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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

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A N A C T

RELATING TO MOTOR AND OTHER VEHICLES -- PROOF OF FINANCIAL
RESPONSIBILITY FOR THE FUTURE

Introduced By: Representative Katherine S. Kazarian

Date Introduced: February 12, 2021

Referred To: House Corporations

(by request)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 31-32-24 of the General Laws in Chapter 31-32 entitled "Proof of
2 Financial Responsibility for the Future" is hereby amended to read as follows:

3 **31-32-24. "Motor vehicle liability policy" defined.**

4 (a) Certification. "Motor vehicle liability policy" as the term is used in this chapter means
5 an "owner's policy" or an "operator's policy" of liability insurance, certified as provided in § 31-
6 32-21 or 31-32-22 as proof of financial responsibility for the future, and issued, except as otherwise
7 provided in § 31-32-22, by an insurance carrier duly authorized to transact business in this state, to
8 or for the benefit of the person named in it as insured.

9 (b) Owner's policy. The owner's policy of liability insurance:

10 (1) Shall designate by explicit description or by appropriate reference all vehicles with
11 respect to which coverage is to be granted by it; and

12 (2) Shall insure the person named in it and any other person, as insured, using any vehicle
13 or vehicles with the express or implied permission of the named insured, against loss from the
14 liability imposed by law for damages arising out of the ownership, maintenance, or use of that
15 vehicle or vehicles within the United States of America or the Dominion of Canada, subject to
16 limits exclusive of interest and costs, with respect to each vehicle, as follows:

17 (i) Twenty-five thousand dollars (\$25,000) because of bodily injury to or death of one
18 person in any one accident; and

1 (ii) Subject to the limit for one person, fifty thousand dollars (\$50,000) because of bodily
2 injury to or death of two (2) or more persons in any one accident; and

3 (iii) Twenty-five thousand dollars (\$25,000) because of injury to or destruction of property
4 of others in any one accident or seventy-five thousand dollars (\$75,000) combined single limit.

5 (iv) Commencing January 1, 2022, and annually thereafter, the coverage limit set forth in
6 subsection (b)(2)(iii) of this section shall be increased by the greater of the following:

7 (A) The percentage increase calculated and published by the department of business
8 regulation pursuant to §27-29-4.4; or

9 (B) The total percentage increase in the Consumer Price Index for all Urban Consumers
10 (CPI-U) published by the United States Department of Labor Statistics for the Northeast Region
11 for the previous year.

12 (c) Operator's policy. The operator's policy of liability insurance shall insure the person
13 named as insured in it against loss from the liability imposed upon him or her by law for damages
14 arising out of the use by him or her of any motor vehicle not owned by him or her, within the same
15 territorial limits and subject to the same limits of liability as are set forth above with respect to an
16 owner's policy of liability insurance.

17 (d) Required statements in policies. The motor vehicle liability policy shall state the name
18 and address of the named insured, the coverage afforded by the policy, the premium charged for
19 that coverage, the policy period, and the limits of liability, and shall contain an agreement or be
20 endorsed that insurance is provided under the policy in accordance with the coverage defined in
21 this chapter as respects bodily injury and death or property damage, or both, and is subject to all
22 the provisions of this chapter.

23 (e) Policy need not insure under workers' compensation law or employees. The motor
24 vehicle liability policy need not insure any liability under any workers' compensation law nor any
25 liability on account of bodily injury to or death of an employee of the insured while engaged in the
26 employment other than domestic of the insured, or while engaged in the operation, maintenance,
27 or repair of any vehicle, nor any liability for damage to property owned by, rented to, in charge of,
28 or transported by the insured.

29 (f) Provisions incorporated in policy. Every motor vehicle liability policy shall be subject
30 to the following provisions which need not be contained in it:

31 (1) The liability of the insurance carrier with respect to the insurance required by this
32 chapter shall become absolute whenever injury or damage covered by the motor vehicle liability
33 policy occurs; the policy may not be cancelled or annulled as to the liability by any agreement
34 between the insurance carrier and the insured after the occurrence of the injury or damage; no

1 statement made by the insured or on his or her behalf and no violation of the policy shall defeat or
2 void the policy.

3 (2) The satisfaction by the insured of a judgment for an injury or damage shall not be a
4 condition precedent to the right or duty of the insurance carrier to make payment on account of the
5 injury or damage.

6 (3) The insurance carrier shall have the right to settle any claim covered by the policy. If
7 the settlement is made in good faith, the amount of it shall be deductible from the limits of liability
8 specified in subsection (b)(2) of this section.

9 (4) The policy, the written application for it, if any, and any rider or endorsement which
10 does not conflict with the provisions of this chapter, shall constitute the entire contract between the
11 parties.

12 (g) Excess or additional coverage. Any policy which grants the coverage required for a
13 motor vehicle liability policy may also grant any lawful coverage in excess of or in addition to the
14 coverage specified for a motor vehicle liability policy, and the excess or additional coverage shall
15 not be subject to the provisions of this chapter. With respect to a policy which grants the excess or
16 additional coverage, the term "motor vehicle liability policy" shall apply only to that part of the
17 coverage which is required by this section.

18 (h) Reimbursement provision permitted. Any motor vehicle liability policy may provide
19 that the insured shall reimburse the insurance carrier for any payment the insurance carrier would
20 not have been obligated to make under the terms of the policy except for the provisions of this
21 chapter.

22 (i) Proration of insurance permitted. Any motor vehicle liability policy may provide for the
23 prorating of the insurance it provides with other valid and collectible insurance.

24 (j) Multiple policies. The requirements for a motor vehicle liability policy may be fulfilled
25 by the policies of one or more insurance carriers which policies together meet the requirements.

26 (k) Binders. Any binder issued pending the issuance of a motor vehicle liability policy shall
27 be deemed to fulfill the requirements for such a policy.

28 SECTION 2. Section 31-34-1 of the General Laws in Chapter 31-34 entitled
29 "Responsibility of Owners of Rental Vehicles" is hereby amended to read as follows:

30 **31-34-1. Proof of financial responsibility required.**

31 (a) It shall be unlawful for the owner of any motor vehicle or truck engaged in the business
32 of renting motor vehicles or trucks without drivers to rent a motor vehicle without a driver otherwise
33 than as a part of a bona fide transaction involving the sale of the motor vehicle or truck, unless the
34 owner has previously notified the division of motor vehicles of the intention to so rent the vehicle

1 and has given proof of financial responsibility, in the following amounts:

2 (1) Ten thousand dollars (\$10,000) for property damage;

3 (2) Twenty-five thousand dollars (\$25,000) for injury or death sustained by one person;

4 (3) Fifty thousand dollars (\$50,000) for all personal injuries or deaths resulting from one
5 accident; and

6 (4) Commencing January 1, 2022, and annually thereafter, the coverage limit set in
7 subsection (a)(1) of this section shall be increased by the greater of the following:

8 (A) The percentage increase calculated and published by the department of business
9 regulation pursuant to §27-29-4.4; or

10 (B) The total percentage increase in the Consumer Price Index for all Urban Consumers
11 (CPI-U) published by the United States Department of Labor Statistics for the Northeast Region
12 for the previous year.

13 (b) The division of motor vehicles shall not register the vehicle unless and until the owner
14 gives proof of financial responsibility as provided in this chapter. The division of motor vehicles
15 shall cancel the registration of any motor vehicle or truck rented without a driver whenever the
16 division of motor vehicles ascertains that the owner has failed or is unable to give and maintain
17 proof of financial responsibility.

18 SECTION 3. Section 27-29-4.4 of the General Laws in Chapter 27-29 entitled "Unfair
19 Competition and Practices" is hereby amended to read as follows:

20 **27-29-4.4. Auto body repair labor rate surveys.**

21 (a) Every insurance carrier authorized to sell motor vehicle liability insurance in the state
22 shall conduct an auto body repair labor rate survey, subject to, and in accordance with, the following
23 provisions:

24 (1) When used in this section the following definitions shall apply:

25 (i) "Auto body labor rate survey" is an analysis of information gathered from auto body
26 repair shops regarding the rates of labor that repair shops charge in a certain geographic area.

27 (ii) "Prevailing auto body labor rate" means the rate determined and set by an insurer as a
28 result of conducting an auto body labor rate survey in a particular geographic area and used by
29 insurers as a basis for determining the cost to settle automobile property damage claims.

30 (iii) "Independent auto body repair facility" means any auto body repair facility that does
31 not have a formal agreement and/or written contract with an insurer to provide auto body repair
32 services to insureds and/or claimants.

33 (iv) "Direct repair program" means any methods through which an insurer refers, suggests,
34 or recommends a specific auto body repair facility, with whom the insurer has a formal agreement

1 and/or contract to provide auto body repair services, to insureds and/or claimants.

2 (v) "Contract rate" means any labor rate to which an auto body repair facility and an insurer
3 have agreed in a formal agreement and/or written contract.

4 (2) Each insurer must annually conduct a separate and distinct written auto body labor rate
5 survey for each classification of auto body shops as established by the department of business
6 regulation pursuant to § 5-38-5, to determine a separate and distinct prevailing auto body labor rate
7 for each classification of fully licensed auto body repair facilities.

8 (3) Insurers may not use an auto body labor rate survey; contract rates from auto body
9 repair facilities with which it has a formal agreement or contract to provide auto body repair
10 services to insureds and/or claimants; rates paid as a result of subrogation, rates obtained from auto
11 body repair facilities in a different classification than that being surveyed, or rates from a repair
12 shop facility holding a limited or special use license.

13 (4) Each auto body labor rate survey shall include the following:

14 (i) The name and address of each shop surveyed in the labor survey;

15 (ii) The total number of shops surveyed;

16 (iii) The prevailing rate established by the insurer for each classification of full collision
17 licensed auto body repair facilities; and

18 (iv) A description of the formula or method used to calculate or determine the specific
19 prevailing rate reported.

20 (5) Each insurer must report the results of their auto body labor rate survey to the
21 department of business regulation insurance division.

22 (6) The department of business regulation must promulgate regulations related to auto body
23 labor rate surveys by October 1, 2006, establishing the following:

24 (i) A questionnaire that must be used by all insurers in their labor rate survey;

25 (ii) Date of reporting; and

26 (iii) Number or percentage of shops to be surveyed.

27 (7) The department of business regulation shall review all surveys submitted for
28 compliance with this section and any rules and regulations promulgated by the department.

29 (b) Nothing contained in this section shall require an insurer to establish the prevailing rate
30 for each classification of full collision licensed auto body repair facilities based solely on the survey
31 results.

32 (c) By September 15, 2021, and annually thereafter, the department of business regulation
33 shall publish the average auto body labor prevailing rate based on all rate surveys submitted
34 pursuant to the provisions of §27-29-4.4. Based on the average auto body labor prevailing rate, as

1 [determined by the department of business regulation, the department shall calculate and publish the](#)
2 [percentage increase in the rate from the prior reporting year.](#)

3 SECTION 4. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO MOTOR AND OTHER VEHICLES -- PROOF OF FINANCIAL
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1 This act would increase the minimum coverage limits for property damage required for
2 proof of financial responsibility for motor vehicles and rented vehicles annually based on the rate
3 of inflation or by the percentage increase in the average prevailing auto body labor rate as published
4 by the department of business regulation (DBR), commencing January 1, 2022.

5 This act would take effect upon passage.

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