

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

IN THE MATTER OF:

COMMERCE INSURANCE COMPANY

RESPONDENT.
_____:

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CONSENT AGREEMENT

It is hereby agreed between the Department of Business Regulation (“Department”) and Commerce Insurance Company (“Commerce”) as follows:

1. Respondent is an insurer licensed in the State of Massachusetts to issue property & casualty insurance policies including automobile insurance policies. American Commerce Insurance Company is an affiliated company licensed to issue property & casualty insurance policies including automobile insurance policies in the State of Rhode Island. Automobiles insured by Respondent were involved in accidents with automobiles owned by residents of the State of Rhode Island causing the third party claimants under those insurance policies to sustain tax liability under Rhode Island law.

2. In June of 2011 R.I. Gen. Laws § 44-18-30(23) was amended to remove the exemption from sales tax proceeds applicable to total loss motor vehicles received as a result of any insurance claim. The amendment was effective October 1, 2011.

3. The Rhode Island Insurance Division issued Bulletin 2011-4 on June 27, 2011 to inform all insurers and other interested parties of this statutory change. As information was developed that bulletin was amended on July 7, 2011 and August 4, 2011 to provide further

guidance regarding implementation of this statute on its effective date. On initial promulgation, and on each amendment, Bulletin 2011-4 was posted on the Insurance Division's website and sent to the interested parties list by email.

4. In April of 2012 the Department received a consumer complaint indicating that Respondent was not paying sales taxes in addition to the value of the vehicle in order to fully compensate for the claimants loss.

5. Respondent was provided with the consumer complaint and indicated that it was paying sales taxes on first party claims on policies issued by American Commerce but not on third party claims made by Rhode Island residents under policies issued by Respondent.

6. Upon further inquiry by the Department, Respondent indicated that it had settled fifty-five (55) claims on third party total loss vehicles between October 1, 2011 and April 2012 in which sales taxes were not paid to the Rhode Island resident third party

THEREFORE, based on the foregoing, Respondent and the Department have decided to resolve this matter without further administrative proceedings and hereby agree to the following resolution:

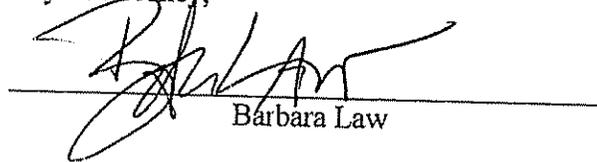
1. Respondent will pay to each of the fifty five (55) claimants identified an amount representing the sales tax on the total loss vehicle settlement including interest at the statutory rate.
2. Respondent agrees that sales tax will be paid on all total loss settlements in the future in accordance with R.I. Gen. Law § 44-18-30(23) and Insurance Bulletin 2011-4.

Counsel for the Department and Respondent hereby consent and agree to the foregoing on behalf of their respective clients the 8th day of January, 2013.

Department of Business Regulation
By its Legal Counsel,


Elizabeth Kelleher Dwyer

Commerce Insurance Company
By its attorney,


Barbara Law