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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO INSURANCE -- UNFAIR CLAIMS SETTLEMENT PRACTICES ACT

Introduced By: Senators Gallo, Tikoian, Lawson, LaMountain, DiPalma, and Sosnowski

Date Introduced: March 27, 2025

Referred To: Senate Judiciary

It is enacted by the General Assembly as follows:

- 1 SECTION 1. Section 27-9.1-4 of the General Laws in Chapter 27-9.1 entitled "Unfair
2 Claims Settlement Practices Act" is hereby amended to read as follows:
- 3 **27-9.1-4. "Unfair claims practices" defined. [Effective January 1, 2025.]**
- 4 (a) Any of the following acts by an insurer, if committed in violation of § 27-9.1-3,
5 constitutes an unfair claims practice:
- 6 (1) Misrepresenting to claimants and insured relevant facts or policy provisions relating to
7 coverage at issue;
- 8 (2) Failing to acknowledge and act with reasonable promptness upon pertinent
9 communications with respect to claims arising under its policies;
- 10 (3) Failing to adopt and implement reasonable standards for the prompt investigation and
11 settlement of claims arising under its policies;
- 12 (4) Not attempting in good faith to effectuate prompt, fair, and equitable settlement of
13 claims submitted in which liability has become reasonably clear;
- 14 (5) Compelling insured, beneficiaries, or claimants to institute suits to recover amounts due
15 under its policies by offering substantially less than the amounts ultimately recovered in suits
16 brought by them;
- 17 (6) Refusing to pay claims without conducting a reasonable investigation;
- 18 (7) Failing to affirm or deny coverage of claims within a reasonable time after having
19 completed its investigation related to the claim or claims;

1 (8) Attempting to settle or settling claims for less than the amount that a reasonable person
2 would believe the insured or beneficiary was entitled by reference to written or printed advertising
3 material accompanying or made part of an application;

4 (9) Attempting to settle or settling claims on the basis of an application that was materially
5 altered without notice to, or knowledge or consent of, the insured;

6 (10) Making claims payments to an insured or beneficiary without indicating the coverage
7 under which each payment is being made;

8 (11) Unreasonably delaying the investigation or payment of claims by requiring both a
9 formal proof of loss form and subsequent verification that would result in duplication of
10 information and verification appearing in the formal proof of loss form;

11 (12) Failing in the case of claims denials or offers of compromise settlement to promptly
12 provide a reasonable and accurate explanation of the basis of those actions;

13 (13) Failing to provide forms necessary to present claims within ten (10) calendar days of
14 a request with reasonable explanations regarding their use;

15 (14) Failing to adopt and implement reasonable standards to assure that the repairs of a
16 repairer owned by or required to be used by the insurer are performed in a workmanlike manner;

17 (15) Misleading a claimant as to the applicable statute of limitations;

18 (16) Failing to respond to a claim within thirty (30) days, unless the insured shall agree to
19 a longer period;

20 (17) Engaging in any act or practice of intimidation, coercion, threat, or misrepresentation
21 of consumers rights, for or against any insured person, claimant, or entity to use a particular rental
22 car company for motor vehicle replacement services or products; provided, however, nothing shall
23 prohibit any insurance company, agent, or adjuster from providing to such insured person, claimant,
24 or entity the names of a rental car company with which arrangements have been made with respect
25 to motor vehicle replacement services; provided, that the rental car company is licensed pursuant
26 to § 31-5-33;

27 (18) Refusing to honor a “direction to pay” executed by:

28 (i) An insured, claimant, indicating that the insured or claimant wishes to have the
29 insurance company directly pay the insured’s or claimant’s motor vehicle replacement vehicle
30 rental benefit to the rental car company of the consumer’s choice; provided, that the rental car
31 company is licensed pursuant to § 31-5-33. Nothing in this section shall be construed to prevent
32 the insurance company’s ability to question or challenge the amount charged, in accordance with
33 its policy provisions, and the requirements of the department of business regulation; provided that,
34 the insurance company promptly notifies the rental car company in writing of the reason. The

1 written notification shall be made at or before the time that the insurance company submits payment
2 to the rental car company;

3 (ii) An insured or claimant, indicating that the insured or claimant wishes to have the
4 insurance company directly pay the insured's or claimant's motor vehicle repair benefit, as a single
5 party payment exclusively to the auto body shop of the consumer's choice; provided that, the auto
6 body shop is licensed pursuant to § 5-38-4;

7 (19) Refusing to honor a "direction to pay" executed by an insured, claimant, indicating
8 that the insured or claimant wishes to have the insurance company directly pay the insured's
9 property damage benefit to the restoration company of the consumer's choice; provided, however,
10 that the amount of the claim to be paid directly to the restoration company shall be no greater than
11 five thousand dollars (\$5,000), and that the restoration company is licensed pursuant to § 5-65-3.
12 Nothing in this section shall be construed to:

13 (i) Prevent the insurance company's ability to question or challenge whether the services
14 billed for are covered by the policy, related to an occurrence covered by the policy, or the amount
15 charged, in accordance with its policy provisions, and the requirements of the department of
16 business regulation; or

17 (ii) Adversely affect the right of any mortgagee or other person with an interest in the policy
18 unless such mortgagee or other person has also executed the "direction to pay";

19 (20) Modifying any published manual, i.e., Motor's Auto Repair Manual, Mitchells, or any
20 automated appraisal system, relating to auto body repair without prior agreement between the
21 parties;

22 (21) Failing to use a manual or system in its entirety in the appraisal of a motor vehicle;

23 (22) Refusing to compensate an auto body shop for its documented charges as identified,
24 and based on, the most current version of automotive industry-recognized software programs or
25 systems for paint, body, and refinishing materials, utilized in auto body repair, including, but not
26 limited to, programs such as Mitchell's RMC, PMC Logic, Paint, Micromix, or other paint
27 manufacturer's programs. An insurer shall not discount documented charges by failing to use a
28 system in its entirety, including an automotive industry standard markup;

29 (23) Refusing to acknowledge and compensate an auto body repairer for documented
30 procedures identified as required or recommended by the original equipment manufacturer, or paint
31 manufacturer, upon the initial request from the auto body shop, such as, but not limited to, post
32 collision procedures and components that should not be reused or reinstalled, when included in the
33 repairer's appraisal, or when requested by the repairer (i.e., components that cannot be
34 reused/reinstalled: requiring clips, retainers, hardware, and materials);

1 (24) Failing to comply with the requirements of § 31-47-12.1;

2 (25) Failure to have an appraisal performed by a licensed appraiser where the motor vehicle
3 has sustained damage estimated to exceed two thousand five hundred dollars (\$2,500). The licensed
4 appraiser referred to herein must be unaffiliated with the repair facility repairing the subject motor
5 vehicle; must perform a physical inspection of the damaged motor vehicle; and may not perform
6 an appraisal based upon pictures of the damaged motor vehicle;

7 (26) Failure of an insurer's assigned appraiser, or representative, to promptly schedule an
8 appointment for an appraisal of a damaged vehicle with the auto body repair shop, at an agreed
9 upon date and time, between normal business hours;

10 (27) Failure to perform an initial appraisal within three (3) business days after a request is
11 received from an auto body repair shop, provided the damaged motor vehicle is on the premises of
12 the repair shop when the request is made, and failure to perform a supplemental appraisal inspection
13 of a vehicle within four (4) business days after a request is received from an auto body repair shop.
14 If the insurer's appraiser fails to inspect the damaged motor vehicle within the allotted number of
15 business days for an initial appraisal or a supplemental appraisal, the insurer shall forfeit its right
16 to inspect the damaged vehicle prior to repairs, and negotiations shall be limited to labor and the
17 price of parts and shall not, unless objective evidence to the contrary is provided by the insurer,
18 involve disputes as to the existence of damage or the chosen manner of repair. The time limitations
19 set forth in this subsection may be extended by mutual agreement between the auto body repair
20 shop and the insurer;

21 (28) Refusing to extend the rental vehicle coverage requirements of an insured or claimant
22 proportionally to claim delays caused by the insurer;

23 (29) Designating a motor vehicle a total loss if the cost to rebuild or reconstruct the motor
24 vehicle to its pre-accident condition is less than seventy-five percent (75%) of the "fair market
25 value" of the motor vehicle immediately preceding the time it was damaged:

26 (i) For the purposes of this subdivision, "fair market value" means the retail value of a
27 motor vehicle as set forth in a current edition of a nationally recognized compilation of retail values
28 commonly used by the automotive industry to establish values of motor vehicles;

29 (ii) Nothing herein shall be construed to require a vehicle be deemed a total loss if the total
30 cost to rebuild or reconstruct the motor vehicle to its pre-accident condition is greater than seventy-
31 five percent (75%) of the fair market value of the motor vehicle immediately preceding the time it
32 was damaged;

33 (iii) Nothing herein shall prohibit an insurance company from agreeing to deem a vehicle
34 a total loss at the vehicle owner's request and with the vehicle owner's express written authorization

1 if the cost to rebuild or reconstruct the motor vehicle to its pre-accident condition is less than
2 seventy-five percent (75%) of the “fair market value” of the motor vehicle immediately preceding
3 the time it was damaged;

4 (iv) If condition adjustments are made to the retail value of a motor vehicle designated a
5 total loss, all such adjustments must be in accordance with the standards set forth in the current
6 edition of a nationally recognized compilation of retail values, commonly used by the automotive
7 industry, used by the insurer to determine the retail value of the vehicle; and all such adjustments,
8 including prior damage deductions, must be itemized, fair, and reasonable; and

9 (v) When a vehicle is deemed a total loss, if the insurer is not retaining the salvage, the
10 insurer must notify the owner of the vehicle in writing of the requirements of obtaining both a
11 salvage title and a reconstructed title from the department of motor vehicles pursuant to chapter 1
12 of title 31, and must obtain, in writing, the owner’s consent and acknowledgement that the insurer
13 is not retaining the salvage and include a statement of the owner’s obligation and potential costs to
14 dispose of or otherwise retain the salvage;

15 (30) Negotiating, or effecting the settlement of, a claim for loss or damage covered by an
16 insurance contract with an unlicensed public adjuster acting on behalf of an insured. Nothing
17 contained in this section shall be construed to preclude an insurer from dealing with any individual
18 or entity that is not required to be licensed under chapter 10 of title 27;

19 (31) Refusing to pay an auto body repair shop for documented necessary sublet services
20 paid out to vendors or incurred by the auto body repair shop, for specialty or unique services
21 performed in the overall repair process, including costs and labor incurred to research, coordinate,
22 administrate, or facilitate the necessary sublet service, and an automotive industry standard markup.
23 Examples of sublet services include, but are not limited to, towing, transportation, suspension,
24 alignments, electronic calibrations, diagnostic work, mechanical work, and paid charges to release
25 a vehicle;

26 (32) Failure of any domestic, foreign, or alien insurers to comply with the requirements of
27 this section; when settling claims on Rhode Island registered vehicles repaired in Rhode Island,
28 regardless of the state where the insurance policy was issued or originates;

29 (33)(i) When a claim is settled, or partially settled, where the named insured is represented
30 by a public adjuster licensed pursuant to § 27-10-5, failing to obey a direction to pay letter directing
31 the insurer to issue a check or checks payable to the public adjuster for the public adjuster’s fee,
32 but not more than ten percent (10%) of the total amount of the settlement, and a separate check
33 payable to the named insured or any loss payee or mortgagee, or both, whichever is appropriate,
34 for the balance; provided that, the direction to pay letter is signed or electronically signed and dated

or electronically dated by the named insured and contains the following information:

- (A) Name of insured(s);
- (B) The claim number (if obtained);
- (C) The date or approximate date of the loss;
- (D) The public adjuster's name;
- (E) The name of the insurer;
- (F) The public adjuster's fee; and
- (G) The addresses to which each check shall be sent.

(ii) Nothing in this subsection shall be construed to:

(A) Prevent the insurance company's ability to question or challenge whether the services billed for are covered by the policy, related to an occurrence covered by the policy, or the amount charged, in accordance with its policy provisions, and the requirements of the department of business regulation; or

(B) Adversely affect the right of any mortgagee or other person with an interest in the policy unless such mortgagee or other person has also executed the "direction to pay";

(34)(i) Refusing to honor a "direction to pay" executed by an insured or claimant, indicating that the insured or claimant wishes to have their insurer pay for coverage of dental services, the benefit payments from a health benefit plan, policy, or contract, directly to their dental service provider regardless of whether the dental service provider is contracted with the insurer to provide dental services to persons covered by the insurer; provided that, the dental services provider otherwise meets the credentialing criteria of the insurer and has not previously been terminated by the insurer as a participating provider;

(ii) Any efforts to modify the amount of benefits paid directly to the dental service provider under this section are prohibited and shall not include any reduction in benefits compared to benefits paid to the majority of participating dental service providers. The insurer paying the dental service provider pursuant to a direction to pay duly executed by the insured or claimant, shall have the right to review the records of the dental service provider receiving such payment that relates exclusively to that particular subscriber/patient to determine that the service in question was rendered;

(35) Failure of any domestic, foreign, or alien insurers to comply with the requirements of this section when settling claims for dental services in Rhode Island, regardless of the state where the health benefit plan, policy, or contract, was issued or originates; and

(36)(i) Requiring pursuant to a contract between an insurer and a dental service provider for the provision of services to beneficiaries that a dental service provider accept payments for such

1 services only by virtual credit card;

2 (ii) The insurer shall inform and provide the dental service provider other options for
3 methods of payment and provide clear instructions to the dental service provider for selection of an
4 alternative payment method. The insurer or its healthcare payments platform shall not charge the
5 dental service provider any fee for access to payment or claims data or for the transmission,
6 processing, or mailing of the payment.

7 (b)(1) Nothing contained in subsections (a)(20), (a)(21), and (a)(22) of this section shall be
8 construed to interfere with an auto body repair facility's contract with an insurance company.

9 (2) If an insurance company and auto body repair facility have contracted under a direct
10 repair program or any similar program thereto, the provisions of subsections (a)(20), (a)(21), and
11 (a)(22) of this section shall not apply.

12 (3) If the insured or claimant elects to have the vehicle repaired at a shop of the insured's
13 or claimant's choice, the insurer shall not limit or discount the reasonable repair costs based upon
14 the charges that would have been incurred had the vehicle been repaired by the insurer's chosen
15 shop(s).

16 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO INSURANCE -- UNFAIR CLAIMS SETTLEMENT PRACTICES ACT

- 1 This act would make it an unfair claim practice whenever a dental insurer refuses to honor
2 a “direction to pay” after a request by the claimant or the insured. This act would allow the insurer
3 to review the records of the service provider to verify that the services were received, but prohibits
4 the insurer from modifying the amount of benefits to be paid. This act would not allow a contract
5 between the insurer and a dental service provider requiring the provider to accept payment for
6 services only by virtual credit card.
- 7 This act would take effect upon passage.

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