



VIA Email: HouseCorporations@rilegislature.gov

February 14, 2024

Representative Joseph J. Solomon, Jr.
Chair, House Committee On Corporations
Rhode Island State House
Providence, RI 02903

Re: House 7016 – An Act Relating To Insurance – Casualty Insurance Rating

Dear Mr. Chairman:

This statement in opposition to H7016 is submitted by the American Property Casualty Insurance Association (APCIA).¹ House 7016 seeks amend the state’s rating law (27-9-4) to eliminate the use of zip codes (in insurance parlance territorial rating) in auto insurance. Territory is a rating factor used by most, if not all, auto writers in Rhode Island and its disallowance would be both a significant change and highly disruptive.

Forty-nine of fifty states allow territorial rating in auto insurance. House 7016 would make this state an outlier.

Auto insurers here in Rhode Island and elsewhere have collected data for decades and have determined that where you live is an accurate variable for predicting the likelihood and severity of insurance claims. This experience tells us that most trips and accidents occur within a few miles of home.

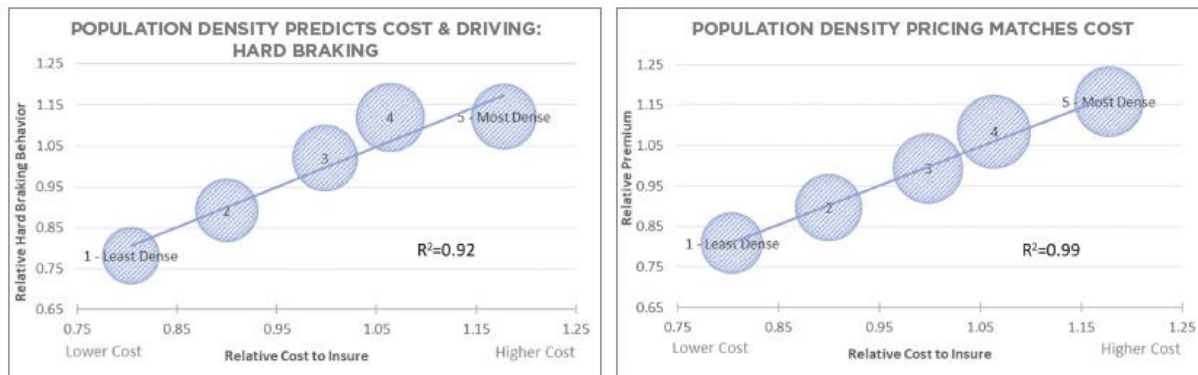
In addition, telematics data prove that population density is a highly accurate predictor of insurance cost. Population density can be viewed as a variable that reflects territory (e.g., urban versus rural). Risk factors across territories can vary tremendously. Examples include traffic density, theft and vandalism rates, weather, motor vehicle repair costs, medical costs, and litigiousness.

As shown in the panel at the right below, drivers in areas where population density is the highest are associated with insurance claim costs that are approximately 20 percent higher than the overall

¹ Representing nearly 65% 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 represents the broadest cross-section of home, auto, and business insurers of any national trade association. 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. Together, APCIA members write over 75% of the auto insurance sold in the state.

population of drivers. Conversely, drivers in areas with the least population density tend to have claim costs that are 20 percent below the overall population of drivers.

The panel on the left demonstrates one reason why this is the case: drivers in areas with high population density are far more likely to engage in hard braking behaviors. Indeed, drivers in areas with the highest population density engage in hard braking behaviors approximately 10 percent more frequently than the overall population of drivers, while those in low density areas engage in hard braking approximately 20 percent less frequently than the overall driver population. The telematics data therefore demonstrate that population density (territory) is strongly predictive of auto insurance claims costs, in part because hard braking behavior—a proven determinant of accidents—is far more prevalent in high-density areas and far less prevalent low-density areas.



These charts show that ignoring a driver's location does not reduce the likelihood a claim will be filed, it simply reallocates the cost of that claim across the pool of all insured drivers, resulting in potentially significantly higher premiums for all drivers. In short, suggesting that passage of this bill will result in lower insurance costs is misplaced.

Finally, moving forward with this bill and its current "effective upon passage" language, would be highly disruptive if not crisis-inducing to the state's auto insurance market. New rates would need to be developed, filed, and approved by the Department of Business Regulation before policies could be sold. This is a time-consuming process (at least a year) and while we expect many companies would engage in it, some may decide not to and thus withdraw from the market.

Because of the negative impact this bill will have on insurers writing auto insurance in Rhode Island and the potential negative impact on premiums paid by consumers, APCIA opposes the passage of H7016.

Very truly yours,

Francis C. O'Brien
Vice President, State Gov't. Relations