L. ch. 66](#)

Effective January 1, 2011

[S2395Aaa](#)

[2010 P.L. ch. 58](#)

Effective January 1, 2011

This legislation was introduced at the request of the Department to institute statutes specific to the regulation of title insurers. This legislation adds chapter 2.6 to title 27 and requires that title insurance be written only by licensed monoline companies; establishes minimum capital and surplus requirements for title insurer's of \$1 million; allows "title plant" as an admitted asset; modifies the Insurers Rehabilitation and Liquidation Act for the unique circumstances encountered in the liquidation of title insurance companies; requires specific consumer disclosures; establishes requirements for title insurers utilizing title insurance agents; prohibits rebating and fee splitting; reaffirms that title insurers must follow filed and approved rates and forms; and allows those rates and forms to be submitted by licensed rating agencies and finally it allows enforcement of RESPA (Real Estate Settlement Procedure Act) by the Insurance Division or Attorney General when appropriate.

Companies in Hazardous Financial Condition

[H7692a](#)

[2010 P.L. ch. 68](#)

Effective July 1, 2010

[S2397a](#)

[2010 P.L. ch. 57](#)

Effective July 1, 2010

This legislation was introduced at the request of the Department to update the Hazardous Financial Condition statute to the most recent version of the National Association of Insurance Commissioners ("NAIC") Model Act. The additions include consideration of the following factors in determining the financial condition of an insurer: creditors interests, findings in audit reports; actuarial opinions and other

financial analysis solvency tools and reports; reserve adequacy, holding company obligations, etc. In addition, the legislation gives the Department the authority to require correction of corporate governance deficiencies, to require modification of business plans and to adjust rates in order to improve financial condition of an insurer.

Insurance Holding Company Act

[H7607a](#)

[2010 P.L. ch.70](#)

Effective June 12, 2010

[S2400a](#)

[2010 P.L. ch. 55](#)

Effective June 12, 2010

This legislation was introduced at the request of the Department to update the Insurance Holding Company Act to the most recent version of the National Association of Insurance Commissioners (“NAIC”) Model Act. The additions include expansion of the definition of “control”, guidance regarding investment in subsidiaries, pre-acquisition notification by certain acquiring parties, an annual report by the acquiring party identifying all material risks, information for all subsidiaries within the holding company system, standards to define a competitive market, methods to determine “reasonableness” of charges or fees for services between related parties, a requirement for approval of certain guarantees and investments, updated confidentiality provisions and provision to allow recovery of certain pre liquidation distributions.

Anti-Fraud

[H7605a](#)

[2010 P.L. ch. 71](#)

Effective January 1, 2011

[S2401a](#)

[2010 P.L. ch. 54](#)

Effective January 1, 2011

This legislation was introduced at the request of the Department to enact portions of the National Association of Insurance Commissioners (“NAIC”) Model Anti-Fraud Act. This legislation adds chapter 54.1 to title 27 and defines fraudulent activities; requires that insurers have antifraud initiatives in place and requires fraud warnings on applications and claim forms where applicable. Please see [Insurance Bulletin 2010-3](#) for further information.

Property & Casualty Guaranty Association

[H7696Aaa](#)

[2010 P.L. ch. 117](#)

Effective June 22, 2010

[S2715B](#)

[2010 P.L. ch. 91](#)

Effective June 19, 2010

This legislation was introduced at the request of the Department to update the Property & Casualty Guaranty Association statute to the most recent version of the National Association of Insurance Commissioners (“NAIC”) Model Act. The changes include clarifying the types of insurance covered by the Association including some types of assumed business; clarifies the powers and duties of the association, the existing net worth exclusion and requirements for exhaustion of other coverage. In addition the changes rename the association, provide additional requirements for the plan of operation as well as allow for coordination between state guaranty associations.

Risk Based Capital (RBC) for Insurers

[H7711a](#)

[2010 P.L. ch. 65](#)

Effective June 12, 2010

[S2714a](#)

[2010 P.L. ch. 49](#)

Effective June 12, 2010

This legislation was introduced at the request of the Department to update the Risk Based Capital (RBC) for Insurers statute to the most recent version of the National Association of Insurance Commissioners (“NAIC”) Model Act. The amendment allows for a “trend test” to allow action to be taken to restore an insurer or health organization to financial health when a downward trend in their financial condition is noted rather than waiting until further deterioration has occurred.

Surplus Line Tax

[H7397Aaa](#)

[2010 P.L. ch. 23 Article 9](#)

Effective July 1, 2010

Increases tax on gross premiums for surplus line policies issued on or after July 1, 2010 to four percent (4%).

Medical Malpractice Joint Underwriting Association Tax

[H7397Aaa](#)

[2010 P.L. ch. 23 Article 9](#)

Effective January 1, 2011

Requires the Medical Malpractice Joint Underwriting Association to pay a two percent (2%) annual tax on gross premiums for contracts of insurance.

Statutes and Statutory Construction

[H7893a](#)

[2010 P.L. ch. 239](#)

Effective June 25, 2010

Section 3 of this bill amends R.I. Gen. Laws § 27-30-11 to correct a typographical error in last years update of the credit insurance statute.

Mandatory Appraisals

[S2508aa](#)

[2010 P.L. ch. 219](#)

Effective June 25, 2010

Adds requirements to the Unfair Claims Settlement Practices Act that appraisals be conducted on all vehicles that sustain damage in excess of \$2,500, requires licensed appraisers not be affiliated with the repair facility repairing vehicle, and that supplemental appraisal inspections occur within four business days of a request. Please see [Insurance Bulletin 2010-5](#) for further information.

Worker Compensation – Confidential Information

[H7803aa](#)

[2010 P.L. ch. 149](#)

Effective June 25, 2010

[S2364A](#)

[2010 P.L. ch. 161](#)

Effective June 25, 2010

Provides that information, other than coverage verification, submitted by insurers to the Department of Labor & Training pursuant to chapter 36 of title 28 is confidential.

Workers Compensation – General Provisions

[H8114a](#) [2010 P.L. ch. 121](#) Effective June 22, 2010 and January 1, 2011
[S2083a](#) [2010 P.L. ch. 95](#) Effective June 19, 2010 and January 1, 2011

Updates various provisions of title 28 including a reference to the 6th Edition of the AMA Guide to Evaluation of Permanent Impairment; places restrictions on provisions of preferred provider contracts that an insurer may enter into; makes changes to physician bill submissions; continues the definition of “material hindrance” until July 1, 2012; adds benefits to R.I. Gen. Laws §28-33-19 for specific injuries on or after July 1, 2012; removes summary medical review procedures requirements from R.I. Gen. Laws § 28-33-34.1; provides for confidentiality of information submitted by insurers to the Department of Labor & Training under R.I. Gen. Laws §28-36, other than information related to verification of coverage; clarifies exception under R.I. Gen. Laws § 28-41-6 for new or materially different injury; continues the effective date of the Rhode Island Uninsured Employers Fund to July 1, 2012 and amends offset provisions included in R.I. Gen. Laws § 45-21-31.

Extended Medical Benefits

[H7603](#) [2010 P.L. ch. 72](#) Effective June 12, 2010
[S2629](#) [2010 P.L. ch. 53](#) Effective June 12, 2010

This legislation adds dental and vision to R.I. Gen. Laws § 27-19.1-1 which extends medical benefits to persons who would otherwise lose eligibility to participate

Extended Medical Leave

[H8198](#) [2010 P.L. ch 180](#) Effective June 25, 2010
[S2547](#) [2010 P.L. ch. 187](#) Effective June 25, 2010

This legislation adds chapter 18.7 to title 27 and addresses medical benefits for employees on extended medical leave.

Discount Medical Plans

[H7606a](#) [2010 P.L. ch. 158](#) Effective June 25, 2010
[S2632a](#) [2010 P.L. ch. 156](#) Effective June 25, 2010

This legislation adds chapter 73 to title 27 and requires registration of companies offering discount medical plans; establishes standards for such organizations, protects consumers from unfair or deceptive marketing, sales or enrollment practices; and facilitates consumer understanding of the role and function of discount medical plan organizations in providing access to medical or ancillary services.

Copies of Rhode Island [Insurance Regulations](#), [Insurance Bulletins](#) and applicable [Rhode Island General Laws](#) are accessible through these links or by visiting the Department's website at www.dbr.ri.gov. Copies of the [Senate and House bills](#) are accessible through these links or by visiting the Rhode Island General Assembly website at www.rilin.state.ri.us. In light of the above amendments, insurers are required to review current policy forms, rules and rates to determine if new and/or revised filings are required and to timely submit such filings in SERFF for the Department's review and approval.

Joseph Torti III
Superintendent of Insurance
July 30, 2010