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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

RELATING TO INSURANCE -- DOMESTIC INSURANCE COMPANIES

Introduced By: Senator Mark P. McKenney

Date Introduced: March 04, 2026

Referred To: Senate Commerce

(Dept. of Business Regulation)

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 27-1-13, 27-1-14, 27-1-15, 27-1-16, 27-1-16.1, 27-1-16.2, 27-1-17,
2 27-1-18, 27-1-19, 27-1-20 and 27-1-21 of the General Laws in Chapter 27-1 entitled "Domestic
3 Insurance Companies" are hereby repealed.

~~**27-1-13. Citation for forfeiture of charter for unsafe practices.**~~

~~4 The superior court, upon complaint in writing from the insurance commissioner under oath
5 setting forth that, in the commissioner's opinion, any insurance company has forfeited its charter
6 at law, or is managing its concerns in a manner that the public or those having funds in its custody
7 are in danger of being defrauded, or the continued operation of its business would be hazardous to
8 the public or its policyholders, or has become insolvent, shall issue a citation to the company,
9 directed to and to be served on the president, secretary, or treasurer of the company by leaving an
10 attested copy at the office or usual place of business of the company, commanding the president,
11 secretary, or treasurer personally to appear before the court on a day and in a place to be mentioned
12 in the citation, then and there under oath to show cause, if they have any, why the company should
13 not be enjoined from further exercising the powers and franchises conferred by its charter and why
14 the charter should not be forfeited.~~

~~**27-1-14. Decree of forfeiture — Receiver.**~~

~~15 If, upon the examination of the president, secretary, or treasurer and of any other witnesses
16 and evidence as may be introduced by the insurance commissioner and defendants, the court is of
17 the opinion that the charter of the company is forfeited at law, or that the company is managed in a
18
19~~

1 manner that the public or those having funds in its custody or who hold policies of insurance issued
2 by it are in danger of being defrauded, or the continued operation of its business would be hazardous
3 to the public or its policyholders, or that the company has become insolvent, the court shall issue
4 an injunction to the president, secretary, or treasurer and other officers of the corporation, enjoining
5 them from proceeding further in transacting the business of the company, and shall appoint a
6 discreet and proper person to be receiver of all the evidences of debt, goods, effects, and property
7 of every description belonging to the corporation. The court may require the receiver to give bond
8 with surety to the satisfaction of the court for the faithful execution of the receiver's trusts. The
9 person once appointed as the receiver may, subject to the discretion of the court, continue to be
10 receiver for the duration of the receivership proceedings.

11 **27-1-15. Collection and distribution of assets by receiver—Reinsurance.**

12 The receiver may take evidence and property into the receiver's possession and shall collect
13 the debts, dispose of the property, and pay out of the proceeds of the disposition, if the proceeds
14 are sufficient, all of the debts of the corporation, first reserving to the receiver a reasonable
15 compensation that shall be allowed by the court for the receiver's services; provided, the receiver
16 may reinsure, upon the written consent of the insurance commissioner and the attorney general, all
17 the policy obligations of the corporation in any solvent corporation authorized to do business in
18 this state, if the assets of the corporation of which he or she is a receiver are sufficient to effect the
19 reinsurance. If the assets are insufficient for that purpose, the receiver, upon the written consent of
20 the insurance commissioner and the attorney general, may reinsure a percentage of each policy
21 obligation of the corporation outstanding to the extent that its assets may be sufficient for that
22 purpose. No contract of reinsurance shall be entered into by the receiver except in pursuance of an
23 order of the court in which the receiver was appointed directing the reinsurance and establishing
24 the general form of the contract for the reinsurance.

25 **27-1-16. Powers of receiver—Removal and control by court.**

26 The receiver shall be clothed with all of the powers and rights, in respect of the collection
27 of debts due to the corporation, which the corporation possessed by virtue of its charter or otherwise
28 before the injunction issued, and may be removed and another may be appointed by the court in his
29 or her stead. The court shall have the same power and authority over the receiver, the receiver's
30 acts, proceedings, and accounts, as is exercised by courts of equity in similar cases.

31 **27-1-16.1. Sale by receiver of charter and licenses.**

32 (a) Notwithstanding any decree of forfeiture or finding of insolvency and order of
33 liquidation, the receiver may, subject to court approval, sell or dispose of the charter and/or licenses
34 of the insolvent insurer separate and apart from its outstanding liabilities or remaining assets.

1 ~~(b) The sale may be made after proper advertisement in a national publication on terms and~~
2 ~~conditions the court deems appropriate. The order approving the sale shall provide that the proceeds~~
3 ~~of the sale shall become part of the assets of the liquidation estate, to be distributed in the manner~~
4 ~~set forth in the pertinent provisions of law governing distribution of the estate and the order shall~~
5 ~~provide that the charter and licenses shall after this be free and clear from the claims or interests of~~
6 ~~all claimants, creditors, policyholders, and stockholders of the corporation under liquidation.~~

7 ~~(c) Nothing in this section of law shall be deemed a waiver of capitalization or surplus~~
8 ~~requirements, or any other condition of licensure imposed by this title that is necessary to obtain~~
9 ~~approval to do insurance business in this state, or that is necessary to obtain approval for the change~~
10 ~~in control of a foreign or domestic insurer.~~

11 ~~(d) This section applies retrospectively and shall be liberally construed to accomplish its~~
12 ~~purpose to provide a more expeditious and effective procedure for marshalling the assets of the~~
13 ~~estate in order to realize the maximum amount possible from the sale of those assets and ensure~~
14 ~~that the purchasers receive clear and marketable titles. It shall not be construed as a limitation upon~~
15 ~~the receiver, nor shall it exclude in any manner the receiver's right to do other acts not specifically~~
16 ~~enumerated.~~

17 **27-1-16.2. Court-approved settlements.**

18 ~~Notwithstanding any provisions of law to the contrary, a person, corporation, or other entity~~
19 ~~who has resolved its liability to the receiver in a judicially approved good faith settlement shall not~~
20 ~~be liable for claims for contribution or equitable indemnity regarding matters addressed in the~~
21 ~~settlement. The settlement does not discharge any other joint tortfeasors unless its terms provide~~
22 ~~for this discharge, but it reduces the potential liability of joint tortfeasors by the amount of the~~
23 ~~settlement.~~

24 **27-1-17. Stay of executions and process against company.**

25 ~~As long as the injunction is in force against any corporation, all executions and other final~~
26 ~~process against the corporation for the collection of debts shall be stayed.~~

27 **27-1-18. Limited injunction without receivership.**

28 ~~The court may also issue a limited or temporary injunction, staying proceedings in any~~
29 ~~particulars and for any length of time as in the opinion of the court may be necessary for the safety~~
30 ~~of the public and the proper management of the affairs of the corporation, without proceeding to~~
31 ~~the appointment of a receiver.~~

32 **27-1-19. Declaration of forfeiture.**

33 ~~The court shall, upon hearing of the parties to the complaint, if it sees cause, declare the~~
34 ~~charter of the corporation forfeited.~~

1 ~~**27-1-20. Temporary injunction.**~~

2 ~~The citation may also contain a temporary injunction against the corporation and all of its~~
3 ~~officers, restraining them from proceeding in any business of the corporation, except under the~~
4 ~~direction of the court, which injunction unless removed shall continue until the complaint is finally~~
5 ~~disposed of.~~

6 ~~**27-1-21. Failure to deliver property or records to receiver.**~~

7 ~~If the president, secretary, treasurer, agent, or servant of any insurance company that is~~
8 ~~enjoined as provided in this chapter, or any other person upon being required, neglects or refuses~~
9 ~~to deliver to the receiver or receivers of the corporation, who may be appointed by virtue of this~~
10 ~~chapter, evidences of debt, goods, effects, books, papers, and other evidences of property of every~~
11 ~~description belonging to the corporation as may be in his or her possession or under his or her~~
12 ~~control, he or she shall be fined not exceeding ten thousand dollars (\$10,000) or be imprisoned not~~
13 ~~exceeding three (3) years, or be both fined and imprisoned at the discretion of the court.~~

14 SECTION 2. Sections 27-2-3, 27-2-4 and 27-2-21 of the General Laws in Chapter 27-2
15 entitled "Foreign Insurance Companies" are hereby repealed.

16 ~~**27-2-3. Reciprocal privileges of nonresident insurance producers.**~~

17 ~~(a) Any commission received by a Rhode Island licensed resident insurance producer may~~
18 ~~be shared with another licensed resident insurance producer, or with a licensed nonresident~~
19 ~~insurance producer; provided, that if the nonresident insurance producer resides in, or is a licensed~~
20 ~~insurance producer in, a state that requires the retention of a stipulated percentage of the~~
21 ~~commission on risks placed in the state by nonresident insurance producers, then and in that event~~
22 ~~the Rhode Island resident insurance producer shall require the same percentage of the commission~~
23 ~~as would be required if a Rhode Island insurance producer should place similar insurance in the~~
24 ~~state of the residence of the nonresident insurance producer; provided, that if the nonresident~~
25 ~~insurance producer resides in a state, county, or municipality that by statute or ordinance prohibits~~
26 ~~the division of commissions on insurance covering property or risks in the city, county, or state of~~
27 ~~the nonresident insurance producer, then and in that event, it shall be unlawful for the Rhode Island~~
28 ~~resident insurance producer to pay the nonresident insurance producer any share or portion of the~~
29 ~~commission on insurance on property or risks in the state of Rhode Island.~~

30 ~~(b) This section shall not apply to bid bonds issued by any admitted surety insurer in~~
31 ~~connection with any public or private contract.~~

32 ~~(c) An insurance producer that has been a licensed nonresident insurance producer prior to~~
33 ~~June 30, 1989, for twelve (12) years or more but whose company is no longer licensed to do~~
34 ~~business in a reciprocal state after June 30, 1989, may be licensed in Rhode Island as a special~~

1 ~~nonresident insurance producer.~~

2 ~~**27-2-4. Penalty for unlawful business.**~~

3 ~~Any company, officer, or insurance producer violating any of the provisions of § 27-2-3~~
4 ~~shall be punished by a fine of not less than one hundred dollars (\$100) nor more than five hundred~~
5 ~~dollars (\$500) for each offense.~~

6 ~~**27-2-21. Report and prosecution of violations.**~~

7 ~~The insurance commissioner shall report to the attorney general any violation of the~~
8 ~~provisions of this chapter that shall come to the commissioner's knowledge. The attorney general~~
9 ~~shall institute the proper legal proceedings, in the name of the state, against any person violating~~
10 ~~any provision.~~

11 SECTION 3. Sections 27-2-17, 27-2-20 and 27-2-24 of the General Laws in Chapter 27-2
12 entitled "Foreign Insurance Companies" are hereby amended to read as follows:

13 ~~**27-2-17. Reciprocal fees and charges.**~~

14 (a) Whenever, by the laws of any other state of the United States, any fees, charges, taxes,
15 deposits of money or of securities, or other obligations or prohibitions are imposed on insurance
16 companies incorporated or organized under the laws of this state or on the insurance producers of
17 the insurance companies, so long as the laws continue in force, the fees, charges, taxes, deposits,
18 and obligations shall be imposed on the insurance companies doing business in this state that are
19 incorporated or organized under the laws of the other state and on their insurance producers.

20 (b) Whenever, by the laws of any other state of the United States, insurance companies
21 incorporated or organized under the laws of this state are required to provide a countersignature as
22 a precondition to the issuance, delivery, or making of any contract of insurance in the other state,
23 and whenever the insurance producer of the company is required to pay any fee or commission for
24 placing any insurance coverage in the other state, then the same requirements for countersignatures
25 and fee or commission shall be imposed upon the insurance companies doing business in this state
26 that are incorporated and organized under the laws of the other states and/or their insurance
27 producers.

28 (c) Whenever insurance companies that are authorized to do business in this state issue,
29 deliver, or make any contract of insurance on a person or property in this state, the companies shall
30 place the business through a licensed resident insurance producer or licensed nonresident insurance
31 producer as permitted under ~~§ 27-2-3~~ [chapter 2.4 of title 27](#) or any other provision of Rhode Island
32 law; provided, if the insurance to be issued in this state is part of an insurance contract written on
33 a risk whose principal place of business is located in another state, and the insurance contract is
34 placed through an insurance producer of the domiciliary state of the primary insured, it shall be

1 permitted only if that state allows the placement of the business by a licensed nonresident insurance
2 producer of Rhode Island in similar circumstances.

3 (d) The provisions of this section shall not apply to insurance companies incorporated or
4 organized under the laws of a state or country whose laws do not impose retaliatory taxes or other
5 charges or that grant, on a reciprocal basis, exemptions from those taxes or other charges to
6 insurance companies incorporated or organized under the laws of this state.

7 **27-2-20. Validity of contracts of noncomplying companies — Penalty on insurance**
8 **producers — Actions by company.**

9 If any insurance company, cooperative or otherwise, makes insurance without complying
10 with the provisions of this chapter, the contract shall be valid, but every person acting within this
11 state as an insurance producer of the company within the meaning of chapter 2.4 of this title,
12 respecting the effecting of any insurance, shall be ~~finned not less than three hundred dollars (\$300)~~
13 ~~nor more than one thousand dollars (\$1,000)~~ subject to the commissioner who may impose any
14 penalty as appropriate pursuant to § 42-14-16. No action at law or suit in equity shall be maintained
15 or recovery had by any insurance company, cooperative or otherwise, or by any assignee of the
16 company or by any person claiming under the assignee or the company, except a domestic receiver
17 of the company, on any contract in any of the courts of this state, so long as the company fails to
18 comply with the provisions of this chapter.

19 **27-2-24. Revocation or suspension of license of foreign company.**

20 Whenever it appears to the insurance commissioner from the statements, or from an
21 examination of the affairs, of any life, fire, marine, fire and marine, casualty, or other insurance
22 company not incorporated under the authority of this state, that the company is insolvent, or is in
23 an unsound financial condition, or that its business policies are unsound or improper, or that its
24 condition or management is such as to render its further transaction of business hazardous to the
25 public or its policyholders, or that the amount of its funds, net cash, or contingent assets is deficient,
26 or that its capital is impaired, or that it is conducting its business fraudulently or refuses or neglects
27 to comply with the laws of the state relating to insurance companies, ~~it shall be the duty of the~~
28 ~~insurance commissioner, after notice and hearing, to revoke the license issued to the company and~~
29 ~~the licenses issued to all of its insurance producers, or the commissioner may revoke those licenses~~
30 ~~or suspend them for a period not exceeding their unexpired terms~~ the insurance commissioner may
31 take action pursuant to § 42-14-16.

32 SECTION 4. Section 27-2.7-5 of the General Laws in Chapter 27-2.7 entitled "Portable
33 Electronics Insurance" is hereby amended to read as follows:

34 **27-2.7-5. Suspension or revocation of license.**

1 If a portable electronics insurance vendor or its employee or authorized representative
2 violates any provision of this section, the insurance commissioner may ~~do any of the following:~~

3 ~~(1) After notice and hearing, impose fines not to exceed five hundred dollars (\$500) per~~
4 ~~violation or five thousand dollars (\$5,000) in the aggregate for such conduct.~~

5 ~~(2) After notice and hearing, impose other penalties that the commissioner deems necessary~~
6 ~~and reasonable to carry out the purposes of this chapter including:~~

7 ~~(i) Suspending the privilege of transacting portable electronics insurance pursuant to this~~
8 ~~section at specific business locations where violations have occurred; and~~

9 ~~(ii) Suspending or revoking the ability of individual employees or authorized~~
10 ~~representatives to act under the license; and~~

11 ~~(3) Any~~ take action pursuant to any other penalties appropriate under § 42-14-16.

12 SECTION 5. Section 27-8.1-5 of the General Laws in Chapter 27-8.1 entitled "Information
13 Reporting and Immunity Relating to Fire Losses" is hereby amended to read as follows:

14 **27-8.1-5. Enforcement — Penalty.**

15 (a) No insurer, lending institution, party in interest, or authorized agency, or any person
16 acting in behalf of, or in conjunction with, any of these, shall:

17 (1) Intentionally or knowingly refuse to release any information requested and/or ordered
18 pursuant to § 27-8.1-3(a), (b), (e), or (f);

19 (2) Intentionally or knowingly refuse to provide authorized relevant information pursuant
20 to § 27-8.1-3(d)(1); and

21 (3) Fail to hold in strict confidence, possession, and custody, information required to be so
22 held under § 27-8.1-4(a).

23 (b) ~~Whoever shall violate subsection (a) of this section shall be guilty of a misdemeanor~~
24 ~~and, upon conviction, shall be punished by a fine~~ Violations of subsection (a) of this section shall
25 be subject to penalties not to exceed one hundred dollars (\$100).

26 SECTION 6. Section 27-17-16 of the General Laws in Chapter 27-17 entitled "Reciprocal
27 Exchanges and Interinsurers" is hereby amended to read as follows:

28 **27-17-16. Penalty for doing business without compliance.**

29 Any attorney who exchanges any contracts of insurance of the kind and character specified
30 in this chapter, or any attorney or representative of the attorney who solicits or negotiates any
31 applications for the attorney without the attorney first complying with the provisions of this chapter,
32 shall be ~~deemed guilty of a misdemeanor, and upon conviction shall be subjected to a fine of not~~
33 ~~less than one hundred dollars (\$100) nor more than one thousand dollars (\$1,000)~~ subject to
34 penalties pursuant to § 42-14-16.

1 SECTION 7. Section 27-18-20 of the General Laws in Chapter 27-18 entitled "Accident
2 and Sickness Insurance Policies" is hereby amended to read as follows:

3 **27-18-20. Penalties for violations.**

4 Any person, partnership, or corporation willfully violating any provision of this chapter or
5 order of the commissioner made in accordance with this chapter shall ~~forfeit to the people of the~~
6 ~~state a sum not to exceed one hundred dollars (\$100) for each violation, which may be recovered~~
7 ~~by a civil action~~ be subject to penalties not to exceed one hundred dollars (\$100) for each violation.
8 The commissioner may also suspend or revoke the license of an insurer or insurance producer for
9 any of these willful violations.

10 SECTION 8. Section 27-25-37 of the General Laws in Chapter 27-25 entitled "Rhode
11 Island Fraternal Code" is hereby amended to read as follows:

12 **27-25-37. Penalties.**

13 ~~(a) Any person who willfully makes a false or fraudulent statement in or relating to an~~
14 ~~application for membership or for the purpose of obtaining money from or a benefit in any society,~~
15 ~~shall upon conviction be fined not less than one hundred dollars (\$100) nor more than five hundred~~
16 ~~dollars (\$500) or imprisonment for not less than thirty (30) days nor more than one year, or both.~~

17 ~~(b) Any person who willfully makes a false or fraudulent statement in any verified report~~
18 ~~or declaration under oath required or authorized by this chapter, or of any material fact or thing~~
19 ~~contained in a sworn statement concerning the death or disability of an insured for the purpose of~~
20 ~~procuring payment of a benefit named in the certificate, shall be guilty of perjury and shall be~~
21 ~~subject to the penalties prescribed by law.~~

22 ~~(c) Any person who solicits membership for, or in any manner assists in procuring~~
23 ~~membership in, any society not licensed to do business in this state shall upon conviction be fined~~
24 ~~not less than fifty dollars (\$50.00) nor more than two hundred dollars (\$200).~~

25 ~~(d) Any person guilty of a willful violation of, or neglect or refusal to comply with, the~~
26 ~~provisions of this chapter for which a penalty is not prescribed, shall upon conviction, be subject~~
27 ~~to a fine not exceeding five hundred dollars (\$500).~~ Violations of this chapter shall be subject to
28 penalties pursuant to § 42-14-16.

29 SECTION 9. Section 27-29-4.5 of the General Laws in Chapter 27-29 entitled "Unfair
30 Competition and Practices" is hereby amended to read as follows:

31 **27-29-4.5. Penalty.**

32 An insurer's failure to comply with any requirement of § 27-29-4.4, or any rule or
33 regulation promulgated by the department of business regulation pursuant to § 27-29-4.4 shall
34 result in a fine in a sum of up to five thousand dollars (\$5,000).

1 SECTION 10. Section 27-5-3.8 of the General Laws in Chapter 27-5 entitled "Fire
2 Insurance Policies and Reserves" is hereby repealed.

3 ~~**27-5-3.8. Rhode Island commission on hurricane loss projection methodology.**~~

4 ~~(a) Legislative findings and intent.~~

5 ~~(1) Reliable projections of hurricane losses are necessary in order to assure that rates for~~
6 ~~residential property insurance meet the statutory requirement that rates be neither excessive nor~~
7 ~~inadequate.~~

8 ~~(2) The general assembly recognizes the need for expert evaluation of computer models~~
9 ~~and other recently developed or improved actuarial methodologies for projecting hurricane losses,~~
10 ~~in order to resolve conflicts among actuarial professionals, and in order to provide both immediate~~
11 ~~and continuing improvement in the sophistication of actuarial methods used to set rates charged to~~
12 ~~consumers.~~

13 ~~(3) It is the intent of the general assembly to create the Rhode Island commission on~~
14 ~~hurricane loss projection methodology as a panel of experts to provide the most actuarially~~
15 ~~sophisticated guidelines and standards for projection of hurricane losses possible, given the current~~
16 ~~state of actuarial science.~~

17 ~~(b) Commission created.~~

18 ~~(1) There is created the Rhode Island commission on hurricane loss projection~~
19 ~~methodology. For the purposes of this section, the term "commission" means the Rhode Island~~
20 ~~commission on hurricane loss projection methodology. The commission shall be administratively~~
21 ~~housed within the department of administration, but it shall independently exercise the powers and~~
22 ~~duties specified in this section.~~

23 ~~(2) The commission shall consist of the following eight (8) members:~~

24 ~~(i) The director of business regulation, acting as the administrator of insurance, or designee;~~

25 ~~(ii) The director of the Rhode Island emergency management agency;~~

26 ~~(iii) A member of the board of directors of the Rhode Island Joint Reinsurance Association~~
27 ~~appointed by the governor;~~

28 ~~(iv) Five (5) members directly appointed by the governor, as follows:~~

29 ~~(A) An actuary who is employed full time by a property and casualty insurer that was~~
30 ~~responsible for at least one percent (1%) of the aggregate statewide direct written premium for~~
31 ~~homeowner's insurance in the calendar year preceding the member's appointment to the~~
32 ~~commission;~~

33 ~~(B) An expert in insurance finance who has a background in actuarial science;~~

34 ~~(C) An expert in statistics who has a background in insurance;~~

1 ~~(D) An expert in computer system design;~~

2 ~~(E) An expert in meteorology who specializes in hurricanes.~~

3 ~~(3) Members designated under subsections (b)(2)(i)–(iii) shall serve on the commission as~~
4 ~~long as they maintain the respective offices designated in subsections (b)(2)(i)–(iii). Members under~~
5 ~~subsections (b)(2)(iv)(A)–(E) shall serve for a term of three (3) years, and may be reappointed to~~
6 ~~the commission. All members may be removed by the governor prior to the expiration of their term~~
7 ~~for cause. Vacancies on the commission shall be filled in the same manner as the original~~
8 ~~appointment.~~

9 ~~(4) The governor shall annually appoint one of the members of the commission to serve as~~
10 ~~chair.~~

11 ~~(5) Members of the commission shall serve without compensation but shall be reimbursed~~
12 ~~for per diem and travel expenses.~~

13 ~~(6) There shall be no liability on the part of, and no cause of action of any nature shall arise~~
14 ~~against, any member of the commission for any action taken in the performance of their duties~~
15 ~~under this section. In addition, the commission may, in writing, waive any potential cause of action~~
16 ~~for negligence of a consultant, contractor, or contract employee engaged to assist the commission.~~

17 ~~(e) Adoption and effect of standards and guidelines.~~

18 ~~(1) The commission shall consider any actuarial methods, principles, standards, models, or~~
19 ~~output ranges that have the potential for improving the accuracy of or reliability of the hurricane~~
20 ~~loss projections used in residential property insurance rate filings. The commission shall, from time~~
21 ~~to time, adopt findings as to the accuracy or reliability of particular methods, principles, standards,~~
22 ~~models, or output ranges.~~

23 ~~(2) The commission shall adopt revisions to previously adopted actuarial methods,~~
24 ~~principles, standards, models, or output ranges at least annually.~~

25 ~~(3)(i) A trade secret that is used in designing and constructing a hurricane loss model and~~
26 ~~that is provided pursuant to this section, by a private company, to the commission, is confidential~~
27 ~~and shall not be deemed a public record pursuant to the provisions of chapter 2 of title 38.~~

28 ~~(ii) That portion of a meeting of the commission or of a rate proceeding on an insurer's rate~~
29 ~~filing at which a trade secret made confidential and exempt by this subsection (c)(3) is discussed~~
30 ~~shall be deemed confidential and not open to disclosure pursuant to the open meetings act, but may~~
31 ~~be discussed at a closed meeting as provided for in chapter 46 of title 42.~~

32 ~~(d) The Rhode Island commission is hereby authorized to form a multistate commission~~
33 ~~with the states of Massachusetts, Connecticut, and any other interested state in furtherance of the~~
34 ~~goals of this act.~~

1 SECTION 11. Section 27-14.4-3 of the General Laws in Chapter 27-14.4 entitled "Uniform
2 Insurers Liquidation Act" is hereby amended to read as follows:

3 **27-14.4-3. Director as domiciliary receiver.**

4 Whenever under this title, ~~including § 27-1-14,~~ a receiver is to be appointed upon the
5 commencement of delinquency proceedings for an insurer domiciled in this state, the superior court
6 shall appoint the director of business regulation as the receiver. The court shall direct the receiver
7 to immediately take possession of the assets of the insurer and to administer them under the orders
8 of the court. The receiver may, subject to the discretion of the court, continue to be the receiver for
9 the duration of the receivership proceedings and shall have all of the powers and duties conferred
10 upon the receivers by law including the powers and duties set forth in chapter ~~14.3~~ of this title.

11 SECTION 12. Section 27-35-4 of the General Laws in Chapter 27-35 entitled "Insurance
12 Holding Company Systems" is hereby amended to read as follows:

13 **27-35-4. Standards and management of an insurer within a holding company system.**

14 (a) **Transactions within an insurance holding company system.**

15 (1) Transactions within an insurance holding company system to which an insurer subject
16 to registration is a party shall be subject to the following standards:

17 (i) The terms shall be fair and reasonable;

18 (ii) Agreements for cost sharing and management services shall include such provisions as
19 required by rule and regulation issued by the commissioner;

20 (iii) Charges or fees for services performed shall be reasonable;

21 (iv) Expenses incurred and payment received shall be allocated to the insurer in conformity
22 with customary insurance accounting practices consistently applied;

23 (v) The books, accounts, and records of each party to all such transactions shall be so
24 maintained as to clearly and accurately disclose the nature and details of the transactions including
25 such accounting information as is necessary to support the reasonableness of the charges or fees to
26 the respective parties; ~~and~~

27 (vi) The insurer's surplus as regards policyholders following any dividends or distributions
28 to shareholder affiliates shall be reasonable in relation to the insurer's outstanding liabilities and
29 adequate to its financial needs;

30 (vii) If an insurer subject to this chapter is deemed by the commissioner to be in a hazardous
31 financial condition as defined by chapter 14.2 of title 27 or a condition that would be grounds for
32 supervision, conservation or a delinquency proceeding, then the commissioner may require the
33 insurer to secure and maintain either a deposit, held by the commissioner, or a bond, as determined
34 by the insurer at the insurer's discretion, for the protection of the insurer for the duration of the

1 contract(s) or agreement(s), or the existence of the condition for which the commissioner required
2 the deposit or the bond. In determining whether a deposit or a bond is required, the commissioner
3 should consider whether concerns exist with respect to the affiliated person's ability to fulfill the
4 contract(s) or agreement(s) if the insurer were to be put into liquidation. Once the insurer is deemed
5 to be in a hazardous financial condition or a condition that would be grounds for supervision,
6 conservation or a delinquency proceeding, and a deposit or bond is necessary, the commissioner
7 has discretion to determine the amount of the deposit or bond, not to exceed the value of the
8 contract(s) or agreement(s) in any one year, and whether such deposit or bond should be required
9 for a single contract, multiple contracts or a contract only with a specific person(s);

10 (viii) All records and data of the insurer held by an affiliate are and remain the property of
11 the insurer, are subject to control of the insurer, are identifiable, and are segregated or readily
12 capable of segregation, at no additional cost to the insurer, from all other persons' records and data.
13 This includes all records and data that are otherwise the property of the insurer, in whatever form
14 maintained including, but not limited to, claims and claim files, policyholder lists, application files,
15 litigation files, premium records, rate books, underwriting manuals, personnel records, financial
16 records or similar records within the possession, custody or control of the affiliate. At the request
17 of the insurer, the affiliate shall provide that the receiver can obtain a complete set of all records of
18 any type that pertain to the insurer's business; obtain access to the operating systems on which the
19 data is maintained; obtain the software that runs those systems either through assumption of
20 licensing agreements or otherwise; and restrict the use of the data by the affiliate if it is not operating
21 the insurer's business. The affiliate shall provide a waiver of any landlord lien or other encumbrance
22 to give the insurer access to all records and data in the event of the affiliate's default under a lease
23 or other agreement; and

24 (ix) Premiums or other funds belonging to the insurer that are collected by or held by an
25 affiliate are the exclusive property of the insurer and are subject to the control of the insurer. Any
26 right of offset in the event an insurer is placed into receivership shall be subject to chapter 14.3 of
27 title 27.

28 (2) The following transactions involving a domestic insurer and any person in its insurance
29 holding company system, including amendments or modifications of affiliate agreements
30 previously filed pursuant to this section, which are subject to any materiality standards contained
31 in subsections (a)(2)(i) through (a)(2)(vii) of this section, may not be entered into unless the insurer
32 has notified the commissioner in writing of its intention to enter into the transaction at least thirty
33 (30) days prior, or such shorter period as the commissioner may permit, and the commissioner has
34 not disapproved it within that period. The notice for amendments or modifications shall include the

1 reasons for the change and the financial impact on the domestic insurer. Informal notice shall be
2 reported, within thirty (30) days after a termination of a previously filed agreement, to the
3 commissioner for determination of the type of filing required, if any.

4 (i) Sales, purchases, exchanges, loans, extensions of credit, or investments, provided the
5 transactions are equal to or exceed:

6 (A) With respect to nonlife insurers, the lesser of three percent (3%) of the insurer's
7 admitted assets or twenty-five percent (25%) of surplus as regards policyholders as of the 31st day
8 of December next preceding; or

9 (B) With respect to life insurers, three percent (3%) of the insurer's admitted assets; as of
10 the 31st day of December next preceding;

11 (ii) Loans or extensions of credit to any person who is not an affiliate, where the insurer
12 makes the loans or extensions of credit with the agreement or understanding that the proceeds of
13 the transactions, in whole or in substantial part, are to be used to make loans or extensions of credit
14 to, to purchase assets of, or to make investments in, any affiliate of the insurer making the loans or
15 extensions of credit, provided the transactions are equal to or exceed:

16 (A) With respect to nonlife insurers, the lesser of three percent (3%) of the insurer's
17 admitted assets or twenty-five percent (25%) of surplus as regards policyholders as of the 31st day
18 of December next preceding;

19 (B) With respect to life insurers, three percent (3%) of the insurer's admitted assets; as of
20 the 31st day of December next preceding;

21 (iii) Reinsurance agreements or modifications thereto, including:

22 (A) All reinsurance pooling agreements;

23 (B) Agreements in which the reinsurance premium or a change in the insurer's liabilities,
24 or the projected reinsurance premiums or a change in the insurer's liabilities in any of the next three
25 (3) years, equals or exceeds five percent (5%) of the insurer's surplus as regards policyholders as
26 of the 31st day of December next preceding, including those agreements which may require as
27 consideration the transfer of assets from an insurer to a nonaffiliate, if an agreement or
28 understanding exists between the insurer and nonaffiliate that any portion of those assets will be
29 transferred to one or more affiliates of the insurer;

30 (iv) All management agreements, service contracts, tax allocation agreements, guarantees
31 and all cost-sharing arrangements;

32 (v) Guarantees when made by a domestic insurer; provided, however, that a guarantee
33 which is quantifiable as to amount is not subject to the notice requirements of this subsection (a)(2)
34 unless it exceeds the lesser of one-half of one percent (.5%) of the insurer's admitted assets or ten

1 percent (10%) of surplus as regards policyholders as of the 31st day of December next preceding.
2 Further, all guarantees which are not quantifiable as to amount are subject to the notice
3 requirements of this subsection (a)(2);

4 (vi) Direct or indirect acquisitions or investments in a person that controls the insurer or in
5 an affiliate of the insurer in an amount which, together with its present holdings in such investments,
6 exceeds two and one-half percent (2.5%) of the insurer's surplus to policyholders. Direct or indirect
7 acquisitions or investments in subsidiaries acquired pursuant to § 27-35-1.5 (or authorized under
8 any other section of this chapter), or in non-subsubsidiary insurance affiliates that are subject to the
9 provisions of this chapter, are exempt from this requirement; and

10 (vii) Any material transactions, specified by regulation, the commissioner determines may
11 adversely affect the interests of the insurer's policyholders.

12 Nothing contained in this subsection (a)(2) shall be deemed to authorize or permit any
13 transactions which, in the case of an insurer not a member of the same insurance holding company
14 system, would be otherwise contrary to law.

15 (3) A domestic insurer may not enter into transactions which are part of a plan or series of
16 like transactions with persons within the insurance holding company system if the purpose of those
17 separate transactions is to avoid the statutory threshold amount and thus avoid the review that would
18 occur otherwise. If the commissioner determines that the separate transactions were entered into
19 over any twelve-month (12) period for that purpose, he or she may exercise his or her authority
20 under § 27-35-9.

21 (4) The commissioner, in reviewing transactions pursuant to subsection (a)(2) of this
22 section shall consider whether the transactions comply with the standards set forth in subsection
23 (a)(1) of this section and whether they may adversely affect the interests of policyholders.

24 (5) The commissioner shall be notified within thirty (30) days of any investment of the
25 domestic insurer in any one corporation if the total investment in the corporation by the insurance
26 holding company system exceeds ten percent (10%) of the corporation's voting securities.

27 (6) Supervision, seizure, conservatorship or receivership proceedings.

28 (i) Any affiliate that is party to an agreement or contract with a domestic insurer that is
29 subject to subsection (a)(2)(iv) of this section shall be subject to the jurisdiction of any supervision,
30 seizure, conservatorship or receivership proceedings against the insurer and to the authority of any
31 supervisor, conservator, rehabilitator or liquidator for the insurer appointed pursuant to chapters
32 14.1, 14.2, 14.3 and 14.4 of this title for the purpose of interpreting, enforcing and overseeing the
33 affiliate's obligations under the agreement or contract to perform services for the insurer that:

34 (A) Are an integral part of the insurer's operations including, but not limited to,

1 management, administrative, accounting, data processing, marketing, underwriting, claims
2 handling, investment or any other similar functions; or

3 (B) Are essential to the insurer's ability to fulfill its obligations under insurance policies.

4 (ii) The commissioner may require that an agreement or contract pursuant to subsection
5 (a)(2)(iv) of this section for the provision of services described in subsections (6)(i)(A) and
6 (6)(i)(B) of this section specify that the affiliate consents to the jurisdiction as set forth in this
7 subsection (a)(6) of this section.

8 (b) Adequacy of surplus. For the purposes of this chapter, in determining whether an
9 insurer's surplus as regards policyholders is reasonable in relation to the insurer's outstanding
10 liabilities and adequate to its financial needs, the following factors, among others, shall be
11 considered:

12 (1) The size of the insurer as measured by its assets, capital and surplus, reserves, premium
13 writings, insurance in force, and other appropriate criteria;

14 (2) The extent to which the insurer's business is diversified among the several lines of
15 insurance;

16 (3) The number and size of risks insured in each line of business;

17 (4) The extent of the geographical dispersion of the insurer's insured risks;

18 (5) The nature and extent of the insurer's reinsurance program;

19 (6) The quality, diversification, and liquidity of the insurer's investment portfolio;

20 (7) The recent past and projected future trend in the size of the insurer's investment
21 portfolio;

22 (8) The surplus as regards policyholders maintained by other comparable insurers;

23 (9) The adequacy of the insurer's reserves; and

24 (10) The quality and liquidity of investment in affiliates. The commissioner may treat this
25 investment as a disallowed asset for the purposes of determining the adequacy of surplus as regards
26 policyholders whenever in his or her judgment the investment warrants.

27 (c) Dividends and other distributions.(1) No domestic insurer shall pay any extraordinary
28 dividend or make any other extraordinary distribution to its shareholders until thirty (30) days after
29 the commissioner has received notice of the declaration thereof and has not within that period
30 disapproved the payment, or until the commissioner has approved the payment within the thirty-
31 day (30) period.

32 (2) For purposes of this section, an "extraordinary dividend or distribution" includes any
33 dividend or distribution of cash or other property, whose fair market value together with that of
34 other dividends or distributions made within the preceding twelve (12) months exceeds the lesser

1 of:

2 (i) Ten percent (10%) of the insurer's surplus as regards policyholders as of the 31st day
3 of December next preceding; or

4 (ii) The net gain from operations of the insurer, if the insurer is a life insurer, or the net
5 income, if the insurer is not a life insurer, not including realized capital gains, for the twelve-month
6 (12) period ending the 31st day of December next preceding, but shall not include pro rata
7 distributions of any class of the insurer's own securities.

8 In determining whether a dividend or distribution is extraordinary, an insurer other than a
9 life insurer may carry forward net income from the previous two (2) calendar years that has not
10 already been paid out as dividends. This carry forward shall be computed by taking the net income
11 from the second and third preceding calendar years, not including realized capital gains, less
12 dividends paid in the second and immediate preceding calendar years.

13 (3) Notwithstanding any other provision of law, an insurer may declare an extraordinary
14 dividend or distribution which is conditional upon the commissioner's approval, and the declaration
15 shall confer no rights upon shareholders until: (i) The commissioner has approved the payment of
16 the dividend or distribution; or (ii) The commissioner has not disapproved the payment within the
17 thirty-day (30) period referred to in subsection (c)(1) of this section.

18 (d) Management of domestic insurers subject to registration. All domestic insurers shall
19 become in compliance and maintain compliance with the provisions of this title addressing good
20 corporate governance standards § 27-1-2.1, unless otherwise exempted in § 27-1-2.1.

21 SECTION 13. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE -- DOMESTIC INSURANCE COMPANIES

- 1 This act would provide an update to certain insurance sections of law to update or eliminate
- 2 outdated sections of the insurance law.
- 3 This act would take effect upon passage.

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LC005441
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