



Rhode Island Insurance Federation

Via Email to HouseCorporations@rilegislature.gov

March 25, 2025

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

RE: House Bill 5416—Forbids a motor vehicle liability insurance carrier from considering the zip code of where an insured lives for purposes of calculating their policy premium—Statement in Opposition

Dear Chair Solomon:

The Rhode Island Insurance Federation submits this statement in opposition to House Bill No. 5416, which prohibits auto insurance companies from using certain race and geographical locations criteria when determining insurance rates.

The Federation was recently formed to advocate for the property and casualty insurance industry in Rhode Island. Federation members write approximately 60 percent of the total property casualty insurance premiums in the state, and importantly over 85 percent of the private passenger automobile insurance market. Federation members include most of the major property-casualty insurance companies doing business in the state, and every national P&C insurance trade association is a member of the Federation.

House Bill 5416 will erode underwriting criteria that has helped the Rhode Island auto insurance market remain stable despite its outlier status in the cost of repair for motor vehicles and will undoubtedly negatively impact the vast majority of Rhode Island's policyholders. The bill prohibits the use of geography, education, occupation and credit-based insurance scoring as rating factors used by auto insurers, and forces insurers to rely solely on the motor vehicle records of the policyholder. The elimination of these factors will not benefit consumers, rather their absence will put more weight into a single rating factor, thus creating a costly impact affecting the majority of Rhode Island's drivers.

The prohibition of these rating factors (or any rating factors) as tools to help predict loss undermine the strong standards currently enforced by the Department of Business Regulation ("DBR") that ensure rates are neither excessive, inadequate nor unfairly discriminatory.

Both this legislature and the DBR have been steadfast in ensuring that these rating factors are not an undue burden on consumers. For instance, the legislature placed strong parameters around the use of a credit-based insurance score in R.I. Gen. Laws § 27-9-56, which the DBR implements with additional restrictions in 230-RICR-20-05-3.13.

With regards to education and occupation as rating factors, the DBR insists that insurers illustrate the actuarial correlation to losses for these and any other rating factor. This legislation will not only impact these elements as rating factors, but because of the use of “distinction or discrimination as to the premiums or rates charged”, it will have the added consequence of eliminating affinity discounts, good student discounts and defensive driving education discounts, resulting in low-risk policyholders subsidizing the cost of high-risk drivers. Some companies may not even be able to continue providing products in Rhode Island, as their business model is focused on providing insurance to certain groups.

In addition, studies from insurance regulators in New Jersey, Vermont, and Arkansas illustrate there has never been a single implicit or explicit reference to these rating factors being proxies for race or income. In fact, these studies illustrate that roughly 80% of consumers either benefit (55%) or experience a neutral impact (25%) from the use of education, occupation, or credit score as underwriting factors, while 20% of the population might pay more for exhibiting a higher propensity for claims.

The fact remains that underwriting criteria must be proven as actuarially sound, and lower risk should mean lower premiums for Rhode Island’s consumers. House Bill 5416 undermines the discretion used by insurers to utilize various combinations of rating factors that yield adequate rates for drivers, distorting the auto market. While we remain committed to supporting public policies that keep auto insurance affordable and available to all policyholders in Rhode Island, the Federation does not foresee a day that we will support any limitations on underwriting freedom.

The use of a broad array of rating factors came into existence due to the inaccuracies and incompleteness of motor vehicle records. Every year there are many unreported accidents, warnings for aggressive driving, and other subjective standards that impact the accuracy of motor vehicle records. To make these the only rating factor for motor vehicle insurance will make the driving record have an outsized impact on a policyholder’s premium calculation.

Insurance companies compete vigorously in the market and seek to provide their customers with a product at the best possible rate based on the predicted risk of loss. The most accurate and fair way to price policies is to use many actuarially based rating variables, which assures that no single variable has a disproportionate impact on an individual’s premium. This allows insurers to offer products to a broader range of consumers at a competitive price. When insurers can accurately price policies, consumers benefit with lower rates overall, more choices, and greater market and price stability. Passing House Bill 5416 might lower auto insurance costs for some higher-risk drivers in the short term, but based on what has happened elsewhere, it will likely raise prices for others.

For the reasons set forth above, the Federation opposes House Bill 5416, and we urge the Committee to recommend passage.

Respectfully submitted,



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