



Rhode Island Insurance Federation

Via Email to SenateCommerce@rilegislature.gov

March 31, 2026

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

RE: Rhode Island Insurance Federation Statement in Opposition to Senate Bill 2763

Dear Chair Britto:

The Rhode Island Insurance Federation submits this statement in opposition to Senate Bill No. 2763, which would prohibit the consideration of an applicant's credit history in determining automobile insurance rates, and require insurers to only use the so-called "Merit Rating" system.

The Federation was recently formed to advocate for the property and casualty insurance industry in Rhode Island. Federation members write approximately 60% of the total property casualty insurance premiums in the state. 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.

Robust competition is fueled by underwriting/pricing accuracy and flexibility. When it comes to information derived from an individual's credit history, the vast majority of states have adopted laws or regulations to address this tool. Many are based largely on the National Conference of Insurance Legislators' (NCOIL) Model Act Regarding Use of Credit Information in Personal Insurance.¹ It was first adopted in 2002, later amended to address to incorporate exceptions for extraordinary life circumstances, and then subsequently readopted by NCOIL. Among its provisions, this Model requires upfront disclosures and adverse action notices, requires prompt remedy in case of incorrect information, prohibits use of certain information, and provides "sole basis" restrictions. Under the model, established anti-discrimination provisions apply and it explicitly prohibits insurers from using an insurance score that is calculated using income, gender, address, zip code, race, ethnicity, religion, marital status, or an individual's nationality.

No court has found this use to be unfairly discriminatory. Indeed, the Michigan Supreme Court rejected a regulatory effort to ban the use of insurance scores, stating: "It is difficult to see how

¹¹ <http://ncoil.org/wp-content/uploads/2016/04/11262015PropertyCasualtyModelAct.pdf>

offering discounts to some insureds on the basis of good insurance scores is inconsistent with the Insurance Code’s general purpose of availability and affordability of insurance for all consumers.” The court noted that a rate is not unfairly discriminatory if there is a “reasonable justification” for the differential in rates “supported by a reasonable classification system” and that there was a direct, linear relationship between insurance scores and risk for automobile policies. The Court concluded that the prohibition of insurance scoring would make insurance both less available and less affordable to Michigan residents.²

Consumer protections are in place with respect to consumer reports under the federal Fair Credit Reporting Act (FCRA). The FCRA requires that if an insurer uses credit and takes an adverse action based on that information, the insurer is required to take specific notice actions to inform the consumer of: (1) the adverse action; and (2) how to obtain a free copy of his/her report. These requirements make sense; contacting the credit bureau is the most direct way to review the information and those organizations are charged with promptly correcting errors contained in a report.

Rhode Island’s regulatory mechanisms also ensure consumer protection, through the nationally recognized Department of Business Regulation. The Insurance Division of DBR may perform market conduct examinations to ensure that insurance companies are following all of the necessary rules regarding the use of credit in underwriting and rating as highlighted by DBR Insurance Bulletin 2002-16.³ These standards are fair to both consumers and insurers and they should be upheld rather than rejected via Senate Bill 2763.

Unintended consequences may result from restricting underwriting and rating factors, as contemplated in Senate Bill 2763. Credit-based insurance scores now have been used by many insurance company underwriters/actuaries for a few decades to more accurately assess risk and price insurance coverage. Insurance scores provide an objective, fair, and consistent tool that insurers use with other information to better predict the likelihood of future claims and the cost of those claims. Credit-based insurance scoring is neutral on its face with respect to income, race, and ethnicity, and it is applied neutrally by insurers. The same credit standards are applied to all consumers. In other words, the tool is a means of affording equal treatment in the underwriting process.

Alternatively, legislation like Senate Bill 2763 would place even greater emphasis on the recorded driving history that may not recognize the challenges involved with that tool. For example, the accuracy of motor vehicle records is sometimes called into question – some negative incidents, such as driving under the influence, moving violations, or accidents, may be missing. Having

² *Insurance Institute of Michigan v. Commissioner*, 785 N.W. 2d 67, at 83 (Mich. 2010).

³ <https://dbr.ri.gov/documents/news/insurance/InsuranceBulletin2002-16.pdf>

multiple other predictive factors available for use may help to broaden the bluntness of any single factor.

To this specific point, the Committee should direct its attention to the 2008 New Jersey Department of Banking and Insurance Report that studied the use of certain underwriting factors. While this analysis did not specifically study the use of credit, the unintended consequences would be similar if the Legislature restricts credit and forces insurance companies to more heavily rely on moving violation data as an underwriting and rating factors in Rhode Island.

“Moving violations might be another rating factor that correlates with race and income. It appears plausible that lower income drivers would be less likely to expend the resources – such as hiring an attorney or taking a day off from work to attend a trial – to contest a ticket and seek a lessening of the violation that is recorded and ultimately seen by insurers. Thus, even a factor that intuitively appears highly correlated with driving behavior – and therefore seems particularly “fair” – may in fact disadvantage minority and low-income drivers.”⁴

Additional studies from regulators, actuaries, and scholars have found the following positive impacts related to credit-related insurance scoring:

- The Vermont Department of Financial Regulation (DFR) found: “In general, [] policyholders whose premiums are based on credit-related insurance scores tend to pay lower annual premiums than policyholders whose premiums do not include insurance scores.”⁵
- The Texas Department of Insurance (TDI) study found that “for both personal auto liability and homeowners, credit score was related to claim experience even after considering other commonly used rating variables. This means that credit score provides insurers with additional predictive information distinct from other rating variables. By using credit score, insurers can better classify and rate risks based on differences in claim experience.”⁶
- The early EPIC Actuaries, LLC study found: “Insurance scores are among the three most important risk factors for each of the six automobile coverages studied.”⁷

⁴ https://www.state.nj.us/dobi/division_insurance/pdfs/ed_occ_april2008.pdf

⁵ Vermont Department of Financial Regulation: Study of Credit-Based Insurance Scoring (2016).

⁶ Texas Department of Insurance, “Supplemental Report to the 79th Legislature: Use of Credit Information by Insurers in Texas: The Multivariate Analysis” (2005).

⁷ See https://www.ask-epic.com/Publications/Relationship%20of%20Credit%20Scores_062003.pdf (2003).

- The Nevada Insurance Division conducted a study on credit-based insurance scoring and said that their investigation “corroborates the insurance industry’s contention that the majority of policyholders benefit from the use of credit scoring.”⁸
- A study out of the McCombs School of Business found: “The correlation between credit score and relative loss ratio is .95, which is extremely high and statistically significant. The lower a named insured’s credit score, the higher the probability that the insured will incur losses on an automobile insurance policy...”⁹
- The Federal Trade Commission (FTC) study concluded that insurers’ “use of credit-based insurance scores may result in benefits for consumers. For example, scores permit insurance companies to evaluate risk with greater accuracy, which may make them more willing to offer insurance to higher-risk consumers for whom they would otherwise not be able to determine appropriate premium. Scores also may make the process of granting and pricing insurance quicker and cheaper, cost savings that may be passed on to consumers in the form of lower premiums.”¹⁰

No single factor has yet been discovered which accurately measures the totality of risk represented by each insured. The state of today’s science illustrates that the most accurate risk assessment is achieved through a combination of risk factors.

Curtailing insurers’ ability to set prices based on actuarially justified factors may stifle competition and may deprive consumers of the benefits that naturally flow from competition. Markets are healthier – with greater consumer choice – when insurers have flexibility to use different predictive factors.

For the reasons set forth above, the Federation opposes Senate Bill 2763, and we urge the Committee to hold the bill indefinitely.

Respectfully submitted,



Christopher S. Stark
Executive Director
Rhode Island Insurance Federation
cstark@rhodeislandinsurancefederation.org

⁸ See “Report on the Use of Consumer Credit and Loss Underwriting Systems,” Nevada Dept. of Business & Industry, Division of Insurance (2005).

⁹ See “A Statistical Analysis of the Relationship Between Credit History and Insurance Losses,” University of Texas Bureau of Business Research at the McCombs School of Business (2003).

¹⁰ Federal Trade Commission: Report to Congress on Impacts on Consumers of Automobile Insurance (2007).