Consumer Federation of America

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Comments from the Consumer Federation of America to the Delaware Automobile Insurance Reform Task Force on Reducing Auto Insurance Costs

Brandon F. Williams
Automobile Insurance Reform Task Force
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Cc: Chair Spiro Mantzavinos, Co-Chair William Bush, Task Force Members

Dear Mr. Williams,

The Consumer Federation of America (CFA)[1] submits these comments to the Automobile Insurance Reform Task Force on lowering auto insurance costs and making this mandatory purchase more affordable for consumers. We urge the task force to make the following recommendations: 1) collect information on the use of socioeconomic characteristics as rating factors in auto insurance and limit or ban their use, 2) establish a low-cost auto insurance program for safe drivers with low incomes, and 3) analyze the profitability of auto insurance companies to determine if insurance rates have become excessive.

Delaware, along with nearly every state, requires drivers to purchase and maintain auto insurance. The state therefore has a responsibility to make sure this product is affordable for good drivers and that they do not experience unfair discrimination. However, escalating premiums and auto insurers' use of socioeconomic factors to surcharge drivers have made auto insurance too expensive and even unaffordable. These non-

[1] With over 200 state and local members, CFA is an association of consumer organizations that works to advance consumer interests through research, advocacy, and education. Our Director of Insurance Douglas Heller is a member of the Federal Advisory Committee on Insurance and a Board Member who helps oversee California's low-cost auto insurance program. Our Research and Advocacy Associate Michael DeLong is a funded Consumer Representative at the National Association of Insurance Commissioners (NAIC) and a member of the Nevada Advisory Committee on Property and Casualty Insurance. CFA possesses decades of experience on auto insurance costs and the best ways to lower them.

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driving rating factors include credit information (in the form of credit-based insurance scores), job title and occupation, education level, marital status, gender, age, homeownership status, ZIP code or territory, and prior insurance coverage history.

While each of these non-driving factors contributes to high premiums for financially vulnerable drivers, insurers' use of credit information in pricing stands out. CFA's 2023 report on credit scores and auto insurance, using premium quote data for every ZIP code in the United States, found that Delaware drivers with excellent credit paid an average annual premium of $773, while Delaware drivers with fair credit paid a premium of $1,154, and Delaware drivers with poor credit paid a premium of $1,695—a 134% premium hike compared to drivers with excellent credit.[2]

Other reports have found similar penalties paid by consumers with poor credit. A 2015 analysis by Consumer Reports found that Delaware drivers with poor credit and a perfect driving record paid an average annual premium of $3,723, while Delaware drivers with excellent credit and a drunk driving conviction paid an average premium of $2,790.[3] In other words, safe Delaware drivers with poor credit paid $933 more than convicted drunk drivers with a high credit score.

CFA's research has found that the penalties resulting from the various socioeconomic rating factors used by companies create a cumulative penalty that disproportionately impact Black, Hispanic, and low-income drivers. Each of the socioeconomic penalties are proxies, to varying degrees, for race, ethnicity, and income.

We urge the Task Force to investigate the use of each of these socioeconomic rating factors, especially credit information, and their

[2] "The One Hundred Percent Penalty: How Auto Insurers' Use of Credit Information Increases Premiums for Safe Drivers and Perpetuates Racial Inequality." By Douglas Heller and Michael DeLong. Consumer Federation of America. July 31, 2023. Available at https://consumerfed.org/wp-content/uploads/2023/07/Official-CFA-Credit-Score_2023-FINAL-REPORT.pdf. While the data, from 2020, understate the current cost of auto insurance, the scale of the disparities driven by different credit scores persist.
[3] "The Secret Score Behind Your Rates." Consumer Reports. July 30, 2015. Available at https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm.

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impact on auto insurance costs, to determine the extent of the harm and the premium increases that consumers pay. We further urge the Task Force to recommend banning the use of these factors in auto insurance pricing and underwriting. Your auto insurance premium should be based on your driving record, not your credit score or your job or whether you went to college.

Even with reform of the pricing models, auto insurance premiums in Delaware will remain out of reach for many lower-income residents. Therefore the Task Force should consider adopting a low-cost auto insurance program, modeled on California's program, to provide bare bones insurance coverage for good drivers.[4] The low-cost program, which would allow qualifying drivers to buy coverage below the minimum limits as a way to avoid becoming (or remaining) completely uninsured, would be self-sustaining and funded by the premiums of participating drivers. California's version of the program allows participants to drive legally for about $400 a year and currently serves about 60,000 drivers in that state.

Delaware should consider establishing this low-cost auto insurance program for drivers who are significantly impacted by the high cost of insurance. As more low-income, good drivers become insured by obtaining insurance policies through this new program, the state's roads will become safer and low-wage workers will be able to afford to comply with the law instead of driving without coverage.

Finally, the Task Force should collect information on and monitor auto insurer profits, which have escalated significantly over the last couple of years. Two of the largest insurers, Progressive and Liberty Mutual, reported that their profits doubled in the second quarter of 2025. Delaware should analyze auto insurance profits and the expenses insurers are passing through to policyholders (Progressive, for example, recently announced their highest ever six-month advertising spend of nearly $2.5 billion)[5] and work with the Department of Insurance to

[4] "California's Low Cost Auto Insurance." Retrieved on September 24th, 2025. Available at https://www.mylowcostauto.com/.
[5] See page 9, https://s202.q4cdn.com/605347829/files/doc_financials/2025/q2/2025-Q2_Investor-Relations-Call_FINAL.pdf.

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ensure that companies with excessive rates are required to file new, lower rates.

By investigating and prohibiting the use of harmful socioeconomic factors in auto insurance, establishing a low-cost auto insurance program for good drivers, and analyzing auto insurance profits, Delaware can help reduce premiums for consumers. We urge the Task Force to adopt these solutions, and we would be pleased to provide additional information or feedback on specific proposals.

Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

Michael DeLong

Michael DeLong
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Consumer Federation of America