

ERNEST SHAGHALIAN JR CPCU AAI

AUTO - HOME - BUSINESS INSURANCE

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Chairman Robert Britto
Committee on Commerce

S 2011 Testimony in Support Limitations on Insurance Policy Cancellations & Renewals

This is an excellent insurance consumer protection bill. During the last four years there have been a well documented large number of policy non-renewals in Rhode Island. Two insurers that have already left the market and a third insurer is half way through the one year cycle of non-renewing thousands of more policies. Very large renewal premium increases have also occurred. Availability is very strained in coastal communities and for three family houses of which RI has a lot.

Commercial property and casualty insurance already has a statute (27-29-17.2) requiring 60 days notice of non-renewal and 60 days notice for premium increases greater than 10%. This has not been a hardship on insurance companies, it doesn't drive up rates, it's a one time programming expense.

The extra 30 days notice of non-renewal gives consumers more time to obtain replacement insurance without being thrown into a risk pool. In many cases consumers have to make repairs or perform updates in order to qualify for a replacement policy. Rhode Island has the second oldest housing stock in the country with an average home age of 61 years. The age of a roof, the date of the last electrical update, type of wiring, the type of electrical panel, age of the heating system, age of a hot water tank, age and type of plumbing pipes can all be grounds to be rejected for a replacement policy.

Unlike commercial insurance there are no rules for advance notice of large premium increases on home insurance. A consumer can get a 40% premium increase 15 days before the expiration date. After what homeowners have been through the last four years this legislation is warranted, 20% is a large increase, double the commercial insurance increase trigger.

Suggestions

- Change the advance notice to 60 days instead of two months. All other insurance laws with time standards are done in days not months. Some months have 31 days, some 30, and one has 28 or 29 days. Days are more precise.
- Change the enforcement to be handled by the Department of Business Regulation as a violation of Title 27 (Insurance) which is the title that this bill would be codified in. The DBR already has the authority to levy fines, they just fined an insurer \$250,000 a few months ago. The Insurance Division within the DBR has experienced staff with the technical insurance expertise to properly enforce the law.
- Change the effective date to 1/1/27. Renewal reviews are usually done 60 to 90 days in advance, most legislation doesn't pass until June and insurers would need time to change their automation systems to provide the new advance notice required.

Ernest Shaghalian, Jr, CPCU, AAI