



March 10, 2026

Senator Robert Britto
Chairman, Senate Committee on Commerce
State of Rhode Island General Assembly
82 Smith Street
Providence, RI 02903

Re: Opposition to Senate Bill 2076

Dear Chairman Britto:

Please accept this written testimony in opposition to Senate Bill 2076. This bill seeks to subject all entities created pursuant to R.I. Gen. Laws §45-5-20.1 to regulation by the Department of Business Regulation. For the reasons set forth more fully below, it is our position that this bill is unnecessary, unwarranted, and would adversely financially impact the municipalities, school districts, and special purpose districts of the State. Moreover, as drafted, the bill is unworkable and evidences a glaring misunderstanding of how the impacted entities operate.

While on its face this bill would subject all entities created pursuant to R.I. Gen. Laws §45-5-20.1, it is clearly directed solely at the operations of The Rhode Island Interlocal Risk Management Trust ("The Trust"). By way of relevant background, The Trust was established by statute in the mid-1980s in response to the insurance crisis that effectively priced public sector entities out of the commercial market for insurance. With no place to turn, public sector entities across the country began pooling their risks. Rhode Island followed that trend. The Trust has been in existence for nearly 40 years. Although it does cover claims asserted against its Members, when it was created, language was carefully crafted by this body to clarify that it is **not** an insurance company, nor should it be treated as such. That is because the intent of the enabling statute was to create a risk sharing pool that is "owned" by its Member municipalities, school districts, and special purpose districts. The Trust merely administers the risk sharing pool. It is the quintessential example of intermunicipal cooperation. Currently, The Trust has as its Members 35 of the 39 municipalities in the State, 34 of the 36 school districts, and over 50 special purpose districts. Its Board of Trustees is comprised of City and Town Managers, School Superintendents, and Finance Directors.

Importantly, though, The Trust does more than act as a risk sharing pool for its Members. It also creates and runs loss prevention programs, provides Members with safety grants and scholarships, and returns dividends to the Members of its various pools in the forms of rate credits and premium credits.

If the intent of this bill is to create greater transparency relative to The Trust's operations, that too is unnecessary. The Trust is required by statute to operate in an actuarially sound manner. It has complied with that obligation throughout its existence. This is confirmed as The Trust is required to annually provide its audited financial statements to the Auditor General, and those statements are public filings. Moreover, copies of The Trust's financial statements are also included in its Annual Report that is provided to, among others, every Legislator.

Relative to the issue of financial stability, the Risk Based Capital ("RBC") benchmark is a commonly used and understood benchmark in the insurance industry today. It is considered perhaps the most comprehensive

statistical benchmark available. Specifically, RBC is a level of surplus that theoretically reduces the probability of insolvency over a five-year period to an "appropriate" minimum level. The mathematical calculation quantifies four (4) main categories of risk: asset default risk, underwriting (insurance) risk, credit risk, and general business risk.

At an RBC of 200%, an insurer is required to notify regulators that it will be undertaking an increase in its capital. At a lower level of 150% RBC, an insurer must provide the regulatory body with a corrective plan of action. At levels of 100% and below, the regulators are able to take over operations of the insurer. The Trust's Property and Casualty Pool has an RBC that is well more than **twice the level** it would need to be at to even be required to notify a regulatory agency of potential issues. The Trust's Health and Dental Pools similarly have RBC calculations significantly higher than the level necessary to avoid providing notice. Accordingly, pursuant to the most comprehensive statistical benchmark available, all The Trust's programs are financially sound.

There is simply no cause for The Trust to become regulated by the Department of Business Regulation. Regulation would be inordinately expensive for The Trust, and would also likely limit some of the unique coverages needed by public sector entities that it can currently afford. Regulation would also require The Trust to substantially change its accounting methodology from a GAP/GASB methodology to a statutory methodology. Rate filings would be required, capitalized risk would need to be evaluated, and The Trust would likely need to secure a rating from a rating agency such as A.M. Best. These are all things that will require The Trust to not only incur significantly more administrative expenses, but would also tax its existing personnel, taking away from the core mission of The Trust which is to provide risk management services to its Members.

The financial burdens that regulation would place on The Trust, and which are ultimately borne by the taxpayers of Rhode Island's cities and towns, cannot be overstated. Expense ratios of insurers nationally average around 30%. The Trust is able to maintain an expense ratio **well below 20%**. It does so because all the administrative costs associated with its operations must be passed along to the cities, towns, school districts, and special purpose districts that make up its membership, and which are already cash strapped. Requiring needless regulation could cost its Member municipalities upwards of \$1M annually.

An additional argument as to why this proposed change is unworkable and inequitable relates to the operations that would be reviewed. As noted above, The Trust simply administers a self-insurance pool. That its Members are collectively self-insured makes them no different than any other municipal entity that is self-insured such as Providence or Cranston. As such, requiring Trust Members to be subject to DBR regulation but not other self-insured municipalities makes absolutely no sense.

In summary, regulation of The Trust is both unnecessary and unwarranted, and would be detrimental to the interests of Rhode Island's cities and towns, school districts, and other special purpose districts. If the Committee would find additional information regarding this matter helpful, I would be happy to supplement this written testimony. Regards.

Sincerely,



Ian C. Ridlon, Esq.
President and Executive Director