



State of Rhode Island and Providence Plantations

State House
Providence, Rhode Island 02903-1196
401-222-2080

Gina M. Raimondo
Governor

July 13, 2016

TO THE HONORABLE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES:

In accordance with the provisions of article IX, section 14 of the Constitution of the State of Rhode Island and section 43-1-4 of the Rhode Island General Laws, I transmit, with my disapproval, 2016-H 7412 Substitute A, “An Act Relating to Insurance – Unfair Claims Settlement Practices Act.”

This legislation expands the definition of the State’s Unfair Claims Settlement Practices Act to include an insurer’s refusal to compensate a rental car company for the loss of use of a damaged rental vehicle irrespective of whether the rental car company sustained any actual financial harm due to the loss of use. This is a change from current law, which does not require compensation for rental car companies absent evidence of a financial loss resulting from an inability to rent the damaged rental car.

The contemplated change to this fundamental relationship between the insurer and the claimant would be extraordinary – essentially requiring insurers make payment for a loss without being provided with proof that a loss was actually sustained. Accordingly, this proposal runs counter to a bedrock principle of insurance: that insurers should only compensate claimants for actual financial damages sustained. What’s more, it appears that Rhode Island would become the first state in the nation to place such constraints on insurers.

Proponents of this legislation seek to prevent insurance companies from establishing onerous barriers to rental car companies proving actual damages from loss of use. However, the bill before me today goes a step too far, removing any need for a rental car company to prove loss whatsoever and simply entitling them to compensation. This bill would make Rhode Island an outlier in this area and would likely drive costs up for insurers across the state, translating into higher premiums for consumers. This bill also could incentivize companies to delay repairing damaged rental cars because insurers would be forced to pay the loss of use claim lest they be

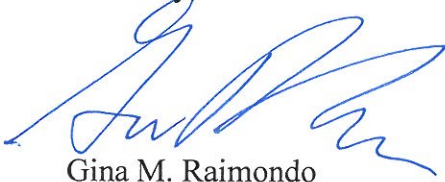
accused of committing an Unfair Claims Settlement Practice. Under such circumstances, I cannot support this legislation in its current form.

Nevertheless, the proponents of this legislation have identified an important problem that we can address in a more narrowly tailored way. Accordingly, I am directing the Department of Business Regulation to work with rental car and insurance companies to identify common-sense changes to the regulations governing their interactions to ensure that no unfair barriers exist to a company pursuing a loss of use claim and to prevent insurance companies from unnecessarily delaying assessment and payment of those claims to the detriment of rental car companies. This will modernize and streamline compliance on both sides of the equation – claimant and insurer alike.

I am focused on improving Rhode Island's economy and making it easier to do business here – that is why I worked closely with the Department of Business Regulation and the General Assembly to enact the Premium Jobs Initiative, a new law that encourages insurance companies to locate and grow jobs in our State. Allowing the proposal before me today to become law would undo much of the progress that we have made during this legislative session to make our State more attractive to insurers – sending precisely the wrong message to an industry that is critical to Rhode Island's economic comeback.

For these reasons, I disapprove of this legislation and respectfully urge your support of this veto.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Gina M. Raimondo', written over a light blue horizontal line.

Gina M. Raimondo
Governor