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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO INSURANCE

Introduced By: Representative Michael J. Marcello

Date Introduced: February 25, 2010

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-2.4-8 of the General Laws in Chapter 27-2.4 entitled "Producer
2 Licensing Act" is hereby amended to read as follows:

3 **27-2.4-8. Application for license.** -- (a) A person applying for a resident insurance
4 producer license shall make application to the insurance commissioner on the uniform application
5 and declare under penalty of refusal, suspension or revocation of the license that the statements
6 made in the application are true, correct and complete to the best of the individual's knowledge
7 and belief. Before approving the application, the insurance commissioner shall find that the
8 individual:

9 (1) Is at least eighteen (18) years of age;

10 (2) Has not committed any act that is a ground for denial, suspension or revocation set
11 forth in section 27-2.4-14;

12 ~~(3) Has completed a prelicensing course of study for the lines of authority for which the~~
13 ~~person has applied unless exempted in writing, for good cause, from the requirement by the~~
14 ~~department;~~

15 (3)(4) Has paid the fees set forth in section 27-2.4-4; and

16 (4)(5) Has successfully passed the examinations for the lines of authority for which the
17 person has applied.

18 (b) A Rhode Island resident business entity acting as an insurance producer may elect to
19 obtain an insurance producer license. Application shall be made using the uniform business entity

1 application. Prior to approving the application, the commissioner shall find both of the following:

2 (1) The business entity has paid the appropriate fees.

3 (2) The business entity has designated a licensed producer responsible for the business
4 entity's compliance with the insurance laws and rules of this state.

5 (c) The insurance commissioner may require any documents reasonably necessary to
6 verify the information contained in an application.

7 (d) Each insurer that sells, solicits or negotiates any form of limited line credit insurance
8 shall provide to each individual whose duties will include selling, soliciting or negotiating limited
9 line credit insurance a program of instruction that may be approved by the insurance
10 commissioner.

11 SECTION 2. Section 27-7-2.1 of the General Laws in Chapter 27-7 entitled "Liability
12 Insurance" is hereby amended to read as follows:

13 **27-7-2.1. Uninsured motorist coverage.** -- (a) No policy insuring against loss resulting
14 from liability imposed by law for property damage caused by collision, bodily injury, or death
15 suffered by any person arising out of the ownership, maintenance, or use of a motor vehicle shall
16 be delivered or issued for delivery in this state with respect to any motor vehicle registered or
17 principally garaged in this state unless coverage is provided in or supplemental to the policy, for
18 bodily injury or death in limits set forth in each policy, but in no instance less than the limits set
19 forth in section 31-31-7 under provisions approved by the insurance commissioner, for the
20 protection of persons insured under the policy who are legally entitled to recover damages from
21 owners or operators of uninsured motor vehicles and hit-and-run motor vehicles because of
22 property damage, bodily injury, sickness, or disease, including death, resulting from that injury,
23 sickness or disease. The insurer shall ~~provide~~ offer uninsured motorist coverage in at least an
24 amount equal to the insured's bodily injury liability limits. The named insured shall have the
25 option of accepting the offer, selecting a limit in writing less than the bodily injury liability
26 coverage, ~~but in no event less than the limits set forth in section 31-31-7, unless~~ or rejecting
27 uninsured motorist coverage. ~~the~~ The named insured ~~is purchasing only the minimum coverage~~
28 ~~required by compulsory insurance provisions of the general laws, in which case the limit can be~~
29 ~~reduced to zero;~~ may reject the coverage but only after signing an advisory notice approved by
30 the director of business regulation concerning the hazard of uninsured and underinsured
31 motorists. That coverage shall also apply in the case of a responsible party whose liability
32 insurance carrier was insolvent at the time of the accident or became insolvent subsequent to the
33 accident.

34 (b) Notwithstanding the provisions of subsection (a), the named insured shall have the

1 option to reject, in writing, uninsured motorist coverage for loss resulting from damage to
2 property. If the named insured has collision coverage for property damage to his or her vehicle,
3 then no coverage for uninsured motorist property damage shall be required unless the insured at
4 his or her option chooses to purchase that coverage.

5 (c) For the purposes of this section:

6 (1) "Policy insuring against loss" means a policy which provides primary coverage for
7 the insured motor vehicle; and

8 (2) "Property damage" means injury to or destruction of the insured vehicle, including its
9 loss of use and any property, excluding business property, owned by the insured while contained
10 in the insured vehicle.

11 (d) After the selection of limits by the named insured or the exercise of the right to reject
12 that portion of the coverage which applies to property damage, the insurer or any affiliated insurer
13 shall be required to notify the policyholder, in any renewal, reinstatement, substitute, amended,
14 altered, modified, transfer, or replacement policy, as to the availability of that coverage or
15 optional limits. The insured may, subject to the limitations expressed in this chapter, make a
16 written request for higher limits, newly added coverage, or coverage more extensive than that
17 provided on a prior policy.

18 (e) Property damage caused by collision shall be subject to a two hundred dollar (\$200)
19 deductible per claim unless otherwise agreed. Any claim submitted under the property damage
20 portion of this section must include the name, address, and other means of identification to
21 establish that the at-fault operator is without insurance. ~~The rate for this coverage will be
22 established as a percentage of the existing base collision insurance rate as utilized by the majority
23 of companies, to be determined by the insurance commissioner.~~

24 (f) Whenever, through subrogation, an insurance company or its insurance producer
25 collects a casualty loss from a third party, that company or insurance producer shall, from the
26 funds collected, first pay to the insured the deductible portion of the casualty loss less the
27 prorated share of subrogation expense and only after this retain any funds in excess of the
28 deductible portion of the recovery.

29 (g) For the purposes of this section "uninsured motorist" shall include an underinsured
30 motorist. An "underinsured motorist" is the owner or operator of a motor vehicle who carries
31 automobile liability insurance with coverage in an amount less than the limits or damages that
32 persons insured pursuant to this section are legally entitled to recover because of bodily injury,
33 sickness, or disease, including death, resulting from that injury, sickness or disease.

34 (h) A person entitled to recover damages pursuant to this section shall not be required to

1 make a claim against or bring an action against the uninsured or underinsured tortfeasor as a
2 prerequisite to recover damages from the insurer providing coverage pursuant to this section. In
3 the event that the person entitled to recover against an underinsured motorist recovers from the
4 insurer providing coverage pursuant to this section, that insurer shall be entitled to subrogation
5 rights against the underinsured motorist and his or her insurance carrier. Release of the tortfeasor
6 with the consent of the company providing the underinsured coverage shall not extinguish or bar
7 the claim of the insured against the underinsurance carrier regardless of whether the claim has
8 been liquidated.

9 (i) Whenever an insured has paid two (2) or more separate premiums for uninsured
10 motorists' coverage in a single policy of insurance or under several policies with the same
11 insurance company, the insured shall be permitted to collect up to the aggregate amount of
12 coverage for all of the vehicles insured, regardless of any language in the policy to the contrary.

13 SECTION 3. Sections 27-14.1-1, 27-14.1-3, 27-14.1-4 and 27-14.1-6 of the General
14 Laws in Chapter 27-14.1 entitled "Administrative Supervision" are hereby amended to read as
15 follows:

16 **27-14.1-1. Definitions.** -- As used in this chapter:

17 (1) "Consent" means agreement to administrative supervision by the insurer;

18 (2) "Exceeded its powers" means the following conditions:

19 (i) The insurer has refused to permit examination of its books, papers, accounts, records,
20 or affairs by the commissioner, his or her deputies, employees or duly commissioned examiners;

21 (ii) A domestic insurer has unlawfully removed from this state books, papers, accounts,
22 or records necessary for an examination of the insurer;

23 (iii) The insurer has failed to promptly comply with the applicable financial reporting
24 statutes or rules and departmental requests relating ~~to those statutes or rules~~ thereto ;

25 (iv) The insurer has neglected or refused to observe an order of the commissioner to
26 make good, within ~~a~~ the time prescribed ~~time~~ by law, any prohibited deficiency in its capital,
27 capital stock or surplus;

28 (v) The insurer is continuing to transact insurance or write business after its license has
29 been revoked or suspended by the commissioner;

30 (vi) The insurer, by contract or otherwise, has unlawfully or has in violation of an order
31 of the commissioner or has without first having obtained written approval of the commissioner if
32 approval is required by law:

33 (A) Totally reinsured its entire outstanding business; or

34 (B) Merged or consolidated substantially its entire property or business with another

1 insurer;

2 (vii) The insurer engaged in any transaction in which it is not authorized to engage under
3 the laws of this state; or

4 (viii) The insurer refused to comply with a lawful order of the commissioner;

5 (3) "Insurer" means and includes every person ~~subject to the provisions of this title~~
6 engaged as indemnitor, surety or contractor in the business of entering into contracts of insurance
7 or of annuities as limited to:

8 (i) Any insurer who is doing an insurer business, or has transacted insurance in this state,
9 and against whom claims arising from that transaction may exist now or in the future; and

10 (ii) Any fraternal benefit society which is subject to the provisions of this title; and

11 (iii)(4) Any insurer writing "Mono mono line business" for the purposes of this title
12 ~~means either a stock or mutual insurance company, whether foreign or domestic~~, which means
13 any insurer which deals exclusively in surety bonding.

14 **27-14.1-3. Notice to comply with written requirements of commissioner --**

15 **Noncompliance -- Administrative supervision. --** (a) An insurer may be subject to
16 administrative supervision by the commissioner if upon examination or at any other time it
17 appears in the commissioner's discretion that:

18 (1) The insurer's condition renders the continuance of its business hazardous to the
19 public or to its insured;

20 (2) The insurer appears to have exceeded its powers granted under its certificate of
21 authority and applicable law;

22 (3) The insurer has failed to comply with the applicable provisions of the insurance code;

23 (4) The business of the insurer is being conducted fraudulently; or

24 (5) The insurer gives its consent.

25 (b) If the commissioner determines that the conditions set forth in subsection (a) of this
26 section exist, the commissioner shall:

27 (1) Notify the insurer of his or her determination;

28 (2) Furnish to the insurer a written list of the requirements to abate this determination;

29 and

30 (3) Notify the insurer that it is under the supervision of the commissioner and that the
31 commissioner is applying and effectuating the provisions of ~~the~~ this chapter. The action by the
32 commissioner shall be subject to review pursuant to ~~applicable state administrative procedures~~
33 ~~under~~ the Administrative Procedures Act, chapter 35 of title 42.

34 (c) If placed under administrative supervision, the insurer shall have sixty (60) days, or

1 another period of time as designated by the commissioner, to comply with the requirements of the
2 commissioner subject to the provisions of this chapter.

3 (d) If it is determined after notice and hearing that the conditions giving rise to the
4 supervision still exist at the end of the supervision period specified in subsection (c) of this
5 section, the commissioner may extend the period.

6 (e) If it is determined that none of the conditions giving rise to the supervision exist, the
7 commissioner shall release the insurer from supervision.

8 **27-14.1-4. Confidentiality of certain proceedings and records.** -- (a) Notwithstanding
9 any other provision of law and except as set forth in this section, proceedings, hearings, notices,
10 correspondence, reports, records, and other information in the possession of the commissioner or
11 the department of business regulation relating to the supervision of any insurer are confidential
12 except as provided by this section.

13 (b) The personnel of the department of business regulation shall have access to these
14 proceedings, hearings, notices, correspondence, reports, records, or information as permitted by
15 the commissioner.

16 (c) The commissioner may open the proceedings or hearings or disclose the notices,
17 correspondence, reports, records, or information to a department, agency, or instrumentality of
18 this or another state ~~or~~ of the United States if the commissioner determines that the disclosure is
19 necessary or proper for the enforcement of the laws of this or another state of the United States.

20 (d) The commissioner may open the proceedings or hearings or make public the notices,
21 correspondence, reports, records, or other information if the commissioner deems that it is in the
22 best interest of the public or in the best interest of the insurer, its insureds, creditors, or the
23 general public.

24 (e) This section does not apply to hearings, notices, correspondence, reports, records, or
25 other information obtained upon the appointment of a receiver for the insurer by a court of
26 competent jurisdiction.

27 **27-14.1-6. Review and stay of action.** -- During the period of supervision the insurer
28 may contest an action taken or ~~proposal~~ proposal proposed to be taken by the supervisor specifying the
29 manner in which the action being complained of would not result in improving the condition of
30 the insurer. Denial of the insurer's request upon reconsideration entitles the insurer to request a
31 proceeding under the Administrative Procedures Act, chapter 35 of title 42.

32 SECTION 4. Sections 27-30-2 and 27-30-11 of the General Laws in Chapter 27-30
33 entitled "Consumer Credit Insurance" are hereby amended to read as follows:

34 **27-30-2. Scope and definitions.** -- (a) Citation and scope.

1 (1) This chapter may be cited as "Consumer Credit Insurance Act."

2 (2) All consumer credit insurance sold in connection with loans or other credit
3 transactions for personal, family or household purposes shall be subject to the provisions of this
4 chapter except:

5 (i) Insurance written in connection with a credit transaction that is:

6 (A) Secured by a first mortgage or deed of trust; and

7 (B) Made to finance the purchase of real property or the construction of a dwelling
8 thereon, or to refinance a prior credit transaction made for such a purpose;

9 (ii) ~~(b)~~ Insurance sold as an isolated transaction on the part of the insurer and not related
10 to an agreement or a plan for insuring debtors of the creditor.

11 (iii) ~~(e)~~ Insurance for which no identifiable charge is made to the debtor.

12 (iv) ~~(d)~~ Insurance on accounts receivable.

13 (v) ~~(e)~~ Definitions. - For the purpose of this chapter:

14 (1) "Commissioner" means the director of the department of business regulation or his or
15 designee;

16 (2) "Compensation" means commissions, dividends, retrospective rate credits, service
17 fees, expense allowances or reimbursements, gifts, furnishing of equipment, facilities, goods or
18 services, or any other form of remuneration resulting directly from the sale of consumer credit
19 insurance;

20 (3) "Consumer credit insurance" is a general term used in this chapter to refer to any or
21 all credit life insurance, credit accident and health insurance, credit unemployment insurance
22 specifically defined in this chapter;

23 (4) "Credit accident and health insurance" means insurance on a debtor to provide
24 indemnity for payments or debt becoming due on a specific loan or other credit transaction while
25 the debtor is disabled as defined in the policy;

26 (5) "Credit life insurance" means insurance on a debtor or debtors, pursuant to or in
27 connection with a specific loan or other credit transaction, to provide for satisfaction of a debt, in
28 whole or in part, upon the death of an insured debtor;

29 (6) "Credit transaction" means any transaction by the terms of which the repayment of
30 money loaned or loan commitment made, or payment for goods, services or properties sold or
31 leased, is to be made at a future date or dates;

32 (7) "Credit unemployment insurance" means insurance on a debtor to provide indemnity
33 for payments or debt becoming due on a specific loan or other credit transaction while the debtor
34 is involuntarily unemployed as defined in the policy;

1 (8) "Creditor" means the lender of money or vendor or lessor of goods, services,
2 property, rights, or privileges, for which payment is arranged through a credit transaction or any
3 successor to the right, title, or interest of any lender, vendor, or lessor, and an affiliate, associate,
4 or subsidiary of any of them or any director, officer, or employee of any of them or any other
5 person in any way associated with any of them;

6 (9) "Debtor" means a borrower of money or a purchaser or lessee of goods, services,
7 property, rights, or privileges for which payment is arranged through a credit transaction;

8 (10) "Gross debt" means the sum of the remaining payments owed to the creditor by the
9 debtor;

10 (11) "Identifiable charge" means a charge for a type of consumer credit insurance that is
11 made to debtors having such insurance and not made to debtors not having such insurance; it
12 includes a charge for insurance that is disclosed in the credit or other instrument furnished to the
13 debtor which sets out the financial elements of the credit transaction and any difference in the
14 finance, interest, service or other similar charge made to debtors who are in like circumstances
15 except for the insured or non-insured status of the debtor or of the property used as security for
16 the credit transaction;

17 (12) "Net debt" means the amount necessary to liquidate the remaining debt in a single
18 lump-sum payment, excluding all unearned interest and other unearned finance charges;

19 (13) "Open-end credit" means credit extended by a creditor under an agreement in
20 which:

21 (i) The creditor reasonably contemplates repeated transactions;

22 (ii) The creditor imposes a finance charge from time to time on an outstanding unpaid
23 balance; and

24 (iii) The amount of credit that may be extended to the debtor during the term of the
25 agreement (up to any set limit by the creditor) is generally made available to the extent that any
26 outstanding balance is repaid.

27 **27-30-11. Existing insurance -- Choice of insurer. [Effective until February 11,**
28 **2010.] --** When credit life insurance is required as additional security for any indebtedness, and if
29 the premium for it is the subject of a separate charge to the debtor, the debtor shall, upon request
30 to the creditor, have the option of furnishing the required amount of insurance through existing
31 policies of insurance owned or controlled by him or her or of procuring and furnishing the
32 required coverage through any insurer authorized to transact an insurance business within this
33 state.

34 **27-30-11. Existing insurance -- Choice of insurer. [Effective February 11, 2010.] --**

1 When consumer credit insurance is required as additional security for any [debt](#) the debtor shall,
2 upon request to the creditor, have the option of furnishing the required amount of insurance
3 through existing policies of insurance owned or controlled by the debtor of procuring and
4 furnishing the required coverage through any insurer authorized to transact an insurance business
5 within this state.

6 SECTION 5. Section 27-4.8-5 of the General Laws in Chapter 27-4.8 entitled "Group
7 Life Insurance" is hereby amended to read as follows:

8 **27-4.8-5. Group life insurance standard provision.** -- (a) No policy of group life
9 insurance shall be delivered in this state unless it contains in substance the following provisions,
10 or provisions which in the opinion of the commissioner are more favorable to the persons insured,
11 or at least as favorable to the persons insured and more favorable to the policyholder, however:

12 (1) Subsections (f) to (k) inclusive shall not apply to policies insuring the lives of
13 debtors;

14 (2) The standard provisions required for individual life insurance policies shall not apply
15 to group life insurance policies; and

16 (3) If the group life insurance policy is on a plan of insurance other than the term plan, it
17 shall contain a nonforfeiture provision or provisions which, in the opinion of the commissioner, is
18 or are equitable to the insured persons and to the policyholder. Nothing herein shall be construed
19 to require that group life insurance policies contain the same nonforfeiture provisions as are
20 required for individual life insurance policies.

21 (b) The policy shall contain a provision that the policyholder is entitled to a grace period
22 of thirty-one (31) days for the payment of any premium due except the first, during which grace
23 period the death benefit coverage shall continue in force, unless the policyholder gives the insurer
24 written notice of discontinuance in advance of the date of discontinuance and in accordance with
25 the terms of the policy. The policy may provide that the policyholder shall be liable to the insurer
26 for the payment of a pro rata premium for the time the policy was in force during the grace
27 period.

28 (c) The policy shall contain a provision that the validity of the policy shall not be
29 contested except for nonpayment of premiums after it has been in force for two (2) years from its
30 date of issue; and that no statement made by any person insured under the policy relating to his or
31 her insurability shall be used in contesting the validity of the insurance with respect to which the
32 statement was made after the insurance has been in force prior to the contest for a period of two
33 (2) years during the person's lifetime nor unless it is contained in a written instrument signed by
34 him or her. This provision shall not preclude the assertion at any time of defenses based upon

1 provisions in the policy that relate to eligibility for coverage.

2 (d) The policy shall contain a provision that a copy of the application, if any, of the
3 policy holder shall be attached to the policy when issued, that all statements made by the
4 policyholder or by the persons insured shall be deemed representations and not warranties and
5 that no statement made by any person insured shall be used in any contest unless a copy of the
6 instrument containing the statement is or has been furnished to the person or, in the event of death
7 or incapacity of the insured person, to his or her beneficiary or personal representative.

8 (e) The policy shall contain a provision setting forth the conditions, if any, under which
9 the insurer reserves the right to require a person eligible for insurance to furnish evidence of
10 individual insurability satisfactory to the insurer as a condition to part or all of his coverage.

11 (f) The policy shall contain a provision specifying an equitable adjustment of premiums
12 or benefits, or both, to be made in the event the age of a person insured has been misstated. The
13 provision to contain a clear statement of the method of adjustment to be made.

14 (g) The policy shall contain a provision that any sum becoming due by reason of the
15 death of the person insured shall be payable to the beneficiary designated by the person insured,
16 except that, where the policy contains conditions pertaining to family status, the beneficiary may
17 be the family member specified by the policy terms, subject to the provisions of the policy in the
18 event there is no designated beneficiary, as to all or any part of the sum, living at the death of the
19 person insured, and subject to any right reserved by the insurer in the policy and set forth in the
20 certificate to pay at its option a part of the sum not exceeding two thousand dollars (\$2000) to any
21 person appearing to the insurer to be equitably entitled to it by reason of having incurred funeral
22 or other expenses incident to the last illness or death of the person insured.

23 (h) The policy shall contain a provision that the insurer will issue to the policyholder for
24 delivery to each person insured a certificate setting forth a statement as to the insurance
25 protection to which he or she is entitled, to whom the insurance benefits are payable, a statement
26 as to any dependent's coverage included in the certificate, and the rights and conditions set forth
27 in subsections ~~(i)~~, ~~(j)~~, ~~(k)~~ and ~~(l)~~ following.

28 (i) The policy shall contain a provision that, if the insurance, or any portion of it, on a
29 person covered under the policy or on the dependent of a person covered, ceases because of
30 termination of employment or of membership in the class or classes eligible for coverage under
31 the policy, the person shall be entitled to have issued to him or her by the insurer, without
32 evidence of insurability, an individual policy of life insurance without disability or other
33 supplementary benefits, provided application for the individual policy shall be made, and the first
34 premium paid to the insurer, within thirty-one (31) days after termination and provided further

1 that:

2 (1) The individual policy shall, at the option of the person, be on any one of the forms
3 then customarily issued by the insurer at the age and for the amount applied for, except that the
4 group policy may exclude the option to elect term insurance;

5 (2) The individual policy shall be in an amount not in excess of the amount of life
6 insurance that ceases because of termination, less the amount of any life insurance for which the
7 person becomes eligible under the same or any other group policy within thirty-one (31) days
8 after termination, provided that any amount of insurance that shall have matured on or before the
9 date of termination as an endowment payable to the person insured, whether in one sum or in
10 installments or in the form of an annuity, shall not, for the purposes of this provision, be included
11 in the amount that is considered to cease because of termination; and

12 (3) The premium on the individual policy shall be at the insurer's then customary rate
13 applicable to the form and amount of the individual policy, to the class of risk to which the person
14 then belongs, and to the individual age attained on the effective date of the individual policy.
15 Subject to the same conditions set forth above, the conversion privilege shall be available:

16 (i) To a surviving dependent, if any, at the death of an employee or member, with respect
17 to the coverage under the group policy that terminates by reason of the death; and

18 (ii) To the dependent of the employee or member upon termination of coverage of the
19 dependent, while the employee or member remains insured under the group policy, by reason of
20 the dependent ceasing to be a qualified family member under the group policy.

21 (j) The policy shall contain a provision that if the group policy terminates or is amended
22 so as to terminate the insurance of any class of insured persons, every person insured thereunder
23 at the date of termination whose insurance terminates, including the insured dependent of a
24 covered person, and who has been so insured for at least five (5) years prior to the termination
25 date shall be entitled to have issued by the insurer an individual policy of life insurance, subject to
26 the same conditions and limitations as are provided by subsection ~~(i)~~ above, except that the
27 group policy may provide that the amount of the individual policy shall not exceed the smaller of:

28 ~~(1)~~ The amount of the person's life insurance protection ceasing because of the
29 termination or amendment of the group policy, less the amount of any life insurance for which the
30 person is or becomes eligible under a group policy issued or reinstated by the same or another
31 insurer within thirty-one (31) days after termination; or

32 ~~(2)~~ Ten-thousand dollars (\$10,000).

33 (k) The policy shall contain a provision that, if a person insured under the group policy,
34 or the insured dependent of a covered person, dies during the period within which the individual

1 would have been entitled to have an individual policy issued in accordance with subsection (h) or
2 (i) above and before the individual policy shall have become effective, the amount of life
3 insurance which he or she would have been entitled to have issued under the individual policy
4 shall be payable as a claim under the group policy, whether or not application for the individual
5 policy or the payment of the first premium therefore has been made.

6 (l) Where active employment is a condition of insurance, the policy shall contain a
7 provision that an insured may continue coverage during the insured's total disability by timely
8 payment to the policyholder of that portion, if any, of the premium that would have been required
9 from the insured had total disability not occurred. The continuation shall be on a premium paying
10 basis for a period of six (6) months from the date on which the total disability started, but not
11 beyond the earlier of:

12 (i) Approval by the insurer of continuation of the coverage under any disability provision
13 which the group insurance policy may contain; or

14 (ii) The discontinuance of the group insurance policy.

15 (m) In the case of a policy insuring the lives of debtors, the policy shall contain a
16 provision that the insurer will furnish to the policyholder for delivery to each debtor insured
17 under the policy a certificate of insurance describing the coverage and specifying that the death
18 benefit shall first be applied to reduce or extinguish the indebtedness.

19 SECTION 6. Section 27-65-1 of the General Laws in Chapter 27-65 entitled
20 "Commercial Special Risks" is hereby amended to read as follows:

21 **27-65-1. Commercial special risks.** -- (a) Commercial special risks. - Notwithstanding
22 any other provisions of this title to the contrary and except as limited in subsection (b) of this
23 section, insurers shall not be required to file with, nor to receive approval from, the insurance
24 division of the department of business regulation for policy forms or rates used in the insurance of
25 commercial special risks located in this state. Commercial special risks are defined as:

26 (1) Risks written as commercial lines insurance, ~~as defined in section 27-34-5(5)~~ [as](#)
27 [insurance issued other than for personal, family, or household purposes](#), and which are written on
28 an excess or umbrella basis;

29 (2) Those risks, or portions of them, written as commercial lines insurance, ~~as defined in~~
30 ~~section 27-34-5(5)~~ [as insurance issued other than for personal, family, or household purposes](#), and
31 which are not rated according to manuals, rating plans, or schedules including "A" rates;

32 (3) Risks written as commercial lines insurance that employ or retain the services of a
33 "risk manager" and which also meet any one of the following criteria:

34 (i) Net worth over ten million dollars (\$10,000,000);

- 1 (ii) Net revenue/sales of over five million dollars (\$5,000,000);
- 2 (iii) More than twenty-five (25) employees per individual company or fifty (50)
- 3 employees per holding company in the aggregate;
- 4 (iv) Aggregates premiums of over thirty thousand dollars (\$30,000) excluding group life,
- 5 group health, workers' compensation and professional liability (including but not limited to errors
- 6 and omissions and directors and officers liability);
- 7 (v) Is a not for profit, or public entity with an annual budget or assets of at least twenty-
- 8 five million dollars (\$25,000,000); or
- 9 (vi) Is a municipality with a population of over twenty thousand (20,000);
- 10 (4) Specifically designated commercial special risks including:
- 11 (i) All risks classified as highly protected risks.
- 12 "Highly protected risk" means a fire resistive building that meets the highest standards of
- 13 fire safety according to insurance company underwriting requirements;
- 14 (ii) All commercial insurance aviation risks;
- 15 (iii) All credit property insurance risks which are defined as "insurance of personal
- 16 property of a commercial debtor against loss, with the creditor as sole beneficiary" or "insurance
- 17 of personal property of a commercial debtor, with the creditor as primary beneficiary and the
- 18 debtor as beneficiary of proceeds not paid to the creditor". For the purposes of this definition,
- 19 "personal property" means furniture, fixtures, furnishings, appliances and equipment designed for
- 20 use in a business trade or profession and not used by a debtor for personal or household use;
- 21 (iv) All boiler and machinery risks;
- 22 (v) All inland marine risks written as commercial lines insurance as defined ~~in section~~
- 23 ~~27-34-5(5)~~ as insurance issued other than for personal, family, or household purposes; and
- 24 (vi) All fidelity and surety risks; and
- 25 (vii) All crime and burglary and theft risks.
- 26 (b) Notwithstanding subsection (a) of this section, the following lines of business shall
- 27 remain subject to all filing and approval requirements contained in this title even if written for
- 28 risks which qualify as commercial special risks:
- 29 (1) Life insurance;
- 30 (2) Annuities;
- 31 (3) Accident and health insurance;
- 32 (4) Automobile insurance which is mandated by statute;
- 33 (5) Workers' compensation and employers' liability insurance; and
- 34 (6) Issuance through residual market mechanisms.

1 (c) Any insurer which provides coverage to a commercial special risk shall disclose to
2 the insured that forms used and rates charges are exempt from filing and approval requirements
3 by this subsection. Records of all such disclosures shall be maintained by the insurer.

4 (d) Brokers for exempt commercial policyholders as defined in subdivision (a)(3) of this
5 section shall be exempt from the due diligence requirements of section 27-3-38(b).

6 (e) Notwithstanding any other provisions of this title, the requirements of section 27-5-2
7 shall not apply to any policy insuring one or more commercial special risks located in this state.

8 SECTION 7. Chapter 27-4.2 of the General Laws entitled "Life and Health Reinsurance
9 Agreements Act" is hereby amended by adding thereto the following section:

10 27-4.2-7. Existing agreements. – Insurers subject to this regulation shall reduce to zero
11 by December 31, 1997 any reserve credits or assets established with respect to reinsurance
12 agreements entered into prior to the effective date of this regulation which, under the provisions
13 of this regulation would not be entitled to recognition of the reserve credits or assets; provided,
14 however, that the reinsurance agreements shall have been in compliance with laws or regulations
15 in existence immediately preceding the effective date of this regulation.

16 SECTION 8. Chapter 27-12.2 of the General Laws entitled "Administrative Supervision
17 Act" is hereby repealed in its entirety.

18 ~~CHAPTER 27-12.2~~

19 ~~Administrative Supervision Act~~

20 ~~**27-12.2-1. Definitions.** — As used in this chapter:~~

21 ~~-(1) "Consent" means agreement to administrative supervision by the insurer.~~

22 ~~-(2) "Exceeded its powers" means the following conditions:~~

23 ~~-(i) The insurer has refused to permit examination of its books, papers, accounts, records~~
24 ~~or affairs by the commissioner, his or her deputies, employees, or duly commissioned examiners;~~

25 ~~-(ii) A domestic insurer has unlawfully removed from this state, books, papers, accounts~~
26 ~~or records necessary for an examination of the insurer;~~

27 ~~-(iii) The insurer has failed to promptly comply with the applicable financial reporting~~
28 ~~statutes or rules and departmental requests relating thereto;~~

29 ~~-(iv) The insurer has neglected or refused to observe an order of the commissioner to~~
30 ~~make good, within the time prescribed by law, any prohibited deficiency in its capital, capital~~
31 ~~stock, or surplus;~~

32 ~~-(v) The insurer is continuing to transact insurance or write business after its license has~~
33 ~~been revoked or suspended by the commissioner;~~

34 ~~-(vi) The insurer, by contract or otherwise, has unlawfully or has in violation of an order~~

1 ~~of the commissioner, or has without first having obtained written approval of the commissioner if~~
2 ~~approval is required by law:~~

3 ~~-(A) Totally reinsured its entire outstanding business, or~~

4 ~~-(B) Merged or consolidated substantially its entire property or business with another~~
5 ~~insurer;~~

6 ~~-(vii) The insurer engaged in any transaction in which it is not authorized to engage under~~
7 ~~the laws of this state; or~~

8 ~~-(viii) The insurer refused to comply with a lawful order of the commissioner; and~~

9 ~~-(3) "Insurer" means and includes every person engaged as indemnitor, surety or~~
10 ~~contractor in the business of entering into contracts of insurance or of annuities as limited to:~~

11 ~~-(i) Any insurer who is doing an insurer business, or has transacted insurance in this state,~~
12 ~~and against whom claims arising from that transaction may exist now or in the future; and~~

13 ~~-(ii) Any fraternal benefit society which is subject to the provisions of chapter 25 of this~~
14 ~~title.~~

15 ~~**27-12.2-2. Applicability.** -- The provisions of this chapter shall apply to all domestic~~
16 ~~insurers, including protected cell companies organized under the Protected Cell Companies Act,~~
17 ~~chapter 64 of this title, and any of its protected cells established under that chapter, to the extent~~
18 ~~not inconsistent with the provisions of that chapter, and any other insurer doing business in this~~
19 ~~state whose state of domicile has asked the commissioner to apply the provisions of this chapter~~
20 ~~as regards the insurer.~~

21 ~~**27-12.2-3. Administrative supervision.** -- (a) An insurer may be subject to~~
22 ~~administrative supervision by the commissioner if upon examination or at any other time it~~
23 ~~appears in the commissioner's discretion that:~~

24 ~~-(1) The insurer's condition renders the continuance of its business hazardous to the~~
25 ~~public or to its insured;~~

26 ~~-(2) The insurer appears to have exceeded its powers granted under its certificate of~~
27 ~~authority and applicable law;~~

28 ~~-(3) The insurer has failed to comply with the applicable provisions of the insurance code;~~

29 ~~-(4) The business of the insurer is being conducted fraudulently; or~~

30 ~~-(5) The insurer gives its consent.~~

31 ~~-(b) If the commissioner determines that the conditions set forth in subsection (a) exist,~~
32 ~~the commissioner shall:~~

33 ~~-(1) Notify the insurer of his or her determination;~~

34 ~~-(2) Furnish to the insurer a written list of the requirements to abate this determination;~~

1 and

2 ~~-(3) Notify the insurer that it is under the supervision of the commissioner and that the~~
3 ~~commissioner is applying and effectuating the provisions of this chapter. That action by the~~
4 ~~commissioner shall be subject to review pursuant to the applicable Administrative Procedures~~
5 ~~Act, chapter 35 of title 42.~~

6 ~~-(c) If placed under administrative supervision, the insurer shall have sixty (60) days, or~~
7 ~~another period of time as designated by the commissioner, to comply with the requirements of the~~
8 ~~commissioner subject to the provisions of this chapter.~~

9 ~~-(d) If it is determined after notice and a hearing that the conditions giving rise to the~~
10 ~~supervision still exist at the end of the supervision period specified in this section, the~~
11 ~~commissioner may extend the period.~~

12 ~~-(e) If it is determined that none of the conditions giving rise to the supervision exist, the~~
13 ~~commissioner shall release the insurer from supervision.~~

14 **27-12.2-4. Confidentiality of proceedings and records.** ~~-(a) Notwithstanding any~~
15 ~~other provision of law and except as set forth in this section, proceedings, hearings, notices,~~
16 ~~correspondence, reports, records, and other information in the possession of the commissioner or~~
17 ~~the department of business regulations relating to the supervision of any insurer are confidential~~
18 ~~except as provided by this section.~~

19 ~~-(b) The personnel of the department of business regulations shall have access to these~~
20 ~~proceedings, hearings, notices, correspondence, reports, records, or information as permitted by~~
21 ~~the commissioner.~~

22 ~~-(c) The commissioner may open the proceedings or hearings or disclose the notices,~~
23 ~~correspondence, reports, records, or information to a department, agency or instrumentality of this~~
24 ~~or another state of the United States if the commissioner determines that the disclosure is~~
25 ~~necessary or proper for the enforcement of the laws of this or another state of the United States.~~

26 ~~-(d) The commissioner may open the proceedings or hearings or make public the notices,~~
27 ~~correspondence, reports, records, or other information if the commissioner deems that it is in the~~
28 ~~best interest of the public or in the best interest of the insurer, its insureds, creditors, or the~~
29 ~~general public.~~

30 ~~-(e) This section does not apply to hearings, notices, correspondence, reports, records, or~~
31 ~~other information obtained upon the appointment of a receiver for the insured by a court of~~
32 ~~competent jurisdiction.~~

33 **27-12.2-5. Prohibited acts during supervision.** ~~-- During the period of supervision, the~~
34 ~~commissioner or his or her designated appointee shall serve as the administrative supervisor. The~~

1 commissioner may provide that the insurer may not do any of the following acts during the period
2 of supervision, without the prior approval of the commissioner or his or her appointed supervisor:

- 3 ~~-(1) Dispose of, convey, or encumber any of its assets or its business in force;~~
- 4 ~~-(2) Withdraw any of its bank accounts;~~
- 5 ~~-(3) Lend any of its funds;~~
- 6 ~~-(4) Invest any of its funds;~~
- 7 ~~-(5) Transfer any of its property;~~
- 8 ~~-(6) Incur any debt, obligation, or liability;~~
- 9 ~~-(7) Merge or consolidate with another company;~~
- 10 ~~-(8) Approve new premiums or renew any policies;~~
- 11 ~~-(9) Enter into any new reinsurance contract or treaty;~~
- 12 ~~-(10) Terminate, surrender, forfeit, convert, or lapse any insurance policy, certificate, or~~
13 ~~contract, except for nonpayment of premiums due;~~
- 14 ~~-(11) Release, pay, or refund premium deposits, accrued cash or loan values, unearned~~
15 ~~premiums, or other reserves on any insurance policy, certificate, or contract;~~
- 16 ~~-(12) Make any material change in management; or~~
- 17 ~~-(13) Increase salaries and benefits of officers or directors or the preferential payment of~~
18 ~~bonuses, dividends, or other payments deemed preferential.~~

19 ~~**27-12.2-6. Review and stay of action.** -- During the period of supervision the insurer~~
20 ~~may contest an action taken or proposed to be taken by the supervisor specifying the manner in~~
21 ~~which the action being complained of would not result in improving the condition of the insurer.~~
22 ~~Denial of the insurer's request upon reconsideration entitles the insurer to request a proceeding~~
23 ~~under the Administrative Procedures Act, chapter 35 of title 42.~~

24 ~~**27-12.2-7. Administrative election of proceeding.** -- Nothing contained in this chapter~~
25 ~~shall preclude the commissioner from initiating proceedings against the insured under chapters 13~~
26 ~~or 14.3 of this title or as permitted by law, regardless of whether the commissioner has previously~~
27 ~~initiated administrative supervision proceedings under this chapter against the insurer.~~

28 ~~**27-12.2-8. Rules.** -- The commissioner is empowered to adopt reasonable rules and~~
29 ~~regulations necessary for the implementation of this chapter.~~

30 ~~**27-12.2-9. Meetings between the commissioner of insurance and the supervisor.** --~~
31 ~~Notwithstanding any other provision of law, the commissioner may meet with a supervisor~~
32 ~~appointed under this chapter and with the attorney or other representative of the supervisor,~~
33 ~~without the presence of any other person, at the time of any proceeding or during the pendency of~~
34 ~~any proceeding held under the authority of this chapter to carry out the commissioner's duties~~

1 ~~under this chapter or for the supervisor to carry out his or her duties under this chapter.~~

2 ~~**27-12.2-10. Immunity.** --- There shall be no liability on the part of, and no cause of action~~
3 ~~of any nature shall arise against, the commissioner or the department of business regulations or its~~
4 ~~employees or agents for any action taken by them in the performance of their powers and duties~~
5 ~~under this chapter.~~

6 SECTION 9. Sections 1, 3 and 8 shall take effect for policies issued or renewing on or
7 after January 1, 2011. Sections 2, 4, 5, 6 and 7 shall take effect upon passage.

8

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LC01800
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE

1 This act would eliminate mandatory pre-licensing before a resident may obtain an
2 insurance producer license, restore a provision of the life and health reinsurance act, amend the
3 uninsured motorist statute to allow all Rhode Island drivers to reject uninsured motorist coverage
4 in writing after being offered the coverage by the insurer, and expand the commercial special
5 risks statute to include crime, burglary and theft risks.

6 Sections 1, 3 and 8 would take effect for policies issued or renewing on or after January
7 1, 2011. Sections 2, 4, 5, 6 and 7 would take effect upon passage.

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LC01800
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