

## COMMENT

*The ins and outs of today's insurance prices*

**DELAWARE VOICE**  
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Let's face it – nobody enjoys writing a check to their auto insurance company. The same goes for that chunk of funds that gets taken out of your paycheck to pay for your health insurance. We could all imagine spending that money one hundred ways other than on insurance. However, if you have ever

been in a severe car accident, or had an emergency appendectomy, you realize the importance of insurance. Without insurance, incidents like these could easily cost you tens of thousands of dollars and have a negative impact on your financial situation for many years to come.

A number of residents have recently contacted our Consumer Services division to express their frustration about rate increases. I would like to explain my role as Insurance Commissioner and the role the Department of Insurance (DOI) plays in regulating the insurance market in Delaware.

DOI exists to regulate the state's insurance market, protect consumers, and ensure that the insurance carriers who operate in our state are able to generate enough income to remain solvent and pay claims when claims come due. It is my duty as the Insurance Commissioner to strike a balance between protecting consumers and ensuring that the insurance companies are able to operate a stable business model. When

insurance companies see that Delaware provides a fair and balanced approach to regulating the insurance markets, it attracts and retains good companies that compete for your business.

Here's how the process works when an insurance company seeks to increase its rates: According to Delaware law, companies may not charge rates that are "excessive, inadequate or unfairly discriminatory." Insurers submit rate filings with supporting data to DOI for review. A rate filing might request an increase, or sometimes a decrease. Generally, insurance rates tend to rise at least a few percentage points from one year to the next simply because the cost of making repairs to automobiles or the cost of administering medical care tends to rise over time. Medical care costs in Delaware particularly have surged over the last few years.

My staff at DOI reviews the rate filings and our own actuaries review the supporting data to see if the rate change is justified by the circumstances. Before making a decision on rate changes, I review all of the data submitted by the insurance carrier and the reports from my actuaries and staff. After careful consideration, and sometimes discussion of alternatives with the insurer, I then approve or deny the request. I keep the residents of Delaware in mind as I go through every step in this process because I know that the numbers I'm reviewing will have a direct impact on the wallets and pocketbooks of tens of thousands of individuals.

The rate I approve is a base rate; when computing

the actual cost of your auto, home or life insurance coverage, insurers may consider individual factors like driving history, distance to a fire station, or tobacco use.

How exactly do the insurance companies come up with the rate requests that they submit? The various insurance sectors (life, health, auto, home, etc.) use complex formulas to predict future costs. Insurers consider data from past claims and other state-specific factors, such as state-required minimum levels of coverage, the percentage of uninsured drivers, the likelihood of severe weather that can cause accidents or damage buildings, the state's legal climate, and the level of competition among insurance companies.

What can you do to keep your rates low? The most important thing to do is to shop around and compare prices. NerdWallet, a consumer finance website, found that drivers can save as much as 32 percent on their auto insurance by comparing prices and shopping for insurance. We all shop for the best prices on food, clothing, cars and other necessities – insurance should be no different.

(If you have any questions about your levels of insurance coverage, or to see a breakdown of the costs that make up your premium, contact your insurance agent/broker or HR department. If they are unable to help you please call our Consumer Services division at 1-800-282-8611 or utilize the resources on [www.delawareinsurance.gov](http://www.delawareinsurance.gov).)