



May 15, 2025

House Corporations Committee
Chair Joseph Solomon
Rhode Island State House
Providence, RI 02903

Re: House 6315 – An Act Relating to Insurance – Investments by Domestic Insurance Companies

Dear Chair Solomon:

The American Property Casualty Insurance Association (APCIA)¹ supports H.6315, which would repeal § 27-11.1-3 thereby eliminating the 10% investment cap on Schedule BA assets for Rhode Island's 30 domestic insurers and aligning the state with its neighbors, Connecticut and Massachusetts.

Insurance companies hold investments to support their obligations to policyholders. They are governed by strict laws at both the state and federal level to assure that their investments do not expose them to undo risks or compromise their ability to cover losses of their insureds. Schedule BA investments are admitted assets (assets that meet the state's statutory standards to qualify as regulatory capital for insurance companies) that are reported on Schedule BA of insurers' annual financial statement.

Schedule BA is basically the "catch all" for reporting investments that are not reported under another classification. (The other classifications are bonds; stocks; mortgage loans; real estate; cash, cash equivalents, and short-term investments; contract loans; and derivatives. If an asset doesn't fall within one of these seven classifications, it is reported on Schedule BA.) Schedule BA investments include certain affiliated securities, such as joint ventures, partnerships, limited liability companies, and low-income housing tax credit property investments. They can also include private equity interest, hedge funds, and real estate.

Schedule BA investments tend to provide higher yields than traditional bonds, especially recently, and are also generally less liquid. They have increased in popularity with insurers in recent years, but still only comprised 6.3% of total cash invested assets at year end 2023 across all lines, though only about a third is from property/casualty companies.² However, the National Association of Insurance Commissioners (NAIC) recently created a new bond standard, which took effect on January 1, 2025 and is likely to shift some existing investment assets from Schedule D to Schedule BA, meaning that modest percentage is likely to further increase. Thus, eliminating the cap is particularly timely.

¹ Representing 67% of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. Several APCIA members are located in Rhode Island and many more do business here. APCIA members are integral to the state of Rhode Island. They write 76% of the property casualty insurance sold in this state. The P&C insurance industry employs over 3,200 Rhode Islanders, provides annual assistance of \$1.5 billion in claim payments to help customers in the state, and contributes over \$160 million annually to the state in premium taxes.

² <https://content.naic.org/sites/default/files/capital-markets-special-reports-sch-ba-ye2023.pdf>

While H.6315 removes an outdated tool for insurance regulation, it does not in any way weaken the regulatory environment governing insurers investments. Insurers are still subject to strict investment requirements related to diversification and the quality of investment holdings³ including caps on investments in real property, mortgage loans, affiliated or subsidiary companies, and collateral loans. In addition, over the last 41 years since enactment of § 27-11.1-3, the regulatory picture in Rhode Island has advanced significantly to render it moot, for example:

- Insurers are now subject to state risk-based capital (RBC) requirements, including a comprehensive formula establishing a minimum capital level and authority for state regulators to take specific actions based on a company's level of impairment. (See RI ST §§ 27-4.6-1 et seq.).
- Rhode Island recently enacted the new Group Capital Calculation (GCC), which is intended to provide regulators further analytical information for assessing capital adequacy and any potential risks emanating from non-insurance entities in a group. (See RI ST § 27-35-3.)
- Most insurers, and all large insurers, must complete and file with their lead regulator an Own Risk and Solvency Assessment (ORSA), which requires insurers to maintain a risk management framework to assist with identifying, assessing, monitoring, managing, and reporting on its material and relevant risks. (See RI ST §§ 27-77-1 et seq.)
- The ultimate controlling person of an insurer must file an annual enterprise risk report, which must identify the material risks within the insurance holding company system that could pose enterprise risk to the insurer. (See RI ST § 27-35-3.)
- Insurance companies must also provide corporate governance annual disclosures containing all material information necessary to permit state insurance regulators to gain an understanding of the insurer's corporate governance structure, policies, and practices. (See RI ST §§ 27-1.2-1 et seq.)
- Finally, the Rhode Island DOI is statutorily required to perform periodic financial examinations of insurers. These financial audits are already comprehensive assessments of company operations and require the fulfillment of very broad and detailed requests for information. (RI ST §§ 27-13.1-1 et seq.)

Given the comprehensive regulatory regime to which Rhode Island insurers are subject, the investment limitations in RI ST § 27-11.1-3 are no longer necessary and should be repealed to ensure the state's insurance industry maintains pace with its neighbors. For the foregoing reasons we request that H.6315 be given a favorable report.

Very truly yours,



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³ RI ST §§ 27-11.1-1 et seq.