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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

A N A C T

RELATING TO CITIES AND TOWNS -- COUNCILS AND GOVERNING BODIES

Introduced By: Senators Zurier, Ciccone, and DiPalma

Date Introduced: February 12, 2024

Referred To: Senate Judiciary

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-5-20.1 of the General Laws in Chapter 45-5 entitled "Councils
2 and Governing Bodies" is hereby amended to read as follows:

3 **45-5-20.1. Power of city and town councils and regional school districts to jointly**
4 **establish an insurance corporation, to obtain insurance, and to enter into a cooperative risk**
5 **management program.**

6 (a) Cities and town councils, school committees, water and fire districts may, through
7 passage of a resolution, establish agreements between two (2) or more cities, town councils, school
8 committees, and water and fire districts for obtaining for obtaining or effecting insurance by self
9 insurance, for obtaining or effecting insurance from any insurer authorized to transact insurance in
10 the state, or for obtaining and effecting insurance secured in accordance with any other method
11 provided by law, or by combination and of the provisions of this section for obtaining and effecting
12 insurance. Agreements made pursuant to this section may provide for pooling of self insurance
13 reserves, risks, claims and losses, and of administrative expenses associated with the same, among
14 local government units.

15 (b) For purposes of this section the term “Eligible Entities” shall mean any city, town,
16 school committee, water or fire district, or other public or quasi-municipal authority, agency or
17 entity, or organization that is an instrumentality of such cities or towns, or any group of such cities
18 or towns, authorities, agencies or entities which is a member of the corporations created pursuant
19 to the provisions of this section.

1 (c) To accomplish the purposes of this section any two (2) or more cities, towns, school
2 committees, or water and fire districts, may authorize the creation of separate corporations (the
3 “corporation”) for the purpose of: (1) issuing to the eligible entities policies of insurance and
4 reinsurance of all types and categories, including, without being limited to, the following types and
5 categories: property, casualty, and life, accident, and health insurance, and (2) developing and
6 administering an interlocal risk management program. The corporations, in addition, may have as
7 their purposes reducing the risk of its members; safety engineering; distributing, sharing, and
8 pooling risks; acquiring excess loss insurance; and processing and defending claims against the
9 members of the corporations. Any contributions made to the corporations for the purpose of
10 distributing, sharing, or pooling risks shall be made on actuarially sound basis, and the corporations
11 shall have an audit performed annually, copies of which shall be provided to the members of the
12 corporations, and the auditor general; discrete accounts shall be kept for each risk management
13 program developed and administered by the corporations.

14 (d) The corporations shall not be considered an insurance company and shall not be subject
15 to the provisions of the laws of the state of Rhode Island regulating insurance companies; provided
16 however, the corporations shall be subject to regular oversight, inspections and investigations of
17 the corporations' practices, procedures and administration of claims to be conducted by the ~~and~~
18 ~~therefore shall in no way be regulated by the Rhode Island~~ department of business regulation and
19 the attorney general, specifically to include, but not be limited to, investigations of trust practices
20 in the areas of health insurance and workers' compensation insurance.

21 (e) The corporations created pursuant to the provisions of this section will be created by
22 filing articles of incorporation pursuant to chapter 6 of title 7 entitled Rhode Island Nonprofit
23 Corporation Act and the articles of incorporation will be filed by an incorporator/incorporators
24 designated by the city, town councils, school committees, or water or fire districts, authorizing the
25 creation of the corporation. The articles of incorporation creating the corporations pursuant to the
26 provisions of this section may contain provisions, not inconsistent with this section, that the
27 incorporators determine to be desirable or useful in fulfilling the purposes set forth in this section.
28 The corporations created pursuant to the provisions of this section will have the powers of a
29 nonprofit corporation created under chapter 6 of title 7 entitled Rhode Island Nonprofit Corporation
30 Act including, without being limited to, the power to issue bonds, notes, and other obligations in
31 any amounts and upon any terms that the corporation’s governing board determines.

32 (f) The corporations created pursuant to the provisions of this section, notwithstanding the
33 filing of its articles of incorporation pursuant to chapter 6 of title 7 entitled Rhode Island Nonprofit
34 Corporation Act, (1) will be deemed to be public corporations, instrumentality, and agency of the

1 state of Rhode Island acting for the benefit of the municipalities which are members of the
2 corporations and its eligible entities but will not constitute a department of the government of the
3 state of Rhode Island, and (2) will be deemed to be exercising public and essential governmental
4 functions of the state of Rhode Island. No part of the net earnings of the corporations created
5 pursuant to the provisions of this section will be distributable to, or inure to the benefit of, any
6 private person. The members of the governing board of the corporations created pursuant to the
7 provisions of this section will consist solely of chief executives, chief elected officials, finance
8 directors, or treasurers of municipalities, or any other municipal officials that may be provided for
9 in the bylaws of the corporations, and the members shall receive no compensation for the
10 performance of their duties but each member may be reimbursed for his or her reasonable expenses
11 incurred in carrying out their duties.

12 (g) The bonds, notes, or other obligations issued by the corporations created pursuant to
13 the provisions of this section will not be deemed to constitute a debt or liability or obligation of the
14 state of Rhode Island or of any political subdivision of the state or of any municipality which is a
15 member of the corporation but will be payable solely from the revenues or assets of the
16 corporations.

17 (h) Notwithstanding any provision of this chapter or special or general law to the contrary,
18 each eligible entity which is a member of the corporations created pursuant to the provisions of this
19 section will be authorized to enter into contracts with the corporations with respect to, among other
20 matters, the payment of premiums and other payments, for terms not exceeding twenty-five (25)
21 years in duration. To the extent that the obligation to pay premiums or make other payments under
22 any contract is deemed to constitute the incurring of indebtedness by an eligible entity the contract
23 may nevertheless be entered into without obtaining the approval of the electors of the city or town
24 notwithstanding the provisions of §§ 45-12-19 and 45-12-20 and notwithstanding any provisions
25 of the city's or town's charter or any special or general law to the contrary. Any contract may be
26 entered into by an eligible entity either prior to or subsequent to the making of any appropriations
27 which may be needed to carry out the obligations of the eligible entity under the contract.

28 (i) The property and assets of the corporations created pursuant to the provisions of this
29 section, the income of the corporations, and any bonds, notes, or other obligations issued by the
30 corporation, their transfer, and the income from these (including any profits made on the sale
31 thereof) will at all times be free from taxation by the state of Rhode Island or any political
32 subdivision or other instrumentality of the state of Rhode Island, excepting inheritance, estate, and
33 gift taxes with respect to the bonds, notes, or other obligations issued by the corporations.

34 (j) Whenever the governing board of the corporations created pursuant to the provisions of

1 this section determines that the purposes for which the corporations were created have been
2 substantially fulfilled and all bonds, notes, or other obligations of the corporations have been fully
3 paid or adequate provision has been made for their payment, the corporations may be dissolved in
4 the manner provided for nonprofit corporations pursuant to chapter 6 of title 7 entitled Rhode Island
5 Nonprofit Corporation Act and, upon the corporations' dissolution, title to all funds and assets of
6 the corporation shall vest in and become the property of the members of the corporation in
7 proportions that are provided for in the corporation's articles of incorporation.

8 (k) No corporations created pursuant to the provisions of this section shall be required to
9 pay any recording or filing fee or any transfer tax of any kind on account of papers or instruments
10 recorded or filed by it or on its behalf.

11 (l) No corporations created pursuant to the provisions of this section and no agent or broker
12 acting on behalf of the corporations shall be required to pay a surplus line premium tax of any kind
13 on premiums for any policies of insurance and reinsurance to or from the corporations.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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1 This act would provide that the Interlocal Risk Management trust would be subject to
2 oversight by the department of business regulation and the attorney general conducting
3 investigations to include investigations regarding trust practices in the areas of health insurance and
4 workers' compensation insurance.

5 This act would take effect upon passage.

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