

2020 -- H 7769

=====
LC004535
=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2020

—————
A N A C T

RELATING TO INSURANCE -- RISK-BASED CAPITAL (RBC) FOR INSURERS ACT

Introduced By: Representatives Jacquard, and Johnston

Date Introduced: February 26, 2020

Referred To: House Corporations

(Dept. of Business Regulation)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-4.6-3 of the General Laws in Chapter 27-4.6 entitled "Risk-Based
2 Capital (RBC) for Insurers Act" is hereby amended to read as follows:

3 **27-4.6-3. Company action level event.**

4 (a) "Company action level event" means any of the following events:

5 (1) The filing of an RBC report by an insurer that indicates that:

6 (i) The insurer's total adjusted capital is greater than or equal to its regulatory action level
7 RBC but less than its company action level RBC;

8 (ii) If a life and/or health insurer, the insurer has total adjusted capital that is greater than
9 or equal to its company action level RBC but less than the product of its authorized control level
10 RBC and ~~2.5~~ 3.0 and has a negative trend; or

11 (iii) If a property and casualty insurer, the insurer has total adjusted capital which is greater
12 than or equal to its company action level RBC but less than the product of its authorized control
13 level RBC and 3.0 and triggers the trend test determined in accordance with the trend test
14 calculation included in the property and casualty RBC instructions.

15 (2) The notification by the commissioner to the insurer of an adjusted RBC report that
16 indicates an event in subdivision (a)(1), provided the insurer does not challenge the adjusted RBC
17 report under § 27-4.6-7; or

18 (3) If, pursuant to § 27-4.6-7, an insurer challenges an adjusted RBC report that indicates
19 the event in subdivision (a)(1), the notification by the commissioner to the insurer that the

1 commissioner has, after a hearing, rejected the insurer's challenge.

2 (b) In the event of a company action level event, the insurer shall prepare and submit to the
3 commissioner an RBC plan which shall:

4 (1) Identify the conditions that contribute to the company action level event;

5 (2) Contain proposals of corrective actions that the insurer intends to take and would be
6 expected to result in the elimination of the company action level event;

7 (3) Provide projections of the insurer's financial results in the current year and at least the
8 four (4) succeeding years, both in the absence of proposed corrective actions and giving effect to
9 the proposed corrective actions, including projections of statutory operating income, net income,
10 capital and/or surplus. (The projections for both new and renewal business might include separate
11 projections for each major line of business and separately identify each significant income, expense
12 and benefit component);

13 (4) Identify the key assumptions impacting the insurer's projections and the sensitivity of
14 the projections to the assumptions; and

15 (5) Identify the quality of, and problems associated with, the insurer's business, including,
16 but not limited to, its assets, anticipated business growth and associated surplus strain,
17 extraordinary exposure to risk, mix of business and use of reinsurance, if any, in each case.

18 (c) The RBC plan shall be submitted:

19 (1) Within forty-five (45) days of the company action level event; or

20 (2) If the insurer challenges an adjusted RBC report pursuant to § 27-4.6-7, within forty-
21 five (45) days after notification to the insurer that the commissioner has, after a hearing, rejected
22 the insurer's challenge.

23 (d) Within sixty (60) days after the submission by an insurer of an RBC plan to the
24 commissioner, the commissioner shall notify the insurer whether the RBC plan shall be
25 implemented or is, in the judgment of the commissioner, unsatisfactory. If the commissioner
26 determines that the RBC plan is unsatisfactory, the notification to the insurer shall set forth the
27 reasons for the determination, and may set forth proposed revisions which will render the RBC plan
28 satisfactory in the judgment of the commissioner. Upon notification from the commissioner, the
29 insurer shall prepare a revised RBC plan, which may incorporate by reference any revisions
30 proposed by the commissioner, and shall submit the revised RBC plan to the commissioner:

31 (1) Within forty-five (45) days after the notification from the commissioner; or

32 (2) If the insurer challenges the notification from the commissioner under § 27-4.6-7,
33 within forty-five (45) days after a notification to the insurer that the commissioner has, after a
34 hearing, rejected the insurer's challenge.

1 (e) In the event of a notification by the commissioner to an insurer that the insurer's RBC
2 plan or revised RBC plan is unsatisfactory, the commissioner may at the commissioner's discretion,
3 subject to the insurer's right to a hearing under § 27-4.6-7, specify in the notification that the
4 notification constitutes a regulatory action level event.

5 (f) Every domestic insurer that files an RBC plan or revised RBC plan with the
6 commissioner shall file a copy of the RBC plan or revised RBC plan with the insurance
7 commissioner in any state in which the insurer is authorized to do business if:

8 (1) That state has an RBC provision substantially similar to § 27-4.6-8(a); and

9 (2) The insurance commissioner of that state has notified the insurer of its request for the
10 filing in writing, in which case the insurer shall file a copy of the RBC plan or revised RBC plan
11 in that state no later than the later of:

12 (i) Fifteen (15) days after the receipt of notice to file a copy of its RBC plan or revised
13 RBC plan with the state; or

14 (ii) The date on which the RBC plan or revised RBC plan is filed under subsections (c) and
15 (d) of this section.

16 SECTION 2. This act shall take effect upon passage.

=====
LC004535
=====

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE -- RISK-BASED CAPITAL (RBC) FOR INSURERS ACT

- 1 This act would update the Life Risk Based Capital statutes to the current National
- 2 Association of Insurance Commissioners standard.
- 3 This act would take effect upon passage.

=====
LC004535
=====