



Department of Business Regulation

233 Richmond Street
Providence, RI 02903

Insurance Bulletin Number 2007-2

Property & Casualty and Workers' Compensation 2006 Legislative Changes

The following legislative amendments were enacted during the 2006 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. Certain amendments will also require insurers to revise existing policy form filings, rates and/or rules previously filed with this Department.

S2302/H7353: Uniform safe driver point system.

Effective 6/16/2006

- RIGL § 27-9-5.1 authorizes the Director of the Department of Business Regulation to promulgate a uniform safe driver point system plan on a percentage rate basis for motor vehicle accidents and/or convictions. Prior to the amendment, insurers were required to offer the plan on a flat dollar rate. An amendment to 230-RICR-20-05-3 is anticipated in June 2007 to address the change.

S2303/H7180: "Basic property insurance" defined.

Effective 1/1/2007:

- RIGL § 27-33-10 expands the definition of basic property insurance offered through the RI Joint Reinsurance Association (also known as the FAIR Plan) to include broad and special form dwelling coverage commonly referred to as DP-2 and DP-3. An amendment to 230-RICR-20-05-11 is anticipated in June 2007 to address the change.

S2585/H7651: Commercial special risks.

Effective 6/16/2006

- RIGL § 27-65-1(3) amends the following threshold levels for insureds that qualify as commercial special risks:
 - (i) net worth from \$50,000,000 to \$10,000,000.
 - (ii) net revenue/sales from \$100,000,000 to \$5,000,000.
 - (iii) employees from 500 to 25 employees per individual company or 50 employees per holding company in the aggregate.
 - (iv) aggregate premiums from \$150,000 to \$30,000 excluding group life, group health, workers' compensation and professional liability (including but not limited to errors and omissions and director's and officer liability).
 - (v) not for profit, or public entity with annual budget or assets from \$45,000,000

to \$25,000,000.
(vi) is a municipality with a population from 50,000 to 20,000.

S2588/H7469- Errors and omissions insurance required of resident insurance producers.

Effective 1/1/2007

- RIGL § 27-2.4-23 requires resident insurance producers to carry errors and omissions insurance. This requirement does not apply to direct writers. Producers are not required to furnish such proof unless requested by the Department. Insurance Bulletin #2006-6 has been issued to address the requirements of new law.

S2589/H7470: This act revises Rhode Island producer licensing statutes to conform more closely to those in other states. Specifically:

- RIGL § 27-2-18 **Life insurance companies' offices:** removes the prohibition against the formation of branch offices for producers.
Effective upon passage 6/13/2006
- RIGL § 27-2.4-9 **License:** modifies the information required to be included on a producer license.
Effective upon passage 6/13/2006
- RIGL § 27-2.4-15 **Commissions:** clarifies the requirements for payment of producer override commission.
Effective upon passage 6/13/2006
Please see Insurance Bulletin #2006-2 on Producer Compensation Disclosure requirements.
- RIGL § 27-3.2-4 **Educational requirements:** moves the specific producer continuing education requirements from statute to regulation.
Effective 1/1/2007.
230-RICR-20-50-2 Continuing Education for Insurance Producers was promulgated effective January 1, 2007.

S2735: Surplus line brokers – License – Affidavit of inability to obtain insurance.

Effective 7/14/2006

- RIGL § 27-3-38 exempts affidavit requirements for amusement parks and devices, environmental improvement and/or remediation sites, vacant property or property under renovation, demolition operations, event cancellation due to weather, railroad liability, discontinued products, fireworks and pyrotechnics, warehouseman's legal liability, excess property coverage and contingent liability. An amendment to 230-RICR-20-50-1 is anticipated in June 2007 to address the changes.

S2877: Proof of financial responsibility. Taxicabs, Limited Public Motor Vehicles and Jitneys.

Effective 7/14/2006

- RIGL § 39-14-28 increases the minimum liability limits of insurance coverage for taxicabs and limited public motor vehicle operators in the sum of not less than three hundred thousand dollars (\$300,000) combined single limit, or two hundred fifty thousand dollars (\$250,000) per person, five hundred thousand dollars (\$500,000) per accident bodily injury and one hundred thousand dollars (\$100,000) property damage split limit.
- RIGL § 39-13-9 increases the minimum liability limits of insurance coverage for jitney operators in the sum of not less than three hundred thousand dollars (\$300,000) combined single limit or its equivalent split level.

Failure for these businesses to increase coverage and furnish such proof to the Division of Public Utilities and Carriers could result in suspension of the operators' license. Insurers shall no longer issue policies less than limits provided by law.

H7148: Consumer Empowerment and Identity Theft Prevention Act of 2006.

Effective 6/29/2006 other than RIGL §§ 6-48-5 and §6-48-7 which shall take effect 1/1/2007.

- RIGL § 6-48-1 *et seq.*: The act allows consumers to place a security freeze on their credit and would allow the lifting of the freeze of credit, notice requirements and guidelines for the consumer reporting agency, disclosures and penalties. An exemption is provided under RIGL § 6-48-5(1)(11) for insurers ability to use credit for underwriting and rating purposes.

H7167- Auto body repair labor rate surveys.

Effective 6/23/2006 Notwithstanding the Governor's veto

- RIGL § 27-29-4.4: Requires insurers to conduct an annual survey of auto repair labor rates and report such findings to the Department of Business Regulation. 230-RICR-20-05-10 Auto Body Labor Rate Survey was promulgated effective October 2, 2006. Insurance Bulletins #2006-8 and 2007-1 have been issued to address insurers' obligations under the Regulation.

H7168- Conduct of motor vehicle damage appraisers.

Effective 6/1/2006

- RIGL § 27-10.1-6 requires appraisals include a disclosure notice in boldface type as follows: "PURSUANT TO RHODE ISLAND LAW, THE CONSUMER HAS THE RIGHT TO CHOOSE THE REPAIR FACILITY TO COMPLETE REPAIRS TO A MOTOR VEHICLE; AND AN INSURANCE COMPANY MAY NOT INTERFERE WITH THE CONSUMER'S CHOICE OF REPAIRER."
- RIGL 27-10.1-8.1 requires above disclosure notice to be displayed in drive-in claims centers.

An amendment to 230-RICR-20-50-3 and 230-RICR-20-50-4 is anticipated in June 2007 to address the changes.

H7705- Aftermarket parts – Time limit prohibition.

Effective 1/1/2007

- RIGL § 27-10.2-2 requires that for any automobile which is less than thirty months beyond the date of manufacturer, the insurer as well as auto body repair shop must provide a written notice to the vehicle owner that he or she is entitled to “original equipment manufacturer part” or OEM parts in the repair of a motor vehicle body replacement part. To comply with this provision, the notice may be provided on the written appraisal of the insurer and estimate prepared by body shop. An amendment to 230-RICR-20-50-3 and 230-RICR-20-50-4 is anticipated in June 2007 to address the changes.

Workers' Compensation:

S2912- Workers' Compensation Benefits.

Effective 9/1/2007

- RIGL § 28-33-17 - Increases the maximum rate for weekly compensation for total disability shall not exceed 115% (previously 110%) of the state average weekly wage as computed under RIGL § 28-44-6(a). Act also limits health insurance benefits to any employee of the State who is collecting workers' compensation as result of brain injury due to violent assault on or before July 19, 2005.
- RIGL §28-36-15- Gives the workers' compensation court discretion to suspend all or part of a civil penalty.

Inquiries on this act should be referred to the Department of Labor and Training at 401-462-8100.

Copies of Rhode Island [Insurance Regulations](#), [Insurance Bulletins](#) and applicable [Rhode Island General Laws](#) are accessible by these links or by visiting the Department's website at www.dbr.ri.gov. Copies of the [Senate and House Bills](#) are accessible by these links or by visiting the Rhode Island General Assembly website at www.rilin.state.ri.us.

Joseph Torti, III
Associate Director and Superintendent of Insurance
May 1, 2007

Beth- The above links provided are to 2005 sessions. The below links will provide access directly to the indexes and should be replaced in above links and can be used year after year. Also, the above cited Bulletin link doesn't appear to connect.

Rhode Island General Laws at <http://www.rilin.state.ri.us/statutes/statutes.html>.
Senate and House Bills at: <http://www.rilin.state.ri.us/Genmenu/>