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LC03228/SUB A
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2007

A N A C T

RELATING TO INSURANCE -- FIRE INSURANCE POLICIES AND RESERVES

Introduced By: Representatives Crowley, Shanley, Walsh, Jackson, and Kennedy

Date Introduced: June 07, 2007

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 27-5 of the General Laws entitled "Fire Insurance Policies and
2 Reserves" is hereby amended by adding thereto the following section:

3 **27-5-3.7. Rhode Island commission on hurricane loss projection methodology. --**

4 (1) Legislative findings and intent. -- (a) Reliable projections of hurricane losses are necessary
5 in order to assure that rates for residential property insurance meet the statutory requirement that
6 rates be neither excessive nor inadequate.

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

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

16 (2) Commission created.-- (a) There is created the Rhode Island commission on
17 hurricane loss projection methodology. For the purposes of this section, the term "commission"
18 means the Rhode Island commission on hurricane loss projection methodology. The commission
19 shall be administratively housed within the department of administration, but it shall

1 independently exercise the powers and duties specified in this section.

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

3 (1) The director of business regulation, acting as the administrator of banking and
4 insurance, or designee;

5 (2) The adjutant general of the Rhode Island emergency management agency;

6 (3) A member of the board of directors of the Rhode Island insurers' insolvency fund,
7 appointed by the governor;

8 (4) Five (5) members directly appointed by the governor, as follows:

9 (A) An actuary who is employed full-time by a property and casualty insurer which was
10 responsible for at least one percent of the aggregate statewide direct written premium for
11 homeowner's insurance in the calendar year preceding the member's appointment to the
12 commission;

13 (B) An expert in insurance finance who is a full-time member of the faculty of the state
14 university system and who has a background in actuarial science;

15 (C) An expert in statistics who is a full-time member of the faculty of the state university
16 system and who has a background in insurance;

17 (D) An expert in computer system design who is a full-time member of the faculty of the
18 state university system.

19 (E) An expert in meteorology who is a full-time member of the faculty of the state
20 university system and who specializes in hurricanes.

21 (c) Members designated under subparagraphs (b)(1)-(4) shall serve on the commission as
22 long as they maintain the respective offices designated in subparagraphs (b)(1)-(4). Members
23 under subparagraph (b)(5)(A)-(E) shall serve for a term of three (3) years, and may be
24 reappointed to the commission. All members may be removed by the governor prior to the
25 expiration of their term, for cause. Vacancies on the commission shall be filled in the same
26 manner as the original appointment.

27 (d) The governor shall annually appoint one of the members of the commission to serve
28 as chair.

29 (e) Members of the commission shall serve without compensation, but shall be
30 reimbursed for per diem and travel expenses.

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

1 commission.

2 (3) Adoption and effect of standards and guidelines.-- (a) The commission shall
3 consider any actuarial methods, principles, standards, models, or output ranges that have the
4 potential for improving the accuracy of or reliability of the hurricane loss projections used in
5 residential property insurance rate filings. The commission shall, from time to time, adopt
6 findings as to the accuracy or reliability of particular methods, principles, standards, models, or
7 output ranges.

8 (b) With respect to a rate filing, an insurer may employ actuarial methods, principles,
9 standards, models, or output ranges found by the commission to be accurate or reliable to
10 determine hurricane loss factors for use in a rate filing. Such findings and factors are admissible
11 and relevant in consideration of a rate filing by the office or in any arbitration or administrative or
12 judicial review only if the office and the consumer advocate appointed have access to all of the
13 assumptions and factors that were used in developing the actuarial methods, principles, standards,
14 models, or output ranges, and are not precluded from disclosing such information in a rate
15 proceeding. In any rate hearing or in any arbitration proceeding, the hearing officer, judge, or
16 arbitration panel may determine whether the office and the consumer advocate were provided
17 with access to all of the assumptions and factors that were used in developing the actuarial
18 methods, principles, standards, models, or output ranges and to determine their admissibility.

19 (c) The commission shall adopt revisions to previously adopted actuarial methods,
20 principles, standards, models, or output ranges at least annually.

21 (d)(1) A trade secret that is used in designing and constructing a hurricane loss model
22 and that is provided pursuant to this section, by a private company, to the commission, is
23 confidential and shall not be deemed a public record pursuant to the provisions of chapter 38-2.

24 (2) That portion of a meeting of the commission or of a rate proceeding on an insurer's
25 rate filing at which a trade secret made confidential and exempt by this paragraph is discussed
26 shall be deemed confidential and not open to disclosure pursuant to the open meetings act, but
27 may be discussed at a closed meeting as provided for in chapter 42-46..

28 (3) The Rhode Island commission is hereby authorized to form a multi-state commission
29 with the states of Massachusetts and Connecticut in furtherance of the goals of this act.

30 SECTION 2. This act shall take effect on January 1, 2008.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE -- FIRE INSURANCE POLICIES AND RESERVES

1 This act would create the Rhode Island commission on hurricane loss projection
2 methodology for purposes of achieving reasonable property insurance rates in light of potential
3 hurricane disasters.

4 This act would take effect on January 1, 2008.

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