



March 31, 2026

Senator Robert Britto
Chair, Senate Commerce Committee
Rhode Island State House
Providence, RI 02903

Re: Senate 2431 – An Act Relating To Insurance – Casualty Insurance Rating

Dear Chairman:

This statement in opposition to S.2431 is submitted by the American Property Casualty Insurance Association (APCIA).¹ S. 2431 seeks to amend the state's rating law (27-9-4) to effectively eliminate the use of ZIP codes in territorial rating. Territory is a rating factor used by most, if not all, auto writers in Rhode Island and beyond as it is currently permitted in 48 states. This would be a substantial change and make Rhode Island a significant outlier.

It is unclear what exactly this bill does. It could be read to require insurers to zoom in, creating sub-rates within the same ZIP code for each portion contained by a municipality. Or it could be read to require insurers to zoom out, creating a single municipal rate anytime a municipality contains multiple ZIP codes. Regardless, in reality, it will likely operate as a functional ban on the use of ZIP code in rating.

Subsidization Impacts

Ignoring or limiting consideration of a driver's location does not reduce the likelihood a claim will be filed. Instead, it reallocates the cost of that claim across the pool of insured drivers based on other territorial breakdowns, resulting in potentially significantly higher premiums for other drivers in the region.

With an effective ban on the use of ZIP code, insurers are likely to use other common and already available rating methods such as municipality or county. Rhode Island has 90 ZIP codes, 39 municipalities, and 5 counties. Between these methods, ZIP code allows for the most granular consideration of territorial risk. Shifting to municipality or county requires a broader view and, as a result, lower risk areas experience rate increases, subsidizing higher risk areas that will experience rate decreases.

Based on our modeling, shifting from ZIP code to county rating is likely to cause:

- 20-40% (or more) increases for 17 communities
- 10-20% increase in 18 communities, and

¹ Representing 67% 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 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. APCIA members are integral to the state of Rhode Island. They write 76% of the property casualty insurance sold in this state. The P&C insurance industry employs over 3,200 Rhode Islanders, provides annual assistance of \$1.5 billion in claim payments to help customers in the state, and contributes over \$160 million annually to the state in premium taxes.

- An average of 6% savings for 16 Providence ZIP codes.

Based on NAIC data, for the winners, this means savings of about \$103 per vehicle. For many in places like Charles-town, East Providence, Greenville, and Pawtucket premiums could increase between \$170 and \$260. The biggest losers in places like Block Island, Cumberland, and North Smithfield, could experience premium increases of almost \$700.

Territorial Rating

The best and most fair way to price auto insurance policies is to use a large number of actuarially sound and independently predictive rating variables. This leads to the most accurate pricing and assures that no single rating variable has a disproportionate impact on an individual’s premium. Limiting or eliminating variables increases costs and creates unfair subsidies as insurers lose accuracy and put more weight on other factors.

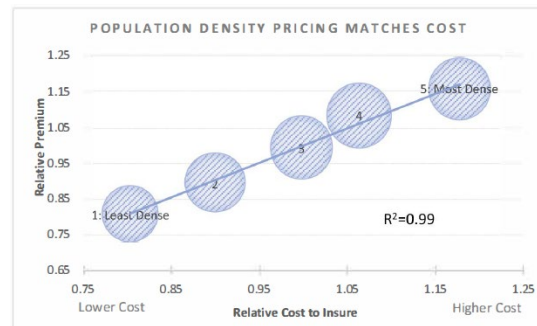
Auto insurers in Rhode Island and elsewhere have determined, based on decades of data collection, that location is a highly accurate variable for predicting the likelihood and severity of insurance claims. In short, this is because most trips and insurance claims occur within a few miles of home. Insurers quantify this risk by evaluating a myriad of local factors such as:

- Population density
- Traffic congestion
- Road type and condition
- Theft and vandalism rates
- Weather
- Motor vehicle repair costs
- Medical costs
- Litigiousness

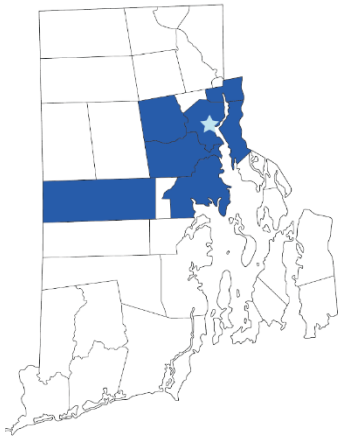
While insurance companies make rate decisions based on their own proprietary information, there is ample public data to support the notion that risk is heavily correlated to location.

Population Density and Traffic Congestion

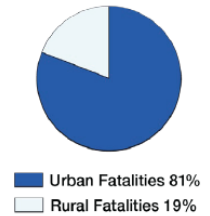
As shown in the chart to the right², drivers in high density areas are associated with insurance claim costs that are approximately 20% higher than the overall population of drivers. Conversely, drivers in areas with the lowest population density tend to have claim costs that are 20% below the overall population of drivers.



² Based on billions of miles driven by voluntary telematics participants from one large member company from January 2017-June 2019.



These factors are corroborated locally by reports on road and traffic safety in Rhode Island. Notably, the map at left from the Rhode Island Strategic Highway Safety Plan 2023-2027³ highlights in blue the 7 municipalities that have accounted for 50% of all traffic fatalities in the state from 2018-2022. The report also notes that 81% of traffic fatalities in Rhode Island occur in urban areas compared with 19% in rural areas. This dovetails with other data in the report. For example, from 2017-2021, 20% of roadway fatalities occurred at or were related to an intersection and 18% involved a pedestrian. Urban areas have more intersections and pedestrian traffic in close proximity.

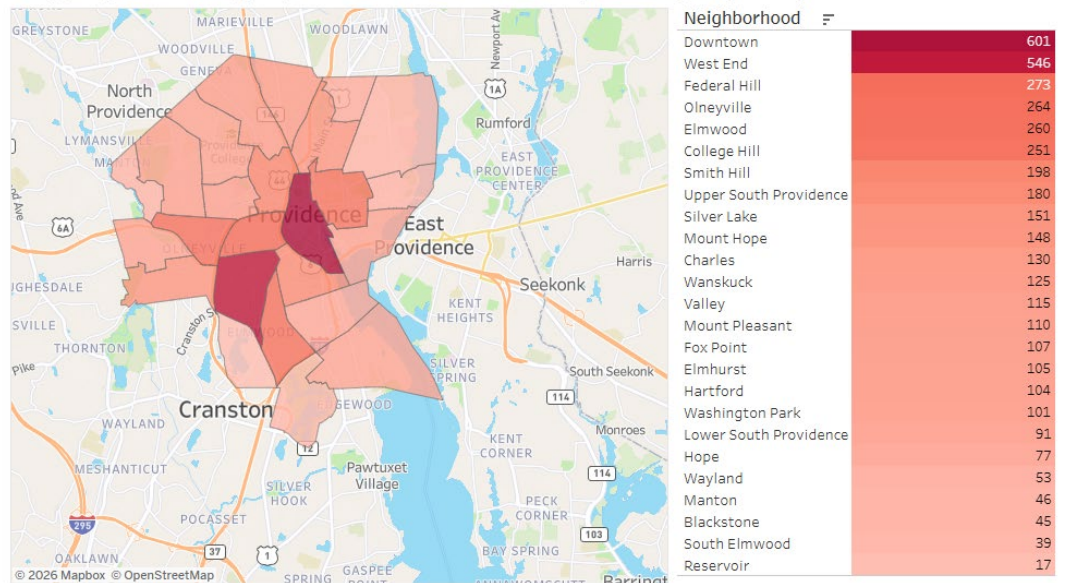


The Providence Streets Coalition is also a valuable localized resource. It's PVD Crash Data website⁴ logged over 4,000 police reported crashes involving pedestrians, cyclists, and scooters. Even within Providence, the data reveals significant variance by neighborhood, with 15% occurring downtown compared to just 0.4% occurring in the Reservoir neighborhood. In other words, as a pedestrian, cyclist, or scooter driver, you are roughly 363 times more likely to be struck by a car in 02903 than in 02910.

Crash Counts By Neighborhood

Crash Counts by Providence Neighborhoods, 2010 through June 2025

In any given year downtown typically sees the most crashes; however this pattern is beginning to change



Further Territorial Rating Factors

Beyond road density and congestion, territorial rating can account for differences in risk level and potential expenses in the event of an accident. Some further local variables of significance could include:

- **Litigiousness** – Nationally, more than half of injury claimants in central cities hire attorneys compared to only a third of injury claimants in small towns.⁵
- **Medical cost** - Area hospitals charge vastly different rates for the same services,⁶ so proximity to a certain one may impact the likely cost of medical care as well as dictate potential need for, and length of, ambulance transport.

³ https://www.dot.ri.gov/Safety/reports/docs/Strategic_Highway_Safety_Plan.pdf

⁴ <https://pvdstreets.org/crash-map/>

⁵ Insurance Research Council: Attorney Involvement in Auto Injury Claims 2014, <http://insurance-research.org/research-publications/study-finds-more-auto-injury-claimants-are-hiring-attorneys>

⁶ See e.g. <https://www.brownhealth.org/patients-visitors/insurance-billing-and-financial-assistance/cost-care-and-price-transparency> Diagnosis Related Group pricing across Rhode Island Hospital, Newport Hospital, and The Miriam Hospital varies widely with disparities of 2-3x between the most and least expensive options.

- Weather/Natural Disaster - Towns across Rhode Island have variations in risk from windstorm, flood, and fire. Providence is home to the highest overall risk, while South Kingstown has the lowest. Notably in a state with high storm risks, Woonsocket has the lowest risk of storm damage.⁷ Several towns in Rhode Island have elevated flood risks, which can cause significant damage to cars.
- Road Condition – Rhode Island leads the country with 39% of its major roadways in poor condition.⁸ It also has a number of notorious intersections.⁹ Territorial rating could account for drivers' proximity to poorly maintained stretches of road or particularly dangerous intersections.
- Vehicle Theft/Vandalism – Areas with greater likelihood of auto theft or vandalism are likely to see higher costs. Rates of auto-related crimes can vary even within a city. For example, the vehicle theft rate in central Providence is 1 in 492, but shrinks to 1 in 2,769 in the northeastern part of the city. Central Falls received the lowest grade (D-) for vehicle theft crime rate in the Providence area, while Riverside and North Providence tied for the best grade (C).¹⁰

Incentivizing Accuracy

In a competitive market, insurance companies strive to charge customers for their risk as accurately as they can. Insurance premiums are priced for future risk. Insurers have no way of knowing whether a driver will have an accident tomorrow, maxing out their coverage or be accident-free for a decade. They must use all the available data to make an accurate estimate of the loss risk (which is also reviewed by regulators).

If a company does not accurately price risks, they are likely to face some combination of the following financial challenges:

1. Risks they inaccurately priced too high will buy their auto insurance from competitors with more accurate (cheaper) pricing.
2. Risks that they have inaccurately priced too low will remain with the company and are more likely to result in financial losses (claims exceeding premiums).

When governments limit or remove factors that allow insurers to accurately price risk, prices become distorted and one group of drivers is likely to pay more to subsidize another group. Under S.2431, drivers in ZIP codes with greater losses, more claims, and higher risk would be subsidized by drivers in other areas. As a result, APCIA opposes S.2431 because of the potential negative impacts it will have both on insurers writing auto insurance in Rhode Island and on premiums paid by consumers. Please reach out if you would like to discuss this bill further.

Very truly yours,



Jonathan Schreiber
Associate Vice President, State Government Relations, APCIA
Jonathan.schreiber@apci.org
(202) 828-7121

⁷ See ClimateCheck information for Rhode Island, <https://climatecheck.com/rhodeisland>

⁸ <https://constructioncoverage.com/research/us-states-with-the-worst-roads-2023>

⁹ See e.g., <https://gemmalaw.com/blog/rhode-islands-worst-intersections/>,
<https://www.providencejournal.com/story/business/automotive/2015/12/19/7-worst-r-i-traffic/32842663007/>

¹⁰ <https://crimegrade.org/vehicle-theft-providence-ri/>