



The League of Women Voters of Delaware Supports the Automobile Insurance Rating Factor Legislation (HB 80)

The League of Women Voters of Delaware supports House Bill 80, which bans the use of discriminatory practices by insurance companies in setting automobile insurance rates. This bill establishes a set list of rating factors for determining rates and premiums related to automobile insurance policies and requires insurance companies to offer a good driver discount plan to all qualified drivers.

It is the League's position that drivers should be rated on how they drive, not who they are. Our position is based on the League's principle that, "The League of Women Voters believes in representative government and in the individual liberties established in the Constitution of the United States." Protection from discrimination is a core Constitutional protection that figures heavily in favor of passage of this bill.

Delaware law currently allows an insurer to use credit scoring for rate making or underwriting purposes, with certain restrictions. For example, an insurer must first obtain Departmental approval, restricts the use of credit scores to policy renewals and prohibits its use on new policies, requires insurers to notify consumers that they may request a rate reevaluation based on an improved score, and allows insurers to adjust premiums only when credit score information would cause an insured's rates to decrease. Nevertheless, the League believes that these restrictions, although beneficial to consumers, still utilize credit scoring, which, by definition, is discriminatory and irrelevant.

Insurers believe that a consumer's financial stability is directly related to that person's risk of filing an insurance claim and use this belief to justify the use of an insured's credit score as a measure of that risk.¹ However, while those with lower incomes may have more difficulty making payments, there simply is no risk to an insurance company writing for those with lower incomes. This is because if premiums are not paid, coverage simply lapses.

HB 80 lists driving-related factors that must be used in ratemaking, including a person's at-fault accident history and safety record and the annual number of miles the motorist drives. Factors that are not related to driving habits, such as age, socioeconomic and marital status, credit, income or other personal life decisions, are not allowed to be considered in ratemaking under the proposed new law.

Legislators in 16 states, the District of Columbia and Puerto Rico, have addressed legislation regarding the use of credit information in insurance in the 2016 legislative session. Four states have passed reforms specific to the automobile insurance industry with positive effects. California has experienced the lowest rate of increase in the United States since the 1989 enactment of its non-discrimination statute, Hawaii's 1987 statute has inhibited neither competition nor affordability, Maryland's 2011 bill banning use of credit score has resulted in a decrease in the size of the uninsured population, and Maine's 2016 legislation prohibiting insurance companies from charging older citizens higher premiums based solely on their age has not resulted in the exit from the insurance market by the large insurer that opposed this legislation, in spite of its threats to do so.

HB 80 has been assigned to House Economic Development/Banking/Insurance/Commerce Committee, and is scheduled for a vote as to whether the bill should be released on April 5, 2017.

We urge the House Economic Development/Banking/Insurance/Commerce Committee to allow HB 80 to come to the floor and we urge its speedy passage.

¹ See <http://www.ncsl.org/research/financial-services-and-commerce/use-of-credit-information-in-insurance-2016-legislation.aspx>