

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Insurance
1511 Pontiac Avenue
Cranston, RI 02920

INSURANCE REGULATION 78

PROCEDURES IN PAYMENT OF AUTOMOBILE DAMAGE CLAIMS

Table of Contents

Section 1	Authority
Section 2	Purpose
Section 3	Definitions
Section 4	Procedures in Payment of Automobile Damage Claims
Section 5	Effective Date

Section 1 Authority

This Regulation is promulgated pursuant to R.I. Gen. Laws §§ 27-10.1-6 and 42-14-17.

Section 2 Purpose

The purpose of this Regulation is to clarify insurers' obligations with regard to requests for payment to unlicensed automobile body shops and to prescribe the language of a warning to consumers that choose to accept the value of automobile damage rather than have the automobile repaired.

Section 3 Definitions

For the purpose of this Regulation:

- A. "Automobile Body Shop" means an auto body shop as defined in R.I. Gen. Laws § 5-38-1.
- B. "Consumer" means a person or entity making a claim under an insurance policy issued in the State of Rhode Island.
- C. "Director" means the Director of Business Regulation or his or her designee.
- D. "Insurer" means any person engaged in the business of property and casualty insurance.

Section 4 Procedures in Payment of Automobile Damage Claims

- A. Any insurer that settles a property damage claim arising out of an insurance policy issued in the State of Rhode Island in which the consumer requests to receive payment directly rather than have the automobile repaired, shall inform the consumer of the following prior to or contemporaneously with payment of the claim:

If you do not repair all or part of the damages allowed by the insurer, and you have a subsequent loss, previous damage may affect the subsequent loss. If you subsequently repair the damage, you should notify the insurer. The insurer may elect to inspect your automobile. No insurer or its representative may make payment on a claim to an automobile body shop if the shop is required to be but is not licensed in accordance with R.I. Gen. Laws § 5-38-1 *et seq*

- B. Insurers adjusting automobile damage claims in Rhode Island must assure that their actions are compliant with Rhode Island law and regulation governing their conduct, including but not limited to, R.I. Gen. Laws §§ 27-9.1-1 *et seq.*, 27-10-1 *et seq.*, 27-10.1-1 *et seq.*, 27-29-1 *et seq.* and Insurance Regulations 42, 43 and 73. The Department also releases bulletins to interpret the statutes and regulations under its jurisdiction and insurers should be fully apprised of the bulletins currently in effect at the time of adjusting a Rhode Island loss.
- C. An insurer shall not negotiate, agree to a price or pay an unlicensed automobile body shop for the performance of any work for which a license is required by R.I. Gen. Laws § 5-38-4 or regulations promulgated thereunder.
1. The provisions of this section do not prohibit payment to an automobile body shop which is not required to hold a license under R.I. Gen. Laws § 5-38-4, including shops located in other states, and shall not prohibit payment for goods or services for which the facility is not required to hold a license.
 2. The provisions of this section do not prohibit the insurer from paying the consumer the value of the repairs directly. If an insurer has a concern about licensing of an automobile body shop it shall not delay payment to the consumer as a result of those concerns.
 3. If an insurer has reason to believe that a shop chosen by a consumer does not hold a required license, the insurer should notify the Commercial Licensing Division of the Department of its concern along with all supporting facts and documentation.

Section 5 **Effective Date**

This Regulation shall become effective twenty (20) days from the date of filing as indicated below.

EFFECTIVE DATE:	February 4, 1994
AMENDED:	May 1, 1994
	April 8, 1999
REFILED:	December 19, 2001
AMENDED:	March 1, 2012
AMENDED:	March 21, 2013