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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO MOTOR AND OTHER VEHICLES - CANCELLATION AND NON-
RENEWAL OF MOTOR VEHICLE INSURANCE POLICIES

Introduced By: Senators Gallo, Nesselbush, and DaPonte

Date Introduced: February 25, 2016

Referred To: Senate Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 31 of the General Laws entitled "MOTOR AND OTHER
2 VEHICLES" is hereby amended by adding thereto the following chapter:

3 CHAPTER 32.1

4 CANCELLATION AND NON-RENEWAL OF MOTOR VEHICLE INSURANCE POLICIES

5 **31-32.1-1 Purpose.** – The provisions of this chapter shall govern the procedures for the
6 cancellation and non-renewal of motor vehicle insurance policies and the enforcement of the
7 requirement that all owners of motor or other vehicles in this state maintain twenty-five thousand
8 dollars (\$25,000) minimum liability coverage or face suspension or revocation of their
9 registration of a motor vehicle in Rhode Island.

10 **31-32.1-2 Definitions.** – As used in this chapter, the following words and phrases shall
11 have the meanings set forth in this section:

12 (1) "Administrator" or "registrar" means the administrator of the division of motor
13 vehicles or their designee.

14 (2) "Cancellation" means the termination of an existing motor vehicle insurance policy, at
15 the request of either the insurer or the policyholder, as of an effective date, prior to the policy's
16 expiration date.

17 (3) "Commissioner" means the commissioner of insurance of the department of business
18 regulation or their designee.

1 (4) "Division" means the division of motor vehicles.

2 (5) "Insurer" means any corporation, association, partnership, group or individual
3 engaged as a principal authorized to issue a motor vehicle insurance policy to an applicant for
4 motor vehicle insurance in the state of Rhode Island.

5 (6) "Motor vehicle insurance policy" means a policy issued in accordance with the
6 definition set forth in §31-32-24.

7 (7) "Non-renewal" means a declination to renew an existing motor vehicle insurance
8 policy at the request of either the insurer or the policyholder, upon the expiration date of that
9 policy.

10 (8) "Notice" means the written communication delivered by an insurer or a policyholder
11 indicating the intent of the insurer or the policyholder to cancel or non-renew an existing motor
12 vehicle insurance policy.

13 (9) "Person" means an insurer or a policyholder who initiates the cancellation or non-
14 renewal of an existing motor vehicle insurance policy.

15 (10) "Policyholder" means the named insured on the motor vehicle insurance policy, or
16 any person the named insured identifies as their representative for purposes of giving or receiving
17 notices relating to the motor vehicle insurance policy.

18 (11) "Short rate" means a fixed dollar value or percentage of premium, representing an
19 insurer's fixed policy acquisition expenses incurred prior to the date a motor vehicle insurance
20 policy becomes effective, that an insurer includes in its motor vehicle insurance rate manual filed
21 with the insurance commissioner and uses to adjust return premium when a policyholder cancels
22 a policy.

23 **31-32.1-3 Policy cancellation.** – (a) An insurer may cancel a motor vehicle insurance
24 policy at any time during the policy effective period only for the following reasons:

25 (1) Non-payment of premium;

26 (2) Fraud or material misrepresentation in the application for or renewal of the policy;

27 (3) Suspension or revocation during the policy period of the operator's license or motor
28 vehicle registration of the named insured or any other person residing in the same household as
29 the named insured and who usually operates a motor vehicle insured under the policy;

30 (b) An insurer may cancel a motor vehicle insurance policy up to ninety (90) days after
31 the policy's renewal effective date if the applicant for insurance has failed to complete a renewal
32 application and return it to the insurer at least thirty (30) days before the expiration date of the
33 previous motor vehicle insurance policy.

34 (c) An insurer may cancel a motor vehicle insurance policy issued to an individual

1 member of a group insured pursuant to a group marketing plan only for the following reasons:

2 (1) Non-payment of premium;

3 (2) Fraud;

4 (3) The individual member of the group insured pursuant to the group marketing plan has
5 had their motor vehicle registration or operator's license suspended for a period of one year or
6 more; or

7 (4) Motor vehicle insurance coverage for the entire group insured pursuant to the group
8 marketing plan has been cancelled.

9 (d) Cancellation initiated by the policyholder. A policyholder may cancel a motor
10 vehicle insurance policy, or any of its coverage parts, at any time.

11 **31-32.1-4 Content of notices of cancellation.** – (a) Notices of cancellation must be in
12 writing and must include the following information:

13 (1) A title which indicates the nature of the notice;

14 (2) The complete name and address of the person requesting cancellation;

15 (3) The complete name and address of the person to whom the notice of cancellation is
16 sent;

17 (4) The policy number or other identifier specifying the motor vehicle insurance policy
18 being cancelled;

19 (5) The date on which the person intends the cancellation of the motor vehicle insurance
20 policy to take effect; and

21 (6) The person's specific reason for the cancellation. An insurer may not use phrases such
22 as "underwriting reasons" as the reason for cancellation. An insurer must inform the policyholder
23 of the specific facts on which the insurer based its decision to cancel the motor vehicle insurance
24 policy.

25 (b) A notice of cancellation that an insurer issues to a policyholder also must comply with
26 the following requirements:

27 (1) If the cancellation is for non-payment of premium, the notice of cancellation shall
28 state clearly the amount of premium and of any applicable fees included in the insurer's premium
29 payment plan, approved by the commissioner, that are owed to the insurer for the existing motor
30 vehicle insurance policy and shall state further that the cancellation will not take effect if the
31 policyholder pays the full amount of premium and fees owed on or before the effective date of the
32 cancellation. The notice of cancellation shall inform the policyholder of options for making such
33 payment; and

34 (2) The notice of cancellation shall include the following language, unless the notice was

1 issued as a result of non-payment of premium for a motor vehicle insurance policy insuring a
2 motor vehicle registered as a taxicab or public livery use, or unless the commissioner of insurance
3 approves alternate language:

4 "IMPORTANT NOTICE TO POLICYHOLDERS: Please read carefully the information
5 below which outlines your legal rights relative to this cancellation.

6 INFORMATION ABOUT MINIMUM INSURANCE REQUIREMENTS

7 Rhode Island law requires that every motor vehicle registered in Rhode Island carry
8 minimum motor vehicle liability insurance. The registrar of motor vehicles will revoke your
9 registration and license plates on the effective date of cancellation shown in this notice unless:

10 (1) We reinstate your required minimum motor vehicle insurance; or

11 (2) Before the date of cancellation shown in this notice you obtain minimum motor
12 vehicle insurance from another insurance company. The new insurance company must notify the
13 registrar before the date of cancellation in this notice that it has insured your motor vehicle.

14 If you are unable to obtain motor vehicle insurance from another insurance company, you
15 may be eligible to obtain motor vehicle insurance through the Rhode Island assigned risk plan.
16 Almost all insurance agents and all insurance companies are authorized to help you apply for
17 motor vehicle insurance through the plan. If you apply for motor vehicle insurance through the
18 plan, you will be not be able to choose an insurer, but you will be assigned to an insurance
19 company. In some cases, you may not be able to obtain coverage through the plan that is identical
20 to the coverage that was not renewed; or

21 (3) Before the effective date of cancellation shown in this notice you file with the
22 administrator of the department of motor vehicles a written complaint on a form prescribed and
23 furnished by the administrator. The form is available on the division of motor vehicles website or
24 can be obtained by calling the division.

25 Unless one of the three (3) above actions occurs, the registration for your motor vehicle
26 will be revoked on the effective date of cancellation shown in this notice."

27 (c) The written notice of cancellation must be sent to the intended recipient at least
28 twenty (20) days before the proposed effective date of cancellation of the motor vehicle insurance
29 policy. The insurer must notify the registrar of motor vehicles of the cancellation of a motor
30 vehicle insurance policy, whether initiated by the insurer or the policyholder, in accordance with
31 the procedures prescribed by the registrar.

32 (1) The insurer must give written notice of cancellation to the policyholder and to any
33 loss payee identified on the policyholder's coverage selections or declaration page of the motor
34 vehicle insurance policy in any of the following ways:

1 (i) Delivery in hand to the policyholder;

2 (ii) Delivery in hand to the policyholder's last address known to the insurer (business,
3 residence or other); or

4 (iii) Delivery by first class mail forwarded to the policyholder's last address known to the
5 insurer (business, residence or other). If the insurer mails the notice of cancellation to the
6 policyholder, it will not be deemed effective unless the insurer obtains a certificate of mailing
7 receipt from the United States Postal Service showing the name and address of the policyholder
8 to whom the notice of cancellation was mailed.

9 (2) A policyholder must give written notice of cancellation either to the insurer or by
10 notifying the insurance producer through whom the policyholder purchased the motor vehicle
11 insurance policy. Notice of cancellation may be given by any reasonable means, including hand
12 delivery or first class mail.

13 (d) An insurer that reinstates a motor vehicle insurance policy after issuing a notice of
14 cancellation must notify the registrar of motor vehicles of such reinstatement in accordance with
15 the procedures prescribed by the registrar.

16 **31-32.1-5 Return premium applicable to cancelled motor vehicle insurance policies.**

17 = (a) If premium payments have been made on a motor vehicle insurance policy which is
18 cancelled, the policyholder may be entitled to the return of premium paid for the unexpired term
19 of that policy. Return premium, if any, shall be determined based on the rates in effect for the
20 insurer on the date the cancelled motor vehicle insurance policy first became effective.

21 (b) An insurer that cancels a motor vehicle insurance policy shall calculate return
22 premium on a pro rata basis as of the intended effective date of cancellation, or the date upon
23 which a new certificate of insurance is filed with the registrar of motor vehicles covering the
24 same vehicle that was insured under the cancelled policy, if the effective date of the new motor
25 vehicle insurance policy is prior to the intended cancellation date of the cancelled motor vehicle
26 insurance policy. Any return premium associated with the unexpired portion of the term of the
27 cancelled motor vehicle insurance policy shall be delivered to the policyholder within thirty (30)
28 days of the effective date of cancellation of that policy.

29 (c) If a motor vehicle insurance policy that an insurer cancelled is reinstated by the
30 director or by order of a court in any legal proceeding that the policyholder initiated relating to
31 the cancellation, any return premium shall be calculated based on the rates in effect when the
32 cancelled motor vehicle insurance policy first became effective.

33 (d) If a policyholder cancels a motor vehicle insurance policy, return premium, if any,
34 shall reflect the unexpired portion of the term of the cancelled policy, pro rata, in any of the

1 following circumstances:

2 (i) The policyholder cancels the motor vehicle insurance policy within the first thirty (30)
3 days from the date on which the policy becomes effective or the date on which the policyholder
4 receives the policy documents, whichever is later;

5 (ii) The policyholder cancels the motor vehicle insurance policy within thirty (30) days
6 after the date on which the insured motor vehicle is stolen or destroyed, if the loss to the motor
7 vehicle is a total loss or total constructive loss. The return premium, if any, shall be calculated
8 from the day following the date of loss;

9 (iii) The policyholder cancels the motor vehicle insurance policy because of entry into the
10 military service of the United States of America; or

11 (iv) The policyholder cancels a motor vehicle insurance policy issued through the Rhode
12 Island assigned risk plan because coverage has been obtained in the voluntary market. The return
13 premium, if any, shall be calculated from the effective date of the motor vehicle insurance policy
14 that replaces the policy issued through the Rhode Island assigned risk plan.

15 Nothing precludes an insurer from identifying other circumstances in which it will
16 calculate the return premium to the policyholder on a pro rata basis without short rate
17 adjustments.

18 (e) In all other cases, if the policyholder cancels a motor vehicle insurance policy the
19 insurer may reduce the otherwise calculated return premium in accordance with any short rate
20 adjustments contained in the insurer's motor vehicle insurance rate manual filed with the
21 commissioner and in effect on the date the policy became effective.

22 (f) If a motor vehicle insurance policy terminates by operation of law, the return
23 premium, if any, is calculated based on the date of such automatic termination, regardless of any
24 other intended date of cancellation proposed by the insurer or the policyholder. A motor vehicle
25 insurance policy terminates by operation of law in any of the following circumstances:

26 (i) Another insurer files with the registrar of motor vehicles a certificate of insurance
27 covering the same motor vehicle or trailer covered by the terminating policy. The date of
28 termination is the date on which a new certificate of insurance filed with the registrar of motor
29 vehicles becomes effective;

30 (ii) The owner of the motor vehicle or trailer sells or transfers title. The date of
31 termination is thirty (30) days after such sale or transfer unless the owner, within that thirty (30)
32 day period, transfers the registration of the motor vehicle or trailer to a replacement motor vehicle
33 or trailer; or

34 (iii) The owner of the motor vehicle or trailer surrenders the registration plates issued by

1 the registrar of motor vehicles for the motor vehicle or trailer to the registrar of motor vehicles,
2 along with a written statement, in such form as the registrar of motor vehicles may require,
3 indicating that such registration plates are being surrendered to cancel the registration of the
4 motor vehicle or trailer, as well as the motor vehicle insurance policy covering such motor
5 vehicle or trailer. If the registration plates have been lost or stolen, the owner of the motor vehicle
6 or trailer may cancel the registration of the motor vehicle or trailer by filing a lost plate affidavit
7 with the registrar of motor vehicles in accordance with procedures prescribed by the registrar.

8 (g) When a motor vehicle insurance policy terminates by operation of law, the return
9 premium, if any, may be reduced in accordance with any short rate adjustments contained in the
10 insurer's motor vehicle insurance rate manual filed with the commissioner and in effect on the
11 date the policy became effective.

12 **31-32.1-6 Policy non-renewal.** – (a) Notices of non-renewal must be in writing and must
13 include the following information:

14 (1) A title which indicates the nature of the notice;

15 (2) The complete name and address of the person requesting non-renewal;

16 (3) The complete name and address of the person to whom the notice of non-renewal is
17 sent;

18 (4) The policy number or other identifier specifying the motor vehicle insurance policy
19 being non-renewed;

20 (5) The date on which the non-renewing motor vehicle insurance policy will expire; and

21 (6) An insurer must comply with all Rhode Island laws and regulations relating to non-
22 renewal of a motor vehicle insurance policy. An insurer that issues a notice of non-renewal must
23 state the reason for the non-renewal. An insurer may not use phrases such as "underwriting
24 reasons" as the reason for non-renewal. An insurer must inform the policyholder of the specific
25 facts on which the insurer based its decision not to renew the motor vehicle insurance policy.

26 (b) A notice of non-renewal that an insurer issues to a policyholder of a private passenger
27 motor vehicle insurance policy also must include the following language, unless the
28 commissioner approves alternate language:

29 "IMPORTANT NOTICE TO POLICYHOLDERS

30 You must have compulsory motor vehicle insurance in order to keep your motor vehicle
31 registered in Rhode Island. We have notified the registrar of motor vehicles and you of our intent
32 to not renew your motor vehicle insurance policy.

33 You must replace your policy as soon as possible. The registrar of motor vehicles will
34 cancel your motor vehicle registration if it does not receive a new certificate of insurance

1 covering your motor vehicle before your current policy expires. You may contact an insurance
2 company directly, or work with a licensed insurance agent to obtain new insurance from a
3 company that the insurance agent represents.

4 If no insurance company is willing to insure you, you may be eligible to obtain motor
5 vehicle insurance through the Rhode Island assigned risk plan. Almost all insurance agents and
6 all insurance companies are authorized to help you apply to the plan. If you apply for insurance
7 through the plan, you will not be able to choose an insurer, but you will be assigned to an
8 insurance company. In some cases, you may not be able to obtain coverage through the plan that
9 is identical to the insurance coverage that was not renewed.

10 This notice shall not be deemed a refusal to issue a motor vehicle liability policy or to
11 execute a motor vehicle liability bond as surety."

12 (c) Procedures for delivering a notice of non-renewal.

13 (1) An insurer must give written notice that it will not renew an existing motor vehicle
14 insurance policy forty-five (45) days before the policy expiration date. Notices of non-renewal
15 must be given as follows:

16 (i) For policies with expiration dates between January 1, 2017 and December 31, 2017,
17 the insurer shall send the notice of non-renewal to the insurance producer of record, regardless of
18 whether that insurance producer is then appointed as an agent of the insurer.

19 (ii) For policies with expiration dates on or after January 1, 2018, the insurer shall send
20 the notice of non-renewal to the insurance producer of record only if that producer is then
21 appointed as an agent of the insurer. If the insurer has terminated that insurance producer's agent
22 appointment, the insurer must send the notice of non-renewal to the policyholder.

23 (iii) For all policies, if the insurance producer of record no longer is licensed as an
24 insurance producer by the commissioner, the insurer shall send the notice of non-renewal to the
25 policyholder.

26 (2) Notification procedures applicable to insurance producers.

27 (i) The insurance producer who receives a notice of non-renewal from an insurer shall
28 send a copy of the notice of non-renewal to the policyholder within fifteen (15) days of receiving
29 such notice, unless another insurer has issued a motor vehicle insurance policy covering the
30 motor vehicle insured under the non-renewing motor vehicle insurance policy.

31 (ii) An insurance producer who receives a notice of non-renewal from a policyholder
32 must notify the insurer promptly that the policyholder does not intend to renew the motor vehicle
33 insurance policy.

34 (3) Notification procedures to the registrar of motor vehicles. The insurer shall send the

1 notice of non-renewal to the registrar of motor vehicles at least forty-five (45) days prior to the
2 expiration of the policy in accordance with procedures of the registrar of motor vehicles.

3 (4) Effect of failure to comply with non-renewal notice requirements.

4 (i) An insurer that fails to comply with the statutory requirements related to a notice of
5 non-renewal, or that sends such notice of non-renewal and then subsequently renews the motor
6 vehicle insurance policy, must, at the policyholder's request, issue motor vehicle insurance
7 coverage of at least the same type and amount as existed on the non-renewed motor vehicle
8 insurance policy.

9 (ii) The failure of an insurance producer to comply with the requirements for sending a
10 notice of non-renewal to a policyholder or to an insurer may be grounds for revoking an insurance
11 producer's license and may be considered an unfair or deceptive act or practice in the business of
12 insurance.

13 (5) An insurer that reinstates a motor vehicle insurance policy after issuing a notice of
14 non-renewal must notify the registrar of motor vehicles of such reinstatement in accordance with
15 the procedures prescribed by the registrar of motor vehicles.

16 **31-32.1-7 Enforcement.** – Pursuant to the provisions of this chapter, the division of
17 motor vehicles shall suspend or revoke the registration of owners or motor or other vehicles who
18 fail to maintain a motor vehicle insurance policy with twenty-five thousand dollar (\$25,000)
19 minimum liability coverage.

20 **31-32.1-8 Severability.** – The provisions of this chapter are declared to be severable. In
21 case any part, section, or provision of this chapter is held void by any court of competent
22 jurisdiction, the remaining parts, sections, and provisions of the chapter shall not be impaired or
23 otherwise affected.

24 SECTION 2. This act shall take effect upon passage and apply to the cancellation or non-
25 renewal of motor vehicle insurance policies issued or renewed after January 1, 2017.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO MOTOR AND OTHER VEHICLES - CANCELLATION AND NON-
RENEWAL OF MOTOR VEHICLE INSURANCE POLICIES

1 This act would authorize the division of motor vehicles to suspend or revoke the
2 registration of any motor vehicle in this state due to the cancellation or non-renewal of the motor
3 vehicle liability insurance coverage maintained by the owner of the motor vehicle.

4 This act would take effect upon passage and would apply to the cancellation or non-
5 renewal of motor vehicle insurance policies issued or renewed after January 1, 2017.

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