

ERNEST SHAGHALIAN JR CPCU AAI

AUTO - HOME - BUSINESS INSURANCE

3/25/25 Hearing

HOUSE CORPORATIONS COMMITTEE

H 5104 Casualty Insurance Rating
Opposed by the Independent Insurance Agents of Rhode Island

There will never be a perfect way for an insurance company to charge premiums based on how many people will have accidents in the future. However, IARI believes that it is fair to base rates on statistics of thousands of people, comparing similar risk characteristics like the age of the driver, the use of the vehicle and zip codes to determine the likelihood of claims.

The statistics show that some zip codes have more accidents per capita across different age groups and other characteristics. It might be that the area is congested with roads that weren't designed for the amount of today's traffic volume. There is healthy competition out there for auto insurance and if a particular zip code were over priced there would be insurers out there looking to take advantage of that.

If rates went down in certain zip codes they would have to go up by an equal amount in other zip codes because insurance companies are allowed to collect enough total premiums to pay claims and expenses. As insurance agents we see zip code rating work both ways when people move from one zip code to another. When someone moves and the premium goes down there's never a complaint.

Zip code rating is used almost everywhere in the country.

Ernest Shaghalian, Jr, CPCU, AAI
Chairman IARI Government
Affairs Committee.