



## Rhode Island Insurance Federation

Via Email to [HouseCorporations@rilegislature.gov](mailto: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 5104—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. 5104. As currently drafted, this legislation forbids a motor vehicle liability insurance carrier from considering the zip code of where an insured lives for purposes of calculating their policy premium.

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.

Territorial rating is a key factor in establishing that fair rate. Like virtually all other states, Rhode Island does allow the use of territory in setting auto insurance premiums. Why? Because, as noted by the Casualty Actuarial Society, the use of territory "is considered one of the primary drivers of claims experience. Consequently, it is one of the most well established and widely used rating variables."

In many instances, when overlayed with accident frequency maps, as compiled by the National Association of Insurance Commissioners, the territories with the highest premiums also have the highest frequency of accidents.

House Bill 5104 seeks to put its thumb on the proverbial statistical scale by forbidding insurers to use an important tool for such time-tested data. The reality is that without the use of zip codes for territorial rating, it will likely result in lower-risk drivers subsidizing higher-risk drivers.

When insurers can accurately price policies, consumers benefit with lower rates overall, more choices, and greater market and price stability. Rather than further restricting underwriting and pricing criteria, the Legislature should be taking steps to enhance roadway infrastructure and safety, prevent distracted driving, and allow for the further development of a broad range of insurance-related discounts and other

policyholder benefits. Passing House Bill 5104 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 5104, and we urge the Committee to recommend passage.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Christopher S. Stark".

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