

**State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION**

Division of Insurance

**1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920**

Public Notice of Proposed Rule-Making

Pursuant to the provisions of R.I. Gen. Laws §§ 27-8-11 and in accordance with the Administrative Procedures Act Chapter 42-35 of the General Laws, the Department of Business Regulation hereby gives notice of its intent to amend Insurance Regulation 97 – Notice of Material Changes Upon Renewal of Personal Motor Vehicle, Homeowner And Residential Fire Insurance.

The purpose of this amendment is to bring the regulation into compliance with the statutory changes made in the last legislative session and effective July 1, 2015.

The proposed amended regulation and concise summary of non-technical amendments are available for public inspection at www.dbr.ri.gov, in person at Department of Business Regulation, 1511 Pontiac Avenue, Cranston, Rhode Island 02920, or by email elizabeth.dwyer@dbr.ri.gov or by calling Elizabeth Kelleher Dwyer at (401) 462 9520.

In the development of the proposed amendment consideration was given to: (1) alternative approaches; (2) overlap or duplication with other statutory and regulatory provisions; and (3) significant economic impact on small business. No alternative approach, duplication, or overlap was identified based upon available information.

All interested parties are invited to submit written or oral comments concerning the proposed regulations by March 24, 2015 to Elizabeth Kelleher Dwyer, Department of Business Regulation, 1511 Pontiac Avenue, Cranston, Rhode Island 02920, elizabeth.dwyer@dbr.ri.gov. A public hearing to consider the proposed amendment shall be held on March 24, 2015 at 10:00 am at 1511 Pontiac Avenue, Cranston, Rhode Island 02920 at which time and place all persons interested therein will be heard.

All are welcome at the Rhode Island Department of Business Regulation ("DBR"). If any reasonable accommodation is needed to ensure equal access, service or participation, please contact DBR at 401-462-9551, RI Relay at 7-1-1, or email dbr.directorofficeinquiry@dbr.ri.gov at least three (3) business days prior to the hearing.

Macky McCleary
Director, Department of Business Regulation

Date posted: February 19, 2015

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Concise Summary of Proposed Non-technical Amendments
to
Insurance Regulation Number 97

In accordance with the Administrative Procedures Act, Section 42-35-3(a)(1) of the General Laws of Rhode Island, following is a concise summary of proposed non-technical amendments:

1. Section 2 is amended to reflect the changes made in the underlying legislation as reflected in [2014 P.L. ch. 396](#).
2. Section 3(c) is amended to reflect the changes made in the underlying legislation as reflected in [2014 P.L. ch. 396](#).
3. Section 4 is amended to reflect the changes made in the underlying legislation as reflected in [2014 P.L. ch. 396](#).
4. Section 5 is amended to reflect that notice may also be provided by electronic means.
5. Section 6 is amended to reflect that notice may also be provided by electronic means.
6. Section 9 is amended to provide specifics on which version of the regulation is applicable based on date of policy issuance.

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INSURANCE REGULATION 97

NOTICE OF MATERIAL CHANGES UPON RENEWAL OF PERSONAL
MOTOR VEHICLE, HOMEOWNER AND RESIDENTIAL FIRE INSURANCE

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Section 1 **Authority**

This Regulation is promulgated pursuant to R.I. Gen. Laws §§ 27-~~5-3.776~~, 27-8-11 and 42-35-3.

Section 2 **Applicability**

This Regulation shall apply to the renewal of (1) personal lines auto insurance, (2) homeowners insurance, and (3) residential fire insurance, or any components thereof. This Regulation requires notification to insureds upon policy renewal of any ~~material changes in policy coverage reductions, elimination or increased deductibles, limits, coverages, conditions or definitions,~~ unless the change was requested by the insured or R.I. Gen. Laws § 27-~~5-3.776~~ is applicable.

Section 3 **Definitions**

(a) “Expiration date” shall mean the date upon which coverage under a policy ends or, for a policy written for a term longer than one (1) year or with no fixed expiration date, each annual anniversary date of such policy.

(b) “Insurer” shall mean an individual insurer or an insurance group. For example, if an insured is transferred from one insurer to another within an insurance group, the notice requirements of this regulation apply.

(c) “Material Change” means any coverage reductions, elimination or increased deductibles ~~which affects the policy deductibles, limits, coverage, conditions or definitions.~~

(d) “Renewal” or “to renew” shall mean the issuance of, or the offer by an insurer to issue, a policy succeeding a policy previously issued and delivered by the same insurer, or the issuance of a certificate or notice extending the term of an existing policy for a specified period beyond its expiration date.

(e) “Writing” shall include electronic writings if the parties have agreed to conduct the transaction by electronic means in accordance with R.I. Gen. Laws § 42-127.1-1.

Section 4 Notice of Material Changes upon Renewal

(a) Upon an offer to renew, an insurer shall provide, at least thirty (30) days prior to the expiration of the policy, written notice of any material changes in policy ~~deductibles, limits, coverages, conditions or definitions~~ coverage reductions, elimination or increased deductibles to the named insured ~~at the mailing address shown on the policy, and the producer if any.~~ The notice must be prominent, in clear and unambiguous language and must fully disclose all details of the change.

(b) The notice must be included in or sent at the same time as the policy issuance or renewal package.

(c) The notice shall itemize and describe the policy coverages, reductions, eliminations or increased deductibles.

(d) ~~Examples of notices which are prominent include, but are not limited to~~ The policyholder shall be notified that the policy renewal contains the "NOTICE OF REDUCTION IN COVERAGE" by one of the following manners:

- 1) ~~A separate~~ By mailing the; "NOTICE OF REDUCTION IN COVERAGE" separate from the renewal policy package mailing sent at the same time as the policy issuance or renewal package in at least a point type not smaller than the largest font on the page which is titled "IMPORTANT NOTICE" in bold;
- 2) ~~A notice included as the first page of~~ By printing "NOTICE OF REDUCTION IN COVERAGE ENCLOSED on the policy renewal package in at least a point type not smaller than the largest font on the page which is titled "IMPORTANT NOTICE" in bold envelope and including said reductions in the first few pages of the renewal policy package;

- 3) ~~A notice~~By printing "NOTICE OF REDUCTION IN COVERAGE ENCLOSED" ~~in~~ on the first few pages of the renewal policy package~~prior to the actual policy language in at least a point type not smaller than the largest font on the page which is titled~~ "IMPORTANT NOTICE" in bold;
- 4) ~~A notice on the policy declaration page in at least a point type not smaller than the largest font on the page~~If the renewal policy package is made available by email, the email notifying the policyholder of the renewal shall contain a statement that the policy contains a "NOTICE OF REDUCTION IN COVERAGE" and such reductions shall be in the first few pages of the renewal policy package.

(~~e~~) This section shall not apply to a material change requested by the insured, including changes requested by the insured at the time of application that would typically occur at the renewal date for as long as the policy is in force, such as inflation coverage adjustment features and other similar policy elements.

- 1) There is no exception to notice of hurricane deductibles under R.I. Gen. Laws § 27-~~5-3.776~~. Therefore, even if the introduction of or the change to a hurricane deductible is requested by the insured, notice as described above must still be given.

~~(e) — For purposes of compliance with this section as to notice to producers, an insurer may use established forms of communications, including but not limited to, electronic mail or other computerized systems that will provide the relevant information directly to producers.~~

Section 5 ***Failure to Comply***

If an insurer fails to provide notice in accordance with this Regulation, the coverage provided to the named insured in the expiring policy shall remain in effect, without the coverage modification, until notice is provided or until the effective date of replacement coverage obtained by the named insured, whichever occurs first regardless of the policy language. If the amended language is more favorable to the insured it shall control, however, failure to provide notice may constitute a regulatory violation. For the purposes of this Regulation, the notice period begins on the date ~~of mailing of the~~ notice is given pursuant to section 4(d) of this regulation. If the named insured elects not to renew, any earned premium for the period of extension of the terminated policy shall be calculated pro rata at the lower of the current or previous year's premium. If the insured accepts the renewal, the material changes of which the insured was notified in accordance with this Regulation shall be effective on the renewal date.

Section 6 ***Proof of Notice***

An insurer shall be responsible for ensuring that a notice of material changes is provided to the named insured ~~at the address shown in the policy and to the producer if any, as provided in this regulation~~ and shall be able to demonstrate that such notice was provided.

Section 7 Applicability

To the extent that this Regulation conflicts with existing regulation(s), the notice of material changes requirements enumerated herein shall apply.

Section 8 Severability

If any section, term, or provision of this Regulation should be adjudged invalid for any reason, that judgment should not effect, impair, or invalidate any remaining section, term, or provision, which shall remain in full force and effect.

Section 9 Effective Date

This Regulation shall be effective as indicated below, however, the 2008 changes, including those made in the emergency amendment of April 30, 2008, are only effective as to policies issued or renewed after July 1, 2008 and the 2015 amendments to this regulation are only effective as to policies issued or renewed after July 1, 2015.

EFFECTIVE DATE: July 16, 2001

EMERGENCY AMENDMENT: April 30, 2008

AMENDMENT: August 6, 2008

AMENDMENT: July 1, 2015



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
OFFICE OF REGULATORY REFORM
 OFFICE OF MANAGEMENT & BUDGET
 DEPARTMENT OF ADMINISTRATION

One Capitol Hill
 Providence, RI 02908-5890
 Office: (401) 574-8430
 www.omb.ri.gov

Executive Order 15-07: Submission Form

AGENCY AND REGULATION INFORMATION

1. Title of Regulation	Insurance Regulation 97 - Notice of Material Changes upon Renewal of Personal Motor Vehicle, Homeowner and Residential Fire Insurance +		
2. Agency Name	Department of Business Regulation	3. Date Submitted (mm/dd/yy)	05/27/15
4. Agency Contact Name	Elizabeth Dwyer, Esq.	5. Telephone (include Area Code)	(401) 462-9615
6. Email	elizabeth.dwyer@dbr.ri.gov		
7. Rulemaking Action	<input type="checkbox"/> Amendment <input type="checkbox"/> Adoption <input type="checkbox"/> Repeal <input type="checkbox"/> Emergency Rulemaking		
8. State Statutory Authority	R.I. Gen. Laws § 27-8-11		
9. Federal or other Statutory Authority (please describe)			
10. Is there a legal deadline for this action?	<input type="checkbox"/> None <input checked="" type="checkbox"/> Statutory deadline: <u>07/01/15</u> <input type="checkbox"/> Court-ordered deadline: _____ Describe: Statutory change is effective July 1, 2015. Industry would like to be apprised of the final regulation as soon as possible.		
11. Current ERLID #	<u>8049</u> OR <input type="checkbox"/> No current ERLID # assigned		

AGENCY CERTIFICATIONS

12. Regulatory Flexibility Analysis/Small Business Regulatory Fairness in Administrative Procedures			
By signature in item 13, the agency Rules Coordinator or authorized designee deems that this regulation:			
<input type="checkbox"/> DOES have impact on small business <input checked="" type="checkbox"/> DOES NOT have impact on small business,			
and that if such small business impact exists, the agency has completed the additional documentation for further Regulatory Flexibility Analysis, in order to consider, without limitation, all methods of reducing the impact of this regulation on small business.			
Executive Order 15-07			
By signature in item 13, the agency Rules Coordinator or authorized designee certifies that the agency has complied with the requirements of E.O 15-07 and any applicable policy directives.			
13. Signature of Rules Coordinator or Authorized Designee	Elizabeth Dwyer	14. Date (mm/dd/yy)	05/27/15
	I understand that my typed name shall have the same force and effect as my written signature.		
15. Position	Associate Director		

EXECUTIVE SUMMARY OF REGULATION

16. Briefly summarize the purpose of this regulation.

The purpose of the amendments are to bring the regulation into compliance with the statutory changes made that are effective July 1, 2015.

17. Briefly summarize the societal costs and benefits of this regulation on Rhode Island.

The regulation does not impose any societal costs and benefits - all of those have been determined by the statute. This regulation simply implements the statute enacted by the legislature.