

State of Rhode Island and Providence Plantations  
DEPARTMENT OF BUSINESS REGULATION

*Insurance Division*

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

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IN THE MATTER OF:

NATIONAL GENERAL INSURANCE

RESPONDENT.

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**CONSENT AGREEMENT**

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

1. Respondent is an insurer licensed in the State of Rhode Island to issue property & casualty insurance policies including automobile insurance policies.

2. R.I. Gen. Laws § 31-47-4 is applicable to all automobile insurance policies issued in RI. R.I. Gen. Laws § 31-47-4 provides the requirements for notice of termination of auto insurance policies outlining “(a) no contract of insurance or renewal of it shall be terminated by cancellation or failure to renew by the insurer until at least thirty (30) days after mailing...” “...”except that when cancellation is for nonpayment of premium the notice shall be mailed to the named insured at the address shown on the policy at least ten (10) days prior to the effective date of cancellation.”

3. The Department promulgated Insurance Regulation 16 applicable to all automobile insurance policies. Insurance Regulation 16 provides in part: “No insurer may rescind *ab initio* coverage required by the terms of R.I. Gen. Laws § 31-47-1 *et seq.* Whether or not rescission *ab initio* is available for other coverages is not addressed by this Regulation and shall be governed by the applicable statutory and case law of this state. Nothing in this section shall vary the ability of the

insurer to cancel automobile liability coverage on a prospective basis, as long as the requirements of all statutes and Regulations governing cancellation are met.”

4. The Department received a consumer complaint indicating that Respondent cancelled an automobile insurance policy without proper notification.

5. Respondent responded to the complaint advising that the policy was rescinded, not cancelled, on the basis that the scheduled automatic EFT payment, occurring after the effective date of the renewal, was insufficient. Thus giving cause to invoke rescission.

6. After reviewing Insurance Regulation 16, Respondent reversed its position on denial of complainant’s claim and reinstated the automobile policy without any lapse in coverage.

7. Upon inquiry, Respondent advised that there were eighty (80) policies between 01/31/2012 and 07/11/2013 that were rescinded in a similar manner.

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 has identified two additional policy holders that were adversely impacted by the incorrect handling of the insufficient funds payments and applicable credits have been made to the respective policies.
2. Respondent has sent a reminder to their processing unit reinforcing Insurance Regulation 16 and has instituted appropriate training relative to the manual process of handling insufficient funds.
3. Respondent has also submitted filings to the Department revising their policy language to be in compliance with Insurance Regulation 16.
4. Respondent will pay a fine of \$7,500.

Counsel for the Department and Respondent hereby consent and agree to the foregoing on behalf of their respective clients the \_\_\_\_ day of February 2014.

Department of Business Regulation  
By its Legal Counsel,

National General Insurance

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Elizabeth Kelleher Dwyer

