

TO: Members of the Committee on Corporations
FROM: Rory Whelan, Regional Vice President
DATE: February 14, 2024 --- Public Hearing
RE: Opposition to H 7288 --- Auto Underwriting Restrictions

The National Association of Mutual Insurance Companies (NAMIC)¹ and its members, thank you for the opportunity to express strong opposition to legislation referenced above and urge no further action.

This bill would prohibit automobile insurance companies from utilizing education level, race, ethnicity, disability, occupation, income or gender to determine automobile insurance rates, premiums, and/or eligibility for coverage. This act would also restrict the insurance companies to rely solely on the driving record of the individual with regard to premiums or rates charged for insurance policies or rejection of the individual's application for coverage.

Firstly, no insurer ever considers factors like race, ethnicity, national origin, religion, income, or literacy. Period.

Underwriting and ratemaking depend on an insurers' ability to determine an insured's "risk" --- collecting and using accurate information about the entity seeking to buy coverage is crucial. Part of this information generally takes the form of underwriting or rating variables, known as factors. Every company uses different factors and evaluates them differently, but there is broad agreement that factors should be objective, actuarially sound, and have a credible, statistically significant correlation to expected losses and expenses. Because factors are correlative, the more information an insurer has and can use, the more accurately it will be able to assess the likelihood of a loss; the inverse is also true: less information makes accurately assessing the likelihood of loss more difficult.

No single factor accurately measures the totality of risk represented by an individual consumer. It's simple --- the more factors used, the more accurate the picture of future risk becomes. In reviewing the use of a factor, data is analyzed to determine its potential correlation with risk.

And insurers want above all else, to be accurate when assessing risk.

¹ The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of nearly 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner's insurance market and 53 percent of the auto market.



Why? Because in today's hyper - competitive marketplace, insurers compete for potential policyholders by offering lower rates and better coverage than their competitors. Each insurer uses its own risk-based rating techniques that often result in different prices for the same consumer. More risk-based factors mean that consumers have more choices when it comes to insurance. Risk factors also ensure fairness. Consumers who present lower risk pay less and do not subsidize higher-risk drivers.

While the most prevailing factors used have to do with driving record, claims history, type of vehicle or size of home, to varying degrees insurers may use other factors. And for good reason: fairness. The use of multiple statistically significant factors helps insurers provide what Rhode Islanders want – fair rates where risky drivers pay more and safe drivers pay less, without discrimination.

At the end of the day, limiting the number of factors auto insurers can consider will make it more difficult to accurately assess risk, inevitably leading to prices going up for some safe drivers and down for some risky ones.

For example, in the case of age and gender, banning these factors would treat young female drivers most unfairly. Here are some facts and FACTORS that affect auto premiums...

- Male drivers, especially younger men, are more likely to engage in risky behaviors
- Men typically drive more miles
- 80% of speeding crashes involve at least 1 male driver
- 80% of DUI's are male drivers
- Men are more likely to incur seatbelt violations
- Men drive bigger, more expensive cars with larger engines
- Twice the number of men die in crashes as women – in 2019, 71% of car crash deaths were men

Thus, the population most hurt by removing gender and age from underwriting factors is women between the ages of 16 – 25. This all underscores that **gender and age have actuarial effects on a driver's risk of loss,**

Relative to these facts and analysis, I also submit for the record a NAMIC white paper² which discusses the importance of risk-based pricing and how using additional factors results in determining

² ["MATCHING RATE TO RISK: ANALYSIS OF THE AVAILABILITY AND AFFORDABILITY OF PRIVATE PASSENGER AUTOMOBILE INSURANCE" Robert W. Klein, PH.D. Temple University, January 2021](#)



fair and accurate premiums. Additionally, I submit a recent study from the Insurance Institute for Highway Safety relative to gender identity and auto underwriting.³

NAMIC cautions legislators that the unintended consequences of prohibiting certain factors in assessing risk in auto insurance underwriting will result in higher and unfair auto insurance premiums for Rhode Island drivers.

Thank you for your consideration.

³ [WOMEN'S ISSUES IN HIGHWAY SAFETY" Susan A. Ferguson and Keli A. Braitman, Insurance Institute for Highway Safety, January 2022](#)

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