



Senate Fiscal Office
05.03.2021

Article 3, Section 2: Risk-Based Capital

Overview

- Amends the minimum score for the risk-based capital trend test for life insurers from 2.5 to 3.0. The test helps DBR to measure an insurer's solvency and work with insurers to correct potential issues.
- The Budget does not assume any fiscal impacts of the new article, however, if the change is not made, the State could lose significant tax revenue.

Risk-Based Capital Trend Test

- The risk-based capital trend test measures the minimum amount of assets needed to support business operations.
- The current minimum score for the test for life insurers in the State is 2.5. The article increases the minimum score to 3.0.
- Rhode Island is the only state with a minimum score of 2.5 and increasing the minimum score to 3.0 aligns the State with the rest of the country and NAIC standards.
- Increasing the minimum requires the insurer to have a higher value of assets versus risks.

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National Association of Insurance Commissioners (NAIC)

- DBR is accredited every five years by the NAIC, the standard-setting and regulatory support for insurance regulators. DBR would lose NAIC accreditation without this change.
- The loss of NAIC accreditation would impact all insurers in the State and could result in a significant loss in tax revenue, but the score change only applies to companies providing life insurance.
- Amica is the only life insurer headquartered in Rhode Island. According to DBR, Amica has a score of above 3.0 and is therefore already in compliance with the proposed change.

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