

LC01512

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2002

A N A C T

RELATING TO INSURANCE -- INSPECTION OF MOTOR VEHICLES

Introduced By: Senators Paiva-Weed, Hunter, and Bates

Date Introduced: February 07, 2002

Referred To: Senate Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-10.1-10 of the General Laws in Chapter 27-10.1 entitled "Motor
2 Vehicle Damage Appraisers" is hereby amended to read as follows:

3 **27-10.1-10. Inspection at policy inception required.** -- No motor vehicle liability policy
4 or endorsement insuring a private passenger motor vehicle weighing less than ten thousand
5 (10,000) pounds for physical damage coverage, shall be issued in the state of Rhode Island unless
6 the insurer has inspected and photographed the motor vehicle in accordance with ~~rules and~~
7 ~~regulations set forth by the Insurance Division of the Department of Business Regulation chapter~~
8 ~~27-10.4 of the general laws.~~ This section does not apply to motor vehicles rated or insured under
9 a commercial motor vehicle insurance policy.

10 SECTION 2. Title 27 of the General Laws entitled "Insurance" is hereby amended by
11 adding thereto the following chapter:

CHAPTER 10.4

VEHICLE PRE-INSPECTION ACT

14 **27-10.4-1. Purpose of chapter. Establish standards for pre-inspection of vehicles.** --

15 (a) The purpose of this act is to establish standards and procedures for inspection of private
16 passenger vehicles weighting less than ten thousand (10,000) pounds prior to the issuance by
17 insurers of physical damage coverage.

18 **27-10.4-2. Definitions.** -- For the purpose of this act the following words shall mean:

19 (1) "Director" means the Director of Business regulation or his or her designee.

1 (2) "Insurer" means all person, firms, corporations, or associations authorized to offer
2 automobile insurance in the State of Rhode Island.

3 (3) "Applicant" means the named insured, as defined in the act, or an applicant for a
4 motor vehicle insurance policy.

5 (4) "Authorized Representative" means any person or legal entity, other than the
6 applicant, authorized by an insurer to conduct pre-insurance inspections pursuant to this act, and
7 may include an employee of the insurer, or inspection service.

8 (5) "Producer" means a person who solicits, negotiates, effects, procures, delivers,
9 renews, continues, or binds policies of insurance or who offers advice, counsel, opinion, or
10 service in this state. A producer does not include an excess or surplus lines agent or broker
11 licensed pursuant to section 27-3-38 of the General Laws of Rhode Island.

12 (6) "Inspection Service" means any person or legal entity, other than the applicant, which
13 is approved by the insurer to perform inspections required by this act. In determining whether to
14 approve an inspection service, an insurer must take into consideration the service's
15 professionalism, efficiency, and cost effectiveness.

16 (7) " Physical Damage Coverage" means the optional coverages in a policy for collision
17 or other than collision coverages.

18 (8) "Private Passenger Motor Vehicle" means any owned or leased four-wheeled motor
19 vehicle except vehicles which have a gross weight in excess of ten thousand (10,000) pounds.

20 (9) "Policy" means any insurance policy, contract or certificate, under which a claim is
21 made.

22 (10) "Temporary Substitute Motor Vehicle" means any private passenger motor vehicle
23 not owned by the applicant, which is used by the applicant, with the permission of the owner, as a
24 temporary substitute due to breakdown, repair, servicing, loss or destruction of the applicant's
25 own motor vehicle.

26 (11) "Existing Customer" mean an applicant who has been insured for two (2) years or
27 longer, without interruption, under a private passenger motor vehicle policy which includes
28 physical damage coverage, by the insurer to which the application is submitted.

29 **27-10.4-3. Mandatory inspection requirements.** – (a) No motor vehicle liability policy
30 or endorsement insuring a private passenger motor vehicle for physical damage coverage shall be
31 issued in the state of Rhode Island unless the insurer has inspected the motor vehicle in
32 accordance with this act.

33 (b) Physical damage coverage shall not be issued on an additional or replacement motor
34 vehicle under an existing policy, unless otherwise exempted, until the insurer has inspected the

1 motor vehicle in accordance with this act.

2 **27-10.4-4. Exemptions to inspection requirement.** – (a) The requirement of an
3 inspection shall not apply to the following;

4 (1) A new, unused motor vehicle, including demos, from an automobile dealership where
5 the insurer is provided with either:

6 (i) A copy of the bill of sale which contains a full description of the motor vehicle,
7 including all options and accessories; or a copy of the window sticker or the dealer invoice
8 showing the itemized options and equipment in addition to the total retail price of the vehicle.

9 The physical damage coverage on such new, unused motor vehicle, including demos,
10 shall not be suspended during the term of the policy due to the applicant's failure to provide the
11 required documents. Payment of a claim, however, may be conditioned upon the receipt by the
12 insurer of such documents and no physical damage loss occurring after the effective date of the
13 coverage shall be payable until the documents are provided to the insurer. If the documents as
14 listed in subsection (1) are not submitted by the applicant at least sixty (60) days prior to the
15 applicant's annual renewal date, the insurer, before renewing the physical damage coverage must
16 require an inspection as set forth in this act.

17 (2) A motor vehicle which is already insured for such physical damage coverage's with
18 the insurer by the applicant.

19 (3) A temporary substitute motor vehicle.

20 (4) A motor vehicle which is leased for less than six (6) months, provided the insurer
21 receives the lease or rental agreement containing a description of the leased motor vehicle,
22 including its condition. Payment of a physical damage claim may be conditioned upon receipt of
23 the lease or rental agreement.

24 (5) When requiring an inspection would cause a serious hardship to the insurer or the
25 applicant, and such hardship is documented in the applicant's policy record.

26 (b) An insurer shall state in the applicant's policy record the reason a vehicle is being
27 exempted from the inspection requirement.

28 (c) An insurer may require an inspection of a motor vehicle otherwise exempt, provided
29 that the decision to inspect such motor vehicle is reasonable and supported by objective facts.
30 The decision to require such an inspection shall not be based on the age, race, sex, or marital
31 status of the applicant or the customary operators of the vehicle, or the principal place of
32 garaging. A written statement of the reasons for requiring an inspection pursuant to this
33 subsection shall be placed in the applicant's policy record.

34 **27-10.4-5. Waiver of Inspection.** – (a) An insurer may waive an inspection under any of

1 the following circumstances:

2 (1) For policies which include physical damage coverage on vehicles which are six (6) or
3 more years old; or

4 (2) When an individual applicant's coverage is being transferred by a producer to a new
5 insurer and the producer provides the new insurer with a copy of the inspection report completed
6 on behalf of the previous insurer, provided the producer represents both insurers, and the insured
7 vehicle was physically inspected by the previous insurer. However, if the new insurer does not
8 receive a copy of the inspection report sixty (60) days prior to the first annual renewal date, the
9 insurer must, before renewing physical damage insurance, require an inspection as set forth in this
10 act; or

11 (3) When the applicant is an existing customer who has not had a total loss due to theft or
12 fire in the proceeding two (2) years.

13 (b) Any decision to waive or not to waive an inspection pursuant to the this act, shall not
14 be based on the age, race, sex, or marital status of the applicant or the customary operators of the
15 vehicle, or the principal place of garaging.

16 (c) An insurer shall state in the application's policy record the reason a waiver has been
17 granted.

18 **27-10.4-6. Deferral of Inspection.** – (a) An insurer may defer an inspection for ten (10)
19 business days following coverage being bound or the effective date of coverage, whichever is
20 earlier, for a new policy or for inclusion of additional or replacement vehicles to an existing
21 policy.

22 (b) When an inspection is deferred pursuant to subsection (1), an insurer, through its
23 producer, shall either:

24 (1) Immediately obtain the prescribed acknowledgment (Form D), in a form substantially
25 similar to that provided in subsection 27-10.4-10(d), signed by the applicant, if applied for
26 coverage in person; or

27 (2) Immediately confirm physical damage coverage and remind the applicant of the
28 inspection requirement on a prescribed notice letter (Form B), in a form substantially similar to
29 that provided in subsection 27-10.4-10(b), if the applicant has applied for coverage either by mail
30 or by phone.

31 (c) In addition to the notice requirements of subsection (2), the insurer, through its
32 producer, shall furnish the applicant, at the time coverage is effected, with a list of inspection
33 sites where the inspection can be conducted. The location of an inspection site or sites, and the
34 consequences of the applicant's failure to obtain a timely inspection shall be furnished

1 immediately to the applicant either in person, by telephone, or in writing. Documentation of such
2 notice, including the name of the person giving the notice and the identity of the site(s) provided
3 must be contained in the applicant's policy record.

4 (d) Producers must use the prescribed NOTICE OF MANDATORY PRE-INSPECTION
5 letter (Form D), in a form substantially similar to that provided in subsection 27-10.4-10(d), and
6 immediately send a copy to the insurer. A copy of the confirmation letter addressed to the
7 applicant or the completed acknowledgement letter shall be retained by the producer in the
8 applicant's policy record.

9 (e) Any decision to waive or not to waive an inspection pursuant to this act, shall not be
10 based on the age, race, sex, or marital status of the applicant or customary operators of the
11 vehicle, or the principal place or garaging.

12 **27-10.4-7. Standards and Procedures for Inspections.** – (a) Inspections required or
13 permitted pursuant to this regulation shall be made by a designated authorized representative or
14 the insurer at a time and place reasonably convenient to the applicant.

15 (b) The inspection shall:

16 (1) Be recorded on a form which contains, as a minimum, the information described on
17 the Motor Vehicle Pre-Inspection Report (Form A), in a form substantially similar to that
18 provided in subsection 27-10.4-10(a); and

19 (2) Include two color photographs of the motor vehicle, taken as directed on the
20 inspection report, which shall be attached to the report; and

21 (3) Include a close-up color photograph showing the vehicle identification number (VIN)
22 located on the environmental protection agency/federal certification label. The photograph must
23 be of sufficient clarity that the information contained on the sticker and VIN is legible. If the
24 sticker is damaged, faded, missing, or otherwise not legible, a photograph of the sticker or of the
25 area of the door where the sticker is normally located, is still required; and

26 (4) Include any additional photographs, taken at the discretion of the authorized
27 representative, showing any damaged areas. Such photographs shall also be attached to the
28 report.

29 (c) The original report and photographs shall be immediately sent to the insurer who
30 shall retain the report and photographs in the applicant's policy record for three (3) years from the
31 date of inspection, except as provided by paragraph (6)(d). The authorized representative shall
32 also provide a copy of the report, without photographs, to the applicant and producer of record.

33 (d) The insurers shall maintain an up-to-date list of all authorized representatives and
34 inspection sites performing inspections for the insurer. The list must include the names,

1 addresses, and business phone numbers of all authorized representatives, and the insurer shall
2 make such a list accessible to the director upon request.

3 (e) There shall be no charge to the applicant in connection with an inspection.

4 (f) An insurer shall utilize authorized representatives who shall.

5 (1) Verify the accuracy, completeness and signature of the inspector for each inspection
6 report in writing; and

7 (2) Maintain a control system on such inspection reports, including the use of
8 sequentially numbered reports; and

9 (3) Retain and supply to other insurers, upon request, a copy of any inspection report
10 which was completed within three (3) years of the date of inspection; and

11 (4) Provide an optional service, on an additional fee basis, to insurers whereby the
12 original inspection reports and photographs are retained by the authorized representative who
13 shall maintain such original inspection reports and photographs in a manner so as to facilitate
14 rapid retrieval for a period of at least three (3) years from the date of inspection. The authorized
15 representative shall, upon request of the insurer, mail or deliver the original inspection report and
16 photographs to the insurer within two (2) business day of such request; and

17 (5) The inspection report and photographs shall be used by the insurer to document
18 previous damage, prior condition, options, and mileage of the motor vehicle on physical damage
19 claims whenever; (i) the appraisal indicates prior damage, (ii) the vehicle is a total loss or
20 unrecovered theft; or (iii) the damage exceeds three thousand dollars (\$3000); and

21 (6) A copy of the inspection report and photographs must be utilized, and made a part of
22 the insurer's claim file, in settlement of all total loss claims. The inspection report must be made
23 a part of the claim file regardless of whether the payment is reduced based on the information
24 contained therein; and

25 (7) Access to an electronic file containing images of inspection reports and images of
26 color photographs will be deemed sufficient in lieu of physically placing hard copies of forms or
27 photographs in a paper file; providing the system allows for the printing of hard copies of forms
28 and color photographs if required in litigation.

29 **27-10.4-8. Standards for suspension of physical damage coverages.** – (a) If the
30 inspection is not conducted prior to the expiration of the ten (10) business day deferral period,
31 motor vehicle physical damage coverage on the motor vehicle shall be suspended at 12:01 a.m. of
32 the day of the following the tenth (10th) business day, and such suspension shall continue until
33 the inspection is completed. The insurer must inspect the motor vehicle and reinstate physical
34 damage coverage, effective at the time of the inspection, if the applicant thereafter requests an

1 inspection.
2 (b) Whenever physical damage coverage is suspended, the insurer shall within five (5) days given
3 notice to the applicant, the producer of record, and any lienholders a completed prescribed
4 NOTICE OF SUSPENSION OF PHYSICAL DAMAGE COVERAGE (Form C), in a form
5 substantially similar to that provided in subsection 27-10.4-10(c). The insurer shall complete a
6 certificate of mailing of the suspension to the applicant and shall retain the certificate and a copy
7 of the suspension in the applicant's policy record. Whenever there is a suspension of physical
8 damage coverage for more than ten (10) days, the insurer shall make a pro-rata premium
9 adjustment which shall be mailed to the applicant no later than forty-five (45) days after the
10 effective date of the suspension. After the insurer makes the pro-rata premium adjustment,
11 reinstatement of physical damage coverage shall only be effective upon inspection and payment
12 by the applicant to the insurer of the adjusted premium for the physical damage coverage in full
13 or in accordance with the insurer's normal payment plan, at the insurer's option.

14 (c) If the motor vehicle is not inspected pursuant to this regulation due to the fault of the
15 insurer, or if its producer fails to give the verbal or telephone notice required under this act, or
16 mail or deliver the notice of mandatory pre-inspection requirement (Form B), in a form
17 substantially similar to that provided in subsection 27-10.4-10(b), or obtain the
18 ACKNOWLEDGMENT OF REQUIREMENTS FOR PRE-INSPECTION (Form D), in a form
19 substantially similar to that provided in subsection 27-10.4-10(d), physical damage coverage on
20 the motor vehicle shall not lapse. The failure of the insurer to act promptly does not relieve it of
21 its obligation to inspect.

22 **27-10.4-9. Records.** – Insurers shall maintain records as to the costs and the savings
23 related to this act and shall make such records available to the director upon request.

24 **27-10.4-10. Forms.** – (a) A notice in substantially the following language shall suffice
25 for the purpose of completing a motor vehicle pre-inspection report pursuant to section 27-10.4-7:

26 Form A

27 INSURANCE COMPANY LETTERHEAD OR INSPECTION SERVICE

28 LETTERHEAD

29 _____

<u>Date of</u>	<u>Time of</u>	<u>Insurance Company</u>	<u>Insured's Policy</u>	<u>Number of</u>
<u>Inspection</u>	<u>Inspection</u>	<u>Name</u>	<u>Number</u>	<u>Photos</u>
_____	_____ <u>AM</u>			
_____	_____ <u>PM</u>			

34 _____

1 Insured's Name Insured's Address Telephone No.
2 _____

3 Inspector's Name Inspection Site Name and Address Telephone No.
4 _____

5 Style Color Interior
6 Year: _____ 2 Dr. Stn. wagon Major Cloth Leather
7 Make: _____ 4 Dr. Van Minor Vinyl Color
8 Model: _____ Cpe Htchbk
9 _____

10 Odometer Reading Principal Place Vehicle Identification License Plate No.
11 of Garaging Number and and State
12 Location
13 _____

14 ACCESSORIES AND OPTIONAL EQUIPMENT

- 15 Air Conditioner Brand _____ Brand _____
- 16 Manual Transmission Built In yes no Built In yes no
- 17 3 spd 4 spd Car Phone Stereo Amplifier
- 18 5 spd Brand _____ Brand _____
- 19 Automatic Built In yes no Built In yes no
- 20 Transmission Car Phone Antenna Cruise Control
- 21 Overdrive Car Phone Transmitter Rear Defroster
- 22 CB Radio Rear Wiper
- 23 AM Radio Brand _____ Tilt Wheel
- 24 Cassette Player Built In yes no Power Steering
- 25 Brand _____ Special Mirrors Power Brakes
- 26 Built In yes no Auto Recovery System Power Windows
- 27 Compact Disc Player Eight Track Player Power Locks
- 28 Power Antenna Special Wheels High Mounted Brake Light
- 29 Vinyl Top/Roof Special Tires _____
- 30 T-Top Roof Type _____ Roof Rack
- 31 Sunroof Special Hub Caps Spare Tire
- 32 Factory Installed Radar Detector Carpeting
- 33 yes no Brand _____ Instrumentation
- 34 Type _____ Anti-Theft Device Special Custom Options

1 Trailer Hitch _____ Type _____
2 Special Roof _____ Car Alarm _____
3 Type _____ Brand _____

4 Bucket Seats

5 cc: Insurance Company

6 Producer of Record

7 PHOTOGRAPHS OF VEHICLE (MUST BE COLOR PHOTOS)

8 Attach at least two (2) color photographs of the automobile taken from the front and
9 passenger side and the rear and driver side. Also attach close-up photo of the EPA sticker from
10 the driver's side door jamb.

11 PHYSICAL CONDITION OF VEHICLE

12 (CHECK DAMAGED AREA OR AREAS IN POOR CONDITION AND DESCRIBE
13 BELOW)

	<u>Damaged</u>	<u>Rusted</u>	<u>Damaged</u>
14	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	<input type="checkbox"/>	<u>Front Bumper</u>	<u>Windshield</u>
16	<input type="checkbox"/>	<u>Left Front Bumper</u>	<u>Left Front Side Glass</u>
17	<input type="checkbox"/>	<u>Left Front Door</u>	<u>Right Front Glass</u>
18	<input type="checkbox"/>	<u>Left Rear Door</u>	<u>Left Rear Side Glass</u>
19	<input type="checkbox"/>	<u>Left Rear Quarter Panel</u>	<u>Rear Window</u>
20	<input type="checkbox"/>	<u>Rear Bumper</u>	<u>Rearview Mirror</u>
21	<input type="checkbox"/>	<u>Rear Door/Trunk Lid</u>	<u>Wheel Covers</u>
22	<input type="checkbox"/>	<u>Right Rear Quarter Panel</u>	<u>Worn/Torn or Soiled</u>
23			<u>Interior</u>
24	<input type="checkbox"/>	<u>Right Rear Door</u>	<u>Other Damage or</u>
25			<u>Rust (List)</u>
26	<input type="checkbox"/>	<u>Right Front Door</u>	_____
27	<input type="checkbox"/>	<u>Right Front Fender</u>	_____
28	<input type="checkbox"/>	<u>Hood Panel</u>	_____
29	<input type="checkbox"/>	<u>Roof Panel</u>	
30	<input type="checkbox"/>	<u>Grill</u>	

31 Check here if no existing damage, rust or missing parts

32 _____

33 Describe existing damages or rust:

34 _____

1 List any missing parts:

2 _____

3 Describe any alterations from factory design:

4 The above is a true statement of any existing damage, rust, or missing parts as of the date
5 of this inspection. I certify that this inspection report is true and complete and that I have seen
6 and photographed the vehicle identified above.

7 Date: _____ Inspector's Signature: _____

8 _____

9 Name and Address of Person Presenting _____ Signature _____

10 Relationship

11 Vehicle for Inspection _____ to Insured

12 cc: Insurance Company

13 Producer of Record

14 (b) A notice in substantially the following language shall suffice for the purpose of
15 completing a notice letter pursuant to section 27-10.4-6 or completing a Notice of Mandatory Pre-
16 Inspection Requirement pursuant to section 27-10.4-8:

17 NOTICE OF MANDATORY PRE-INSURANCE INSPECTION REQUIREMENT

18 (THIS IS NOT A SAFETY INSPECTION)

19 IMMEDIATE ACTION REQUIRED TO AVOID LOSS OF INSURANCE COVERAGE

20 _____

21 Date of mailing

22 Name of Insured: _____ Effective Date of Coverage: _____

23 Address: _____

24 _____ Inspection Must Be

25 _____ Completed by: _____

26 Policy Number: _____

27 Dear Policyholder,

28 This will confirm coverage for Physical Damage Coverage on your:

29 YEAR MAKE MODEL

30 1. _____

31 2. _____

32 3. _____

33 Please disregard this notice if you have already had your car inspected.

34 This notice will also serve as a reminder that the above described car(s) must be

1 inspected by the date indicated above, or your physical damage coverage will be suspended
2 effective 12:01 a.m. on _____ (Date) _____

3 If you have your care inspected after the above deadline your coverage will only be
4 restored after your car has been inspected and the adjusted premium due for the physical damage
5 coverage has been paid. You will have no coverage for any physical damage loss that occurs
6 during the suspension period.

7 The coverage(s) will be restored when you have your vehicle(s) inspected and the
8 adjusted premium due for such coverage(s) has been paid.

9 _____
10 Insurer Representative

11 _____
12 Phone Number

13 (c) A notice in substantially the following language shall suffice for the purpose of
14 completing a notice of suspension of physical damage coverage pursuant to section 27-10.4-8:

15 (COMPANY LETTERHEAD)
16 NOTICE OF SUSPENSION OF PHYSICAL DAMAGE COVERAGE
17 YOU ARE NO LONGER INSURED FOR PHYSICAL DAMAGE TO YOUR CAR

18 _____
19 Date of mailing

20 Name of Insured: _____ Effective Date of Coverage: _____

21 Address: _____

22 Policy Number: _____

23 Dear Policyholder,

24 The vehicle(s) listed below is (are) no longer covered for physical damage coverage:

25 YEAR MAKE MODEL
26 1. _____
27 2. _____
28 3. _____

29 Date of Coverage was requested _____

30 Date of Coverage was suspended _____

31 This The physical damage coverage indicated above, has been suspended on the
32 vehicle(s) described, effective 12:01 a.m. on the suspension date. Such coverage has been
33 suspended due to your failure to comply with regulation LXXVIII(777), as required by section
34 27-10.1-10 of the general laws of Rhode Island.

1 If your coverage has been suspended for more than ten (10) days, you will receive a
2 premium adjustment (return premium or credit) for the suspended coverage(s) within forty-five
3 (45) days from the date of suspension.

4 For further information please call:

5 _____

6 Name and Phone Number of Company Representative

7 Very truly yours,

8 _____

9

10 SECTION 3. This act shall take effect upon passage.

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LC01512
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE -- INSPECTION OF MOTOR VEHICLES

- 1 This act would create a pre-inspection requirement for motor vehicles prior to the vehicle
- 2 being insured for damage.
- 3 This act would take effect upon passage.

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LC01512
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