American Property Casualty Insurance Association
INSURING AMERICA apci.org

March 25, 2025

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

Re: House 5333 – An Act Relating To Insurance – Casualty Insurance Generally – Limitations on Policy Cancellations and Renewals

Dear Mr. Chairman:

This statement in opposition to H.5333 is submitted by the American Property Casualty Insurance Association (APCIA).[1] H.5333 would make Rhode Island the only state in the country with insurance price caps and increased notice requirements for a 20% rate increase.

Insurance is one of the most highly regulated industries and Rhode Island has some of the strictest standards in the country. Every single rate charged in Rhode Island is reviewed by analysts in the Department of Business Regulation as well as by contracted actuaries to assure that it is not excessive, inadequate or unfairly discriminatory.[2] Thanks to the work of the DBR, Rhode Island has a healthy and competitive property insurance market with 22 licensed insurers each writing more than 1% of the market.

The essence of insurance regulation is that rates need to be adequate to prevent insolvency, not excessive to prevent abuse of market power and they should not be unfairly discriminatory. Insurance rates reflect the risk on the ground, thus, to make insurance rates more affordable, the underlying risk must be reduced. This proposal is problematic because insurers are statutorily prohibited from charging inadequate rates, meaning rates that are "insufficient to sustain projected losses and expenses" or "will have the effect of substantially lessening competition." Insurers are also prohibited from charging rates that generate unreasonably high profits. In Rhode Island, that means that companies seeking loss ratios of under 60% (meaning for every $100 charged in premium they would be paying out less than $60 to insureds) need to add additional explanation for how their product provides sufficient value and benefits for policyholders.[3] The market reflects these requirements with a 58% homeowners loss ratio in 2023.[4] This also means that 20% rate hikes are exceedingly rare and likely indicate a major concern about the property.

[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.

[2] See Section 27-44-5

[3] https://dbr.ri.gov/sites/g/files/xkgbur696/files/documents/divisions/insurance/property_casualty/PC_Rate_Rule_and_Form_Requirements_SERFF.pdf

[4] https://content.naic.org/sites/default/files/publication-msr-pb-property-casualty.pdf

Artificially capping prices insurers can charge does not decrease their costs or the outside factors impacting them such as inflation, increasing frequency of extreme weather events, or supply chain challenges. It also does not change statutory requirements that they charge rates adequate to sustain projected losses and expenses. If insurers are unable to meet these requirements with a 5% price cap, they may choose not to insure some of Rhode Island's most vulnerable residents or leave the market entirely. The unintended consequence is this may reduce coverage options for consumers and in concentrating the risk in the state among fewer insurance providers this can result in greater exposure that may necessitate higher rates for the providers that remain.

This bill fails to account for many realities. It would cap insurance premium increases for policyholders aged 65 and older with "household income equal to or less than the Rhode Island income limits for low- and moderate-income households as published by RI Housing." RI Housing publishes a range of caps based on area-median income by location as different housing types allow for different thresholds.[5] Moderate-income housing in Rhode Island can accept tenants at up to 120% of AMI[6], meaning the cap is $126,000 for a 2-person household. That is a substantial income.

Furthermore, seniors, even those with significant savings, material assets (such as a mortgage-free home), and/or social benefits[7], typically have lower incomes because many are retired or lesser-employed than those in other age cohorts. This bill takes none of these issues into consideration, instead obfuscating the market to create government price controls of an entirely optional service. Homeowners buy insurance because they value and can afford the service. They are not mandated to do so.

History (including current developments in California) has clearly shown that price caps do not serve consumers and indeed often work against availability of coverage. Fully allowing risk-based pricing is essential to assure availability. History has also demonstrated that reducing underlying costs and preventing losses is the surest way to have more affordable insurance prices, as insurance is largely a passthrough mechanism of those costs and losses. Although well intended, this legislation may harm both insurance availability and affordability by discouraging competition. In addition, it may result in suppressing rates for some or all policy holders, thereby hiding the true costs of providing coverage and so delay actions that would reduce those costs and losses and also save lives and prevent injuries. If Rhode Island values homeowners' insurance, rather than creating price controls that will damage the industry and hurt consumers, we urge them to create homeowner insurance subsidies like housing vouchers or SNAP that help vulnerable populations afford key goods and services.

Increasing notice requirements does not address affordability or availability challenges.
The homeowner's insurance market in Rhode Island has become more expensive recently, largely due to external factors such as inflation, material and labor costs, and increasing frequency of natural disasters. It is possible that homeowners could face premium increases or in certain circumstances, find themselves needing to access the FAIR Plain. However, because of the healthy regulated market Rhode Islander's enjoy today, even in those circumstances, shopping for new insurance is not a particularly time consuming proposition.

Furthermore, increasing notice requirements would add administrative burdens for insurers, in large part because it would make Rhode Island an outlier. Only three states in the country require extended notice

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[5] https://www.rihousing.com/wp-content/uploads/FY-24-HUD-Income-Limits.pdf

[6] https://homesri.org/wp-content/uploads/2022/01/ARPA-Recommendations-final-10_13_21.pdf

[7] E.g. – Property tax exemption, https://municipalfinance.ri.gov/sites/g/files/xkgbur546/files/documents/data/exemptions/Veterans-Senior-Exemptions-Report.pdf or subsidized health care, https://eohhs.ri.gov/consumer/older-adults/healthcare-older-adults

for rate increases and all of them are premised on rate increases larger than 20%.[8] Furthermore only two of those three states require at least 60-days notice for large increases. Ultimately, the notice provision in this bill would add administrative expense to address a rare issue (20% premium increase) and a problem (30 days to find new insurance) that does not exist.

For these reasons, we urge you to hold H.5333 for further study.

Very truly yours,

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[8] https://uphelp.org/wp-content/uploads/2020/11/boggs-conditional-renewal-rules-by-state.pdf