



**Gender Disparities
in Auto Insurance
Pricing in the State
of Delaware
March 2022**

A Message from Insurance Commissioner Trinidad Navarro

Dear Delawarean,

I want to ask you a simple question: Who do you think pays more for auto insurance?

The answer may surprise you – it's not as simple as 'bad drivers.' In fact, insurers look far beyond driving factors in their pricing.

In our state and across the nation, critical conversations about systemic economic disparities and their impacts on residents have reached our homes and our hearts. The newfound attention these discussions provoked has ignited many research and data gathering projects to discover where disparate impacts may exist, and how we may address them.

One such area of exploration has been the question of auto insurance costs, in part because auto insurance is a required expense for residents in both a legal and economic sense. What we've learned is that insurance is not an industry immune from systemic disparities, particularly when non-driving factors are taken into account. The stereotypes perpetuated by past generations are continuing to permeate our current lives and our wallets.



Women pay more for auto insurance than men in Delaware, even when all other factors are exactly the same.

And yet, state data shows that men are more likely to be in an accident, even with more female drivers on the road than male drivers.

Several of our largest insurers charge female drivers in Delaware 8-9% more than male drivers for auto insurance, when all other factors including vehicle and drivers' history are equivalent. Data shows that this cost disparity can rise to an excruciating 20% under some plans.

Our state has also taken steps to be more cognizant of the gender spectrum, allowing for a greater diversity of gender identification opportunities in licensing. At a time when we are making this progress, it is unthinkable that we would allow a person's premium to change just because their license does.

Unfortunately, these higher costs are hitting groups who are more likely to experience financial disadvantages in our state, and who need vehicle and insurance access to take advantage of economic opportunities. Women, nonbinary individuals, and those who do not identify with

their sex at birth have also been financially impacted by COVID-19 to a greater extent than others, and already experience greater barriers to economic access than men and cisgender individuals.

It doesn't have to be this way, and in other states – it's not.

Already, six states prohibit the use of gender in auto insurance rating, with others likely to follow suit. Several of the same companies offering policies presenting cost disparities in Delaware have already ceased use of this factor elsewhere. As you read this brief report, you will see that the data paints a clear picture that change is needed – as does our collective moral compass.

We must take action together. What I humbly ask of you today is not to call your insurance agent, but to call your state legislators.

This year, we will pursue this needed progress with our partners in the Delaware General Assembly through Senate Bill 231. Premiums should be based on a person's risk and their driving history, not on their identification, and this effort is a step toward a more equitable environment in our state.

Sincerely,

A handwritten signature in blue ink that reads "Trinidad Navarro". The signature is written in a cursive, flowing style.

Trinidad Navarro
Insurance Commissioner

Auto Insurance Overview



Delaware law requires all motorists to carry auto insurance. Lawmakers and regulators, therefore, have a special responsibility to ensure that coverage remains affordable and that consumers do not experience cost disparities unrelated to their driving history. For many drivers, the cost of auto insurance can be a significant financial burden and a barrier to economic opportunity. Additionally, this report will show that gender identification is not a reliable factor for assessing a driver's risk or designating their premium expenses.

Auto Insurance Equals Access to Opportunities

For most Delaware residents, a vehicle is crucial to economic mobility; driving increases access to jobs, education, fresh food, and recreational activities.¹ High premiums can become a serious socioeconomic barrier for the residents who most need access to cars to obtain better paying jobs. Even in regions with transit systems, many economically-disadvantaged families have trouble reaching employment opportunities for which they are qualified, and are forced to turn down good positions in favor of lower paying ones with transit access. Notably, according to the United States Census Bureau, Delaware women face higher rates of poverty than men, with 12.5% of women in the state living below the poverty line compared with 9.9% of men.

¹ See, for example, Klein NJ. Subsidizing Car Ownership for Low-Income Individuals and Households. *Journal of Planning Education and Research*. September 2020. doi:10.1177/0739456X20950428.

Research from the Williams Institute, a leading research center on sexual orientation and gender identity, indicates 29.4% of persons who are transgender experience poverty.²

Individuals who cannot afford car insurance yet must continue to drive to remain employed risk costly fines and license suspension, and the cost of uninsured drivers is passed on through higher premiums for everyone.

Auto insurance has unique qualities, including the mandatory purchase requirement and its impact on the economic well-being of Delaware residents. As such, public policy should aim to protect consumers from unnecessary cost differentials, including those living in difficult economic circumstances or who experience prevailing systemic disadvantages.

Gender as a Factor in Auto Insurance Pricing

Auto insurance rates should reflect the overall amount that insurance companies anticipate needing to cover claims. Individual customer premiums also reflect various factors insurance companies use to increase or decrease the cost of insurance charged to drivers. Good drivers, for example, are priced lower than otherwise similar drivers with a history of accidents or significant violations. However, a series of non-driving factors are also used for pricing. As this report illustrates, one non-driving factor – the driver’s sex or gender identity – is used by many Delaware insurers with surprising results.

Several of Delaware’s largest auto insurers use gender as a factor in setting auto insurance premiums (Table 1). Despite common assumptions, many insurers charge women higher premiums than men, even when all other characteristics are held constant. Specifically, according to insurance industry data procured by Consumer Federation of America,³ a 35-year-old female driver with a perfect driving record could be quoted an average annual auto insurance premium between 3 and 20% higher than a 35-year-old man would be offered the same coverage. Many major insurers make women pay rates 8-9% higher than men simply because of their identified gender. With Delaware women already facing higher rates of poverty than men, the cost differential can significantly impact both the ability to purchase insurance, and the ability to access economic improvement through job opportunities. Below is statewide premium by gender for a sample of auto insurers using data obtained from Quadrant Information Services. The companies represented 80% of premium written in the

² “LGBT Poverty in the United States: A Study of Differences Between Sexual Orientation and Gender Identity Groups.” Williams Institute, UCLA School of Law. October 2019. Available at <https://williamsinstitute.law.ucla.edu/publications/lgbt-poverty-us/>.

³ Consumer Federation of America (CFA) acquired a dataset from Quadrant Information Services, LLC that includes auto insurance premiums in every Delaware ZIP code from ten auto insurers in the state. The premiums in the dataset reflect the cost of a policy covering only the state’s mandatory minimum coverage (25/50/10 + PIP) for a driver with no accidents, tickets, or claims on their driving record. The drivers used in this dataset are 35-year-old male or female customers who are otherwise the same in every respect: unmarried, holding a high school diploma, renting their home, and driving a 2011 Honda Civic LX on a 12-mile commute five days a week, 12,000 mile annually. The data reflect premiums in Delaware as of August 2020.

state as of August 2020. The findings indicate that the majority of these auto insurers charge women higher rates.

Table 1: Sample Premiums in Delaware for Men and Women by Auto Insurer

Auto Insurer	Average Premium for 35 Year Old Single Male	Average Premium for 35 Year Old Single Female	Average Premium Percentage Increase from Male to Female
Allstate	\$1,650	\$1,802	9%
Berkshire Hathaway (GEICO)	\$984	\$1,191	21%
California Casualty	\$952	\$952	0%
Donegal	\$1,667	\$1,537	-8%
Nationwide	\$1,250	\$1,282	3%
Progressive	\$1,239	\$1,492	20%
Sentry	\$2,662	\$3,070	15%
State Farm	\$1,218	\$1,218	0%
Travelers	\$848	\$923	9%
USAA	\$669	\$700	5%

Several of the top insurers charge women more than men, with the female consumers of GEICO and Progressive facing the highest cost differentials in the 2020 sample. Although the majority of these insurers increase rates for women, it is notable that both State Farm and California Casualty charge women and men the same premium and Donegal charges a higher premium to men. These substantial differences indicate that gender is not a reliable factor in risk-based pricing, as insurers do not agree on gender-based risk of loss.

CFA also found, using GEICO’s online pricing tool, that the company quotes a higher rate to a 20-year-old female driver than a 20-year-old male driver. Though often thought to be the riskiest drivers, this illustrates that there is not consistency when it comes to pricing of young men either.

Gender Should Not – and Need Not – Be Used in Auto Insurance Rating

Rating factors should be meaningfully related to drivers’ risk of loss and should not be disproportionately harmful to customers based on protected classes. Though used by many insurers, gender does not meet these critical tests. With several companies setting prices that suggest women are inherently riskier, another company rating as though men are riskier drivers, and two companies considering it unnecessary to consider the gender of the driver, it is clear that this factor does not meaningfully or accurately capture a driver’s risk of loss. The inconsistency of gender’s usage reveals that carriers’ claims of correlation to risk are deeply flawed.

In addition to at least two insurers charging the same price in Delaware irrespective of gender, and thereby demonstrating the viability of pricing without reference to gender, it is important to recognize that several of these insurers operate in one or more of the six states that already prohibit the use of gender in auto insurance rating: **California, Hawaii, Massachusetts, Michigan, North Carolina, and Pennsylvania.** Other states are pursuing similar advancements. Prohibiting the use of gender as a rating factor in Delaware would only require insurers implement consumer protections that are already in force elsewhere.

Additionally, predictive ability of gender as a rating factor is further undermined when we consider the gender spectrum as a whole. For these consumers who are transgender and transitioning, their premium may change when their driver’s identification card is updated, even though they are precisely the same driver. In Michigan, prior to that state’s prohibition on the use of gender, a trans woman reached out to her insurance company regarding a change to her legal name; as a result, her policy increased by \$80.⁴ Her driving ability did not change when she transitioned, but her insurance company’s gender-based pricing practices punished her nonetheless.

Delaware is working to make it easier for drivers to update the gender listed on identification documents including driver’s licenses, in addition to offering a nonbinary or gender X identification option. Without a prohibition on gender in pricing, the premium change faced by the Michigan woman will undoubtedly be repeated in Delaware and almost certainly already has.

A review of crash statistics in Delaware further exposes gender as inadequate for use in a risk-based premium setting.

Table 2: Crashes on Delaware Public Roadways by Male and Female Drivers Involved

Delaware Auto Crash Data	2019	2020
Number of Drivers Involved in Crashes on Public Roadways	49,681	39,647
Male Drivers Involved in Crashes	26,315	21,679
Female Drivers Involved in Crashes	20,811	15,296

In 2020, Delaware had 24,162 crashes on public roadways that produced injuries, fatalities and/or property damage over \$1,500, many involving multiple drivers. Of the 39,647 drivers involved in these crashes, 21,679 of them were men while only 15,296 were women (for 2,672

⁴ “Transgender Woman Shocked By Higher Car Insurance Rates for Women in Michigan.” By Kim Russell. WXYZ. October 8, 2018. Available at <https://www.wxyz.com/news/transgender-woman-shocked-by-higher-car-insurance-rates-for-women-in-michigan>.

accidents the driver' or drivers' gender was not stated).⁵ 2019 saw a similar pattern: there were 29,150 crashes overall. Of the 49,681 drivers involved in these crashes, 26,315 of them were men while only 20,811 were women (in 2,555 accidents the driver' or drivers' gender was not stated).⁶ While pricing data show women pay higher premiums on average, crash statistics show fewer Delaware women in accidents, despite the fact that there are actually more female residents and drivers than males in Delaware. This provides further evidence that gender as a rating factor lacks risk-based reasoning.

Policy Recommendation: Prohibit Gender-Based Pricing

Delaware should join the states of California, Hawaii, Massachusetts, Michigan, North Carolina, and Pennsylvania in ending the use of gender in the underwriting and rating of auto insurance policies. Removing this factor will reduce gender disparities in the state, make the auto insurance market more equal, and improve access to coverage for Delaware women and individuals not identifying with their sex at birth, in turn expanding economic opportunity.

⁵ "Delaware's Annual Traffic Statistical Report 2020." Prepared by Delaware State Police. Delaware Information and Analysis Center. Available at <https://dsp.delaware.gov/wp-content/uploads/sites/118/2021/04/2020-Annual-Traffic-Report.pdf>.

⁶ "Delaware's Annual Traffic Statistical Report 2019." Prepared by Delaware State Police. Delaware Information and Analysis Center. Available at <https://dsp.delaware.gov/wp-content/uploads/sites/118/2020/06/2019-Annual-Traffic-Statistical-Report.pdf>.