

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Insurance
233 Richmond Street
Providence, RI 02903

INSURANCE REGULATION 77

PRE-INSPECTION OF PRIVATE PASSENGER MOTOR VEHICLES

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Section 1 **Authority**

This regulation is promulgated pursuant to R.I. Gen. Laws §§ 27-10.1-10 and 42-14-17.

Section 2 **Purpose**

The purpose of this regulation is to establish standards and procedures for inspection of private passenger vehicles weighing less than ten thousand (10,000) pounds prior to the issuance by insurers of physical damage coverage.

Section 3 **Definitions**

For the purpose of this regulation:

- A. "Director" means the Director of Business Regulation or his or her designee.
- B. "Insurer" means all persons, firms, corporations, or associations authorized to offer automobile insurance in this state.
- C. "Applicant" means the named insured, as defined in the policy, or an applicant for a motor vehicle insurance policy.
- D. "Authorized Representative" means any person or legal entity, other than the applicant, authorized by an insurer to conduct pre-insurance inspections pursuant to this regulation, and may include an employee of the insurer, or inspection service.
- E. "Producer" means a person who solicits, negotiates, effects, procures, delivers, renews, continues, or binds policies of insurance or who offers advice, counsel, opinion, or service in this state. A producer does not include an excess or surplus lines agent or broker licensed pursuant to Section 27-3-38 of the General Laws of Rhode Island.
- F. "Inspection Service" means any person or legal entity, other than the applicant, which is approved by the insurer to perform inspections required by this regulation. In determining whether to approve an inspection service, an insurer must take into consideration the service's professionalism, efficiency, and cost effectiveness.
- G. "Physical Damage Coverage" means the optional coverages in a policy for collision or other than collision coverages.
- H. "Private Passenger Motor Vehicle" means any owned or leased four-wheeled motor vehicle, except vehicles which have a gross weight in excess of ten thousand (10,000) pounds.
- I. "Policy" means any insurance policy, contract, or certificate, under which a claim is made.
- J. "Temporary Substitute Motor Vehicle" means any private passenger motor vehicle not owned by the applicant, which is used by the applicant, with the permission of the owner, as a temporary substitute due to breakdown, repair, servicing, loss or destruction of the applicant's own motor vehicle.

- K. "Existing Customer" means an applicant who has been insured for four (4) years or longer, without interruption, under a private passenger motor vehicle policy which includes physical damage coverage, by the insurer to which the application is submitted.

Section 4 **Mandatory Inspection Requirements**

- (1) No motor vehicle liability policy or endorsement insuring a private passenger motor vehicle for physical damage coverage shall be issued in this state unless the insurer has inspected the motor vehicle in accordance with this regulation.
- (2) Physical damage coverage shall not be issued on an additional or replacement motor vehicle under an existing policy, unless otherwise exempted, until the insurer has inspected the motor vehicle in accordance with the regulation.

Section 5 **Exemptions to Inspection Requirement**

- (1) The requirement of an inspection shall not apply to the following:
- (A) a new, unused motor vehicle, including demos, from an automobile dealership where the insurer is provided with either:
- (i) a copy of the bill of sale which contains a full description of the motor vehicle, including all options and accessories; or
- (ii) a copy of the Manufacturer's Statement of Origin which establishes the transfer of ownership from the dealer to the customer, and a copy of the window sticker or the dealer invoice showing the itemized options and equipment in addition to the total retail price of the vehicle.

The physical damage coverage on such new, unused motor vehicle, including demos, shall not be suspended during the term of the policy due to the applicant's failure to provide the required documents. Payment of a claim, however, may be conditioned upon the receipt by the insurer of such documents, and no physical damage loss occurring after the effective date of the coverage shall be payable until the documents are provided to the insurer. If the above documents are not submitted by the applicant at least sixty (60) days prior to the applicant's annual renewal date, the insurer, before renewing the physical damage coverage, must require an inspection as set forth in this regulation.

- (B) a motor vehicle which is already insured for such physical damage coverages with the insurer by the applicant.
 - (C) a temporary substitute motor vehicle.
 - (D) a motor vehicle which is leased for less than six (6) months, provided the insurer receives the lease or rental agreement containing a description of the leased motor vehicle, including its condition. Payment of a physical damage claim may be conditioned upon receipt of the lease or rental agreement.
 - (E) when requiring an inspection would cause a serious hardship to the insurer or the applicant, and such hardship is documented in the applicant's policy record.
- (2) An insurer shall state in the applicant's policy record the reason a vehicle is being exempted from the inspection requirement.
 - (3) An insurer may require an inspection of a motor vehicle otherwise exempt, provided that the decision to inspect such motor vehicle is reasonable and supported by objective facts. The decision to require such an inspection shall not be based on the age, race, sex, or marital status of the applicant or the customary operators of the vehicle, or the principal place of garaging. A written statement of the reasons for requiring an inspection, pursuant to this subsection shall be placed in the applicant's policy record.

Section 6 Waiver of Inspection

- (1) An insurer may waive an inspection under any of the following circumstances:
 - (A) for policies which include physical damage coverage on vehicles which are six (6) or more years old; or
 - (B) when an individual applicant's coverage is being transferred by a producer to a new insurer and the producer provides the new insurer with a copy of the inspection report completed on behalf of the previous insurer, provided the producer represents both insurers, and the insured vehicle was physically inspected by the previous insurer. However, if the new insurer does not receive a copy of the inspection report 60 days prior to the first annual renewal date, the insurer must, before renewing physical damage insurance, require an inspection as set forth in this regulation.
 - (C) when the applicant is an existing customer who has not had a total loss due to theft or fire in the preceding four (4) years.

- (2) Any decision to waive or not to waive an inspection pursuant to this regulation, shall not be based on the age, race, sex, or marital status of the applicant or the customary operators of the vehicle, or the principal place of garaging.
- (3) An insurer shall state in the applicant's policy record the reason a waiver has been granted.

Section 7 Deferral of Inspection

- (1) An insurer may defer an inspection for seven (7) business days following coverage being bound or the effective date of coverage, whichever is earlier, for a new policy or for inclusion of additional or replacement vehicles to an existing policy.
- (2) When an inspection is deferred pursuant to subsection (1), an insurer, through its producer, shall either:
 - (a) immediately obtain the prescribed acknowledgment (Form D) signed by the applicant, if the applicant applied for coverage in person; or
 - (b) immediately confirm physical damage coverage and remind the applicant of the inspection requirement on a prescribed notice letter (Form B), if the applicant has applied for coverage either by mail or by phone.
- (3) In addition to the notice requirements of (2) above, the insurer, through its producer, shall furnish the applicant, at the time coverage is effected, with a list of inspection sites where the inspection can be conducted. The location of an inspection site or sites, and the consequences of the applicant's failure to obtain a timely inspection shall be furnished immediately to the applicant either in person, by telephone, or in writing. Documentation of such notice, including the name of the person giving the notice and the identity of the site(s) provided must be contained in the applicant's policy record.
- (4) Producers must use the prescribed NOTICE OF MANDATORY PRE-INSPECTION REQUIREMENT letter (Form B) or the prescribed ACKNOWLEDGEMENT OF REQUIREMENT FOR PRE-INSPECTION letter (Form D), and immediately send a copy to the insurer. A copy of the confirmation letter addressed to the applicant or the completed acknowledgement letter shall be retained by the producer in the applicant's policy record.

- (5) Any decision to waive or not to waive an inspection pursuant to this regulation, shall not be based on the age, race, sex, or marital status of the applicant or the customary operators of the vehicle, or the principal place of garaging.

Section 8 **Standards and Procedures for Inspections**

1. Inspections required or permitted pursuant to this regulation shall be made by a designated authorized representative of the insurer at a time and place reasonably convenient to the applicant.
2. The inspection shall:
 - A. Be recorded on a form which contains, as a minimum, the information described on the Motor Vehicle Pre-Inspection Report (Form A);
 - B. Include two color photographs of the motor vehicle, taken as directed on the inspection report, which shall be attached to the report;
 - C. Include a close-up color photograph (using a special camera attachment if necessary) showing the Vehicle Identification Number (VIN) located on the Environmental Protection Agency/Federal Certification Label (EPA) sticker affixed to the driver's side door jamb. The photograph must be of sufficient clarity that the information contained on the EPA sticker and VIN is legible. If the EPA sticker is damaged, faded, missing, or otherwise not legible, a photograph of the EPA sticker or of the area of the door jamb where the sticker is normally located, is still required.
 - D. Include any additional photographs, taken at the discretion of the authorized representative, showing any damaged areas. Such photographs shall also be attached to the report.
3. The original report and photographs shall be immediately sent to the insurer who shall retain the report and photographs in the applicant's policy record for three (3) years from the date of inspection, except as provided by paragraph (6)(D). The authorized representative shall also provide a copy of the report, without photographs, to the applicant and producer of record.
4. The insurers shall maintain an up-to-date list of all authorized representatives and inspection sites performing inspections for the insurer. The list must include the names, addresses, and business phone numbers

of all authorized representatives, and the insurer shall make such a list accessible to the Director upon request.

5. There shall be no charge to the applicant in connection with an inspection.
6. An insurer shall utilize authorized representatives who shall:
 - (A) verify the accuracy, completeness and signature of the inspector for each inspection report in writing;
 - (B) maintain a control system on such inspection reports, including the use of sequentially numbered reports;
 - (C) retain and supply to other insurers, upon request, a copy of any inspection report which was completed within three (3) years of the date of inspection;
 - (D) provide an optional service, on an additional fee basis, to insurers whereby the original inspection reports and photographs are retained by the authorized representative who shall maintain such original inspection reports and photographs in a manner so as to facilitate rapid retrieval for a period of at least three (3) years from the date of inspection. The authorized representative shall, upon request of the insurer, mail or deliver the original inspection report and photographs to the insurer within two (2) business days of such request.
7.
 - (A) the inspection report and photographs shall be used by the insurer to document previous damage, prior condition, options, and mileage of the motor vehicle on physical damage claims whenever:
 - (i) the appraisal indicates prior damage;
 - (ii) the vehicle is a total loss or unrecovered theft; or
 - (iii) the damage exceeds three thousand dollars (\$3,000).
 - (B) a copy of the inspection report and photographs must be utilized, and made a part of the insurer's claim file, in settlement of all total loss claims. The inspection report must be made a part of the claim file regardless of whether or not the payment is reduced based on the information contained therein.
 - (C) access to an electronic file containing images of inspection reports and images of color photographs will suffice in lieu of physically placing hard copies of forms and/or photos in a paper file;

providing, the system allows for the printing of hard copies of forms and color photographs if required in litigation.

Section 9 Standards for Suspension of Physical Damage Coverages

- (1) If the inspection is not conducted prior to the expiration of the seven (7) business day deferral period, motor vehicle physical damage coverage on the motor vehicle shall be suspended at 12:01 a.m. of the day following the seventh business day, and such suspension shall continue until the inspection is done. The insurer must inspect the motor vehicle and reinstate physical damage coverage (effective at the time of the inspection) if the applicant thereafter requests an inspection.
- (2) Whenever physical damage coverage is suspended, the insurer shall within five (5) days give notice to the applicant, the producer of record, and any lienholders a completed prescribed NOTICE OF SUSPENSION OF PHYSICAL DAMAGE COVERAGE (Form C). The insurer shall complete a certificate of mailing of the suspension to the applicant and shall retain the certificate and a copy of the suspension in the applicant's policy record. Whenever there is a suspension of physical damage coverage for more than ten (10) days, the insurer shall make a pro-rata premium adjustment (return premium or credit) which shall be mailed to the applicant no later than 45 days after the effective date of the suspension. After the insurer makes the pro-rata premium adjustment, reinstatement of physical damage coverage shall only be effective upon inspection and payment by the applicant to the insurer of the adjusted premium for the physical damage coverage in full or in accordance with the insurer's normal payment plan, at the insurer's option.
- (3) If the motor vehicle is not inspected pursuant to this regulation due to the fault of the insurer, or if its producer fails to give the verbal or telephone notice required by this regulation, or mail or delivery the NOTICE OF MANDATORY PRE-INSPECTION REQUIREMENT (Form B) or obtain the ACKNOWLEDGMENT OF REQUIREMENTS FOR PRE-INSPECTION INSPECTION (Form D), physical damage coverage on the motor vehicle shall not lapse. The failure of the insurer to act promptly does not relieve it of its obligation to inspect.

Section 10 Records

Insurers shall maintain records as to the costs and savings related to this regulation and shall make such records available to the Director upon request.

Section 11 Effective Date

This regulation shall become effective on March 25, 1994.

EFFECTIVE DATE:	March 25, 1994
AMENDED:	None
REFILED:	December 19, 2001

FORM A

INSURANCE COMPANY LETTERHEAD OR INSPECTION SERVICE LETTERHEAD

<u> </u> Date of Inspection	<u> </u> Time of Inspection <u> </u> AM <u> </u> PM	<u> </u> Insurance Company Name	<u> </u> Insured's Policy Number	<u> </u> Number of Photos
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<u> </u> Insured's Name	<u> </u> Insured's Address	<u> </u> Telephone No.
---	--	--

<u> </u> Inspector's Name	<u> </u> Inspection Site Name and Address	<u> </u> Telephone No.
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Year: <u> </u> Make: <u> </u> Model: <u> </u>	<u> </u> Style <input type="checkbox"/> 2 Dr <input type="checkbox"/> Stg Wgn <input type="checkbox"/> 4 Dr <input type="checkbox"/> Van <input type="checkbox"/> Cpe <input type="checkbox"/> Htchbk	<u> </u> Color <input type="checkbox"/> Major <input type="checkbox"/> Minor	<u> </u> Interior <input type="checkbox"/> Cloth <input type="checkbox"/> Leather <input type="checkbox"/> Vinyl <input type="checkbox"/> Color
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<u> </u> Odometer Reading	<u> </u> Principal Place of Garaging	<u> </u> Vehicle Identification Number and Location	<u> </u> License Plate No. and State
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ACCESSORIES AND OPTIONAL EQUIPMENT

<input type="checkbox"/> Air Conditioner <input type="checkbox"/> Manual Transmission <input type="checkbox"/> 3 Spd <input type="checkbox"/> 4 Spd <input type="checkbox"/> 5 Spd <input type="checkbox"/> Automatic Transmission <input type="checkbox"/> Overdrive <input type="checkbox"/> AM Radio <input type="checkbox"/> Cassette Player Brand <u> </u> Built In <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Compact Disc Player Brand <u> </u> Built In <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Car Phone Brand <u> </u> Built In <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Car Phone Antenna <input type="checkbox"/> Car Phone Transmitter <input type="checkbox"/> C.B. Radio Brand <u> </u> Built In <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Special Mirrors <input type="checkbox"/> Auto Recovery System	<input type="checkbox"/> Eight Track Player Brand <u> </u> Built In <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Stereo Amplifier Brand <u> </u> Built In <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Cruise Control <input type="checkbox"/> Rear Defroster <input type="checkbox"/> Rear Wiper <input type="checkbox"/> Tilt Wheel <input type="checkbox"/> Power Steering <input type="checkbox"/> Power Brakes <input type="checkbox"/> Power Windows <input type="checkbox"/> Power Locks <input type="checkbox"/> Power Antenna <input type="checkbox"/> Vinyl Top/Roof <input type="checkbox"/> T-Top Roof <input type="checkbox"/> Sunroof Factory Installed <input type="checkbox"/> Yes <input type="checkbox"/> No Type <u> </u> <input type="checkbox"/> Trailer Hitch	<input type="checkbox"/> Special Roof Type <u> </u> <input type="checkbox"/> Bucket Seats <input type="checkbox"/> Special Wheels <input type="checkbox"/> Special Tires Type <u> </u> <input type="checkbox"/> Special Hub Caps <input type="checkbox"/> Radar Detector Rear Wiper <input type="checkbox"/> Anti-Theft Device Type <u> </u> <input type="checkbox"/> Car Alarm Brand <u> </u> <input type="checkbox"/> High Mounted Brake Light <input type="checkbox"/> Roof Rack <input type="checkbox"/> Spare Tire <input type="checkbox"/> Carpeting <input type="checkbox"/> Instrumentation <input type="checkbox"/> Special Custom Options <u> </u> <u> </u>
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cc: Insurance Company
 Producer of Record

FORM A (Con't)
PHOTOGRAPHS OF VEHICLE (MUST BE COLOR PHOTOS)

ATTACH AT LEAST TWO (2) COLOR PHOTOGRAPHS OF THE AUTOMOBILE TAKEN FROM THE FRONT AND PASSENGER SIDE AND THE REAR AND DRIVER SIDE. ALSO ATTACH CLOSE-UP PHOTO OF THE EPA STICKER FROM THE DRIVER'S SIDE DOOR JAMB.

PHYSICAL CONDITION OF VEHICLE
(CHECK DAMAGED AREAS OR AREAS IN POOR CONDITION AND DESCRIBE BELOW)

DAMAGED	RUSTED		DAMAGED
<input type="checkbox"/>	<input type="checkbox"/>	FRONT BUMPER	<input type="checkbox"/> WINDSHIELD
<input type="checkbox"/>	<input type="checkbox"/>	LEFT FRONT BUMPER	<input type="checkbox"/> LEFT FRONT SIDE GLASS
<input type="checkbox"/>	<input type="checkbox"/>	LEFT FRONT DOOR	<input type="checkbox"/> RIGHT FRONT SIDE GLASS
<input type="checkbox"/>	<input type="checkbox"/>	LEFT REAR DOOR	<input type="checkbox"/> LEFT REAR SIDE GLASS
<input type="checkbox"/>	<input type="checkbox"/>	LEFT REAR QUARTER PANEL	<input type="checkbox"/> REAR WINDOW
<input type="checkbox"/>	<input type="checkbox"/>	REAR BUMPER	<input type="checkbox"/> REARVIEW MIRROR
<input type="checkbox"/>	<input type="checkbox"/>	REAR DOOR/TRUNK LID	<input type="checkbox"/> WHEEL COVERS
<input type="checkbox"/>	<input type="checkbox"/>	RIGHT REAR QUARTER PANEL	<input type="checkbox"/> WORN/TORN OR SOILED INTERIOR
<input type="checkbox"/>	<input type="checkbox"/>	RIGHT REAR DOOR	<input type="checkbox"/> OTHER DAMAGE OR RUST (LIST)
<input type="checkbox"/>	<input type="checkbox"/>	RIGHT FRONT DOOR	_____
<input type="checkbox"/>	<input type="checkbox"/>	RIGHT FRONT FENDER	_____
<input type="checkbox"/>	<input type="checkbox"/>	HOOD PANEL	_____
<input type="checkbox"/>	<input type="checkbox"/>	ROOF PANEL	
<input type="checkbox"/>	<input type="checkbox"/>	GRILL	

() CHECK HERE IF NO EXISTING DAMAGE, RUST, OR MISSING PARTS

DESCRIBE EXISTING DAMAGES OR RUST:

LIST ANY MISSING PARTS:

DESCRIBE ANY ALTERATIONS FROM FACTORY DESIGN:

The above is a true statement of any existing damage, rust, or missing parts as of the date of this inspection. I certify that this inspection report is true and complete and that I have seen and photographed the vehicle identified above.

Date: _____ Inspector's Signature: _____

Name and Address of Person Presenting
Vehicle for Inspection

Signature

Relationship
to Insured

cc: Insurance Company
Producer of Record

FORM B

NOTICE OF MANDATORY PRE-INSURANCE INSPECTION REQUIREMENT

(THIS IS NOT A SAFETY INSPECTION)

IMMEDIATE ACTION REQUIRED TO AVOID LOSS OF INSURANCE COVERAGE

DATE OF MAILING

Name of Insured: _____

Effective Date of Coverage _____

Address: _____

Inspection Must be
Completed by: _____

Policy Number: _____

Dear Policyholder,

This will confirm coverage for Physical Damage Coverage on your:

	YEAR	MAKE	MODEL
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

Please disregard this notice if you have already had your car inspected.

This notice will also serve as a reminder that the above described car(s) must be inspected by the date indicated above, or your physical damage coverage will be suspended effective 12:01 a.m. on

Date

If you have your car inspected after the above deadline your coverage will only be restored after your car has been inspected and the adjusted premium due for the physical damage coverage has been paid. You will have no coverage for any physical damage loss that occurs during the suspension period.

FOR FURTHER INFORMATION PLEASE CALL:

Name and Phone Number of Company Representative

Very truly yours,

cc: Insurance Company
Producer of Record

FORM C

(COMPANY LETTERHEAD)

NOTICE OF SUSPENSION OF PHYSICAL DAMAGE COVERAGE

YOU ARE NO LONGER INSURED FOR PHYSICAL DAMAGE TO YOUR CAR

DATE OF MAILING

Name of Insured: _____
Address: _____

Effective Date of Coverage _____

Policy Number: _____

Dear Policyholder

The vehicle(s) listed below is (are) no longer covered for Physical Damage Coverage:

	YEAR	MAKE	MODEL
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

DATE OF COVERAGE WAS REQUESTED _____
DATE OF COVERAGE WAS SUSPENDED _____

The physical damage coverage indicated above, has been suspended on the vehicle(s) described, effective 12:01 a.m. on the suspension date. Such coverage has been suspended due to your failure to comply with Regulation LXXVII(77), as required by Section 27-10.1-10 of the General Laws of Rhode Island.

If your coverage has been suspended for more than ten (10) days, you will receive a premium adjustment (return premium or credit) for the suspended coverage(s) within forty-five (45) days from the date of suspension.

The coverage(s) will be restored when you have your vehicle(s) inspected and the adjusted premium due for such coverage(s) has been paid.

INSURER REPRESENTATIVE

PHONE NUMBER

cc: Producer of Record
Lienholder

FORM D

ACKNOWLEDGMENT OF REQUIREMENT FOR PRE-INSURANCE INSPECTION

(THIS IS NOT A SAFETY INSPECTION)

Name of Insured or Applicant: _____ Address: _____ _____ _____	Effective Date of Coverage _____ Inspection Must be Completed by _____
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VEHICLES TO BE INSPECTED

	YEAR	MAKE	MODEL
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____

By my signature below, I certify that I have been informed that my vehicle(s) which is (are) being insured for Physical Damage Coverage must be inspected by a representative of the insurer. This inspection must be completed within seven (7) days after the effective date of coverage, and in no event later than the date shown above to avoid a suspension in coverage.

I understand that failure to submit to the required inspection(s) will result in the suspension of Physical Damage Coverages as of 12:01 a.m. of the day following the date by which the inspection must be completed, as shown above.

I understand that if coverage is suspended it will be restored only after the inspection has been completed and the adjusted premium due for such coverage(s) has been paid.

Signature of Insured or Applicant: _____	Date: _____
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Signature of Producer or Insurance Company Representative: _____	Date: _____
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Name, Address and Telephone Number of
Producer or Insurance Company Representative
Completing This Form:

INSURED/APPLICANT MUST RECEIVE A COMPLETED COPY OF THIS FORM

cc: Insurance Company
Producer of Record