WES MOORE
Governor

ARUNA MILLER
Lt. Governor

MARIE GRANT
Commissioner

JOY Y. HATCHETTE
Deputy Commissioner

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December 22, 2025

The Honorable Wes Moore
State House
100 State Circle
Annapolis, Maryland 21401

The Honorable Bill Ferguson
President, Senate of Maryland
State House, H-107
Annapolis, Maryland 21401

The Honorable Joseline A. Peña-Melnyk
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401

Re: Report required by HB 1098/Ch. 395, 2025 (MSAR # 16362)- Workgroup Report on the Affordability of Private Passenger Automobile Insurance

Dear Governor Moore, President Ferguson, and Speaker Pena-Melnyk:

On behalf of the Maryland Insurance Administration, I am pleased to submit the Workgroup Report on the Affordability of Private Passenger Automobile Insurance. This report summarizes the findings and recommendations of the workgroup study pursuant to HB 1098/Ch. 395, 2025 (MSAR # 16362) and in accordance with § 2–1257 of the State Government Article of the Annotated Code of Maryland

Five printed copies of this report have been mailed to the DLS library for its records.

Should you have any questions regarding this report, please do not hesitate to contact me or my Associate Commissioner of External Affairs and Policy Initiatives, Jamie Sexton, at jamie.sexton@maryland.gov.

Sincerely,

Marie Grant

Marie Grant
Insurance Commissioner

cc: Sarah T. Albert, Department of Legislative Services (5 copies)

Affordability of Private Passenger Automobile Insurance

2025 Workgroup Report

HB 1098/Ch. 395, 2025

Marie Grant
Insurance Commissioner

December 22, 2025

For further information concerning this document, contact:

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This document is available in alternative format upon request
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The Maryland Insurance Administration's website address: https://insurance.maryland.gov/

Table of Contents

I. EXECUTIVE SUMMARY

This Report is submitted to the Governor and General Assembly pursuant to 2025 Maryland Laws Ch. 395. It summarizes the findings of an extensive workgroup study concerning the affordability of private passenger automobile ("PPA") insurance. Legislative study charges addressed in this Report include:

- Possible ways to define "affordability" in the context of considering PPA insurance premium rates;
- Factors affecting the affordability of PPA insurance in the State;
- Options to enhance transparency surrounding and the affordability of PPA insurance premium rates;
- How affordability can be considered in establishing PPA insurance rates consistent with rate making principles codified in the Insurance Article;
- The current financial status of PPA insurers in the State; and
- Potential options to address excess profits by PPA insurers.

The workgroup solicited and considered feedback from public stakeholders, including consumer advocates and members of the insurance industry, on the matters studied. A variety of other sources were considered by the workgroup and consulted in developing this Report, including:

- Laws and regulations adopted by other states;
- Studies by insurance regulatory agencies in other states;
- Information published by the Federal Insurance Office;
- Briefings and reports by nonprofit research organizations;
- Data and recommendations published by the National Association of Insurance Commissioners; and
- Aggregated information reported in rate filings and financial disclosures by insurers.

This Report sets forth the workgroup's recommendations concerning topics it was charged with studying, and describes different viewpoints expressed by workgroup members to the extent consensus was not reached. The following recommendations are offered herein.

- The workgroup agrees that the Federal Insurance Office's definition of "affordability" provides a reasonable conceptual framework for monitoring and evaluating trends in the affordability of PPA insurance over time, but would not support the inclusion of this definition in legislation establishing a literal affordability threshold for PPA insurance. The Federal Insurance Office defines affordability in terms of the average cost of PPA liability insurance on the voluntary market, expressed as a percentage of median family income, in ZIP codes with a majority-minority population or median family income that is less than 80% of the median family income for the relevant Metropolitan Statistical Area. The workgroup recommends that the Maryland Insurance Administration periodically report on Maryland's metrics with regard to the FIO definition of "affordability." Since the FIO index does not consider affordability on the residual market, it should be noted that these periodic "affordability" reports would not include metrics for the Maryland Automobile Insurance Fund's book of business.

- The workgroup recommends further study into the feasibility of updating the Department of Public Safety and Correctional Services system used by police officers during traffic stops so that it can connect with the Motor Vehicle Administration's Online Insurance Verification Program, thereby enabling officers to accurately identify instances in which the subject of a traffic stop has been driving without insurance. Expanding enforcement capabilities in this manner may result in higher rates of compliance with Maryland PPA insurance requirements and positively impact the affordability of uninsured motorist coverage for Maryland consumers.
- The workgroup recommends further study into towing and post-towing procedures following an accident that occurs on roadways other than State highways. This study should examine the extent to which inflated bills that towing companies submit to insurers as claims impact insurers' claims costs and PPA premium rates. The study should also assess whether legislative action may be appropriate to curtail unfair insurance billing practices by towing companies.
- The workgroup recommends further study into whether changes should be made to Maryland's graduated licensing and traffic safety laws to reduce the frequency of collision claims and fatal crashes involving teen drivers, and to reduce the risk of bodily injury to children and rear seat passengers during collisions. The workgroup stresses that any such study should consider adverse effects that more burdensome licensure requirements could have on the economic opportunities and overall quality of life available to Maryland families.
- The workgroup recommends further study into whether and how the legislature could design an equitable and sustainable low-cost auto program for income-eligible residents. More specifically, the workgroup suggests the following nonexhaustive list of considerations to be examined:
    - How the program should be administered);
    - Whether and how coverage limits for policies offered through the program should be constrained to control program costs;
    - Whether the program should be completely self-funded via adequate rates and processing surcharges paid by its policyholders, or if a supplemental funding source should be designated; and
    - Which eligibility requirements individuals should meet to qualify for coverage through the program (e.g., individual or household income below a certain threshold, good driving record or new driver, vehicle valued below a certain amount, etc.).
- The workgroup recommends further study into whether and how the legislature could design an economic relief credit program to reduce the cost of PPA insurance for low-income Maryland consumers. The workgroup thinks it would make sense for the feasibility and mechanics of an economic relief credit program to be examined together with and as a potential alternative to a low-cost auto program. In regards to an economic relief credit program, the workgroup specifically recommends further evaluation of:

    - How the program would be funded (e.g., increased rates for non-qualifying policyholders, assessments on the private market, a new vehicle registration surcharge, etc.); and
    - Whether an economic relief credit could be applied towards the premium for a PPA policy purchased through the private market, or be limited to the Maryland Automobile Insurance Fund.
- The workgroup recommends that the Maryland Automobile Insurance Fund implement its proposal to adjust the length of its policy terms from twelve to six months. The Maryland Automobile Insurance Fund indicates that such action will lower down payments due from its policyholders, encourage participation in the voluntary market (by encouraging more frequent comparison shopping), and hasten its progress towards achieving rate adequacy by enabling it to realize rate adjustments in half the time. This proposal is consistent with rate making principles codified in the Insurance Article, and could be implemented administratively (without legislative action). The workgroup further recommends that the Maryland Automobile Insurance Fund monitor and report to the Maryland Insurance Administration on the effects of changing the length of its policy terms over the two years immediately following implementation of the change.
- The workgroup recommends that the Maryland Insurance Administration submit an annual report to the General Assembly on the overall financial performance and underwriting profitability of PPA insurers in Maryland during the preceding calendar year. The workgroup agrees that this annual report would increase transparency surrounding insurers' profits and enable the legislature and other interested parties to identify which financial factors are driving trends in PPA insurance premium rates.

II. INTRODUCTION

Uncodified language in Section 2 of 2025 Maryland Laws Ch. 395 (H.B. 1098) directed the Maryland Insurance Administration (the "MIA") to establish a workgroup to conduct a study of the affordability of private passenger automobile ("PPA") insurance in the State and report its findings and recommendations to the Governor and the General Assembly. As directed in the legislation, the MIA convened a workgroup consisting of the following members:

- The Insurance Commissioner (workgroup chair and representative of the MIA);
- The Executive Director of the Maryland Automobile Insurance Fund ("Maryland Auto");
- Senator Dawn Gile (member of the Senate Finance Committee appointed by the President of the Senate);
- Delegate David Fraser-Hidalgo (member of the House Economic Matters Committee appointed by the Speaker of the House);
- The Vice-President & State Government Relations Counsel of the American Property Casualty Insurance Association (representative of an automobile insurer trade association appointed by the chair);
- The Executive Director of Economic Action Maryland Fund (representative of a consumer advocacy group appointed by the chair); and
- The President of Joseph W. McCartin Insurance, Inc. (representative of PPA insurance producers appointed by the chair).

During the course of its study, the workgroup held four virtual meetings that were open to the public. At these meetings, workgroup members gave and received presentations, heard stakeholder feedback, and shared their opinions on the matters studied. Furthermore, the workgroup solicited, received, and considered written feedback from stakeholders. Recordings of the meetings, agendas for the meetings, slideshows presented at the meetings, written feedback submitted by stakeholders, and other materials considered by the workgroup can be accessed on the MIA's website.[1]

This Report presents the workgroup's findings and recommendations regarding each of the following topics it was charged with studying under 2025 Maryland Laws Ch. 395:

- Ways in which the term "affordability" has been or may be defined in the context of the establishment of PPA insurance premium rates;
- The affordability of PPA insurance in the State, including factors that contribute to premium rate increases and trends in rate increases;
- Policy options to provide greater transparency regarding PPA insurance premiums and to increase the affordability of PPA insurance in the State;
- Methodologies by which affordability can be considered in establishing PPA insurance rates consistent with rate making principles codified in the Insurance Article; and
- The current financial status of PPA insurers in the State and potential options to address excess profits.

Consensus was not always possible on each of the workgroup's charges. Where consensus was not possible, different views are noted in the Report.

III. DEFINING "AFFORDABILITY"

The workgroup identified two possible definitions of "affordability" that may apply in the context of analyzing and considering policy interventions relating to PPA insurance premiums. The first was set forth by the Federal Insurance Office ("FIO") in its *Study on the Affordability of Personal Automobile Insurance*, published in January of 2017. The second was set forth by the Insurance Research Council ("IRC") in its brief, *Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, published in March of 2025. Both FIO and the IRC apply a premium-to-income ratio to assess affordability. This section of the Report provides a detailed description of the differences in how the respective ratios are calculated.

A. FEDERAL INSURANCE OFFICE'S AFFORDABILITY INDEX

FIO's 2017 report applies a premium-to-income ratio to gauge whether the average cost of legally mandated PPA liability insurance was affordable for persons residing in affected ZIP codes based on premium data from July 1, 2014 through June 30, 2015.[2] FIO defines an "affected ZIP code" as one with: (1) a majority-minority population; or (2) median family income that is less than 80% of the median family income for the relevant

[1] Workgroup materials are available at: https://insurance.maryland.gov/Consumer/Pages/Private-Passenger-Automobile-Insurance-Affordability-Workgroup.aspx.

[2] *Study on the Affordability of Personal Automobile Insurance*, FIO (Jan. 2017): https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study_web.pdf.

Metropolitan Statistical Area. **FIO's affordability index is calculated as: average annual written premium for PPA liability coverage *on the voluntary market* ÷ median household income of the affected ZIP code.**[3] FIO's 2017 study "presumes" that PPA liability insurance is unaffordable for persons residing in an affected ZIP code with an affordability index ratio greater than 2%, which is the approximate percentage of average income that consumers in the U.S. spend on auto insurance. FIO reported the following Maryland-specific data points for July 1, 2014 through June 30, 2015:

- 146 of the 468 ZIP codes in Maryland (31.2%) were affected ZIP codes;
- 45.9% of the State's population resided in affected ZIP codes; and
- 12.4% of the State's population resided in affected ZIP codes with an affordability index ratio greater than 2%.

In January of 2025, FIO published a second report assessing the affordability of PPA liability insurance in affected ZIP codes.[4] This report is based on premium data for 2022 and acknowledges that "no single Premium-to-Income ratio can define 'affordability' for all consumers." While it retains the 2% affordability index ratio threshold established in the 2017 study, the 2025 report also presents data on hypothetical 1.5% and 3% thresholds to aid in expanded analysis. FIO reported the following Maryland-specific data points for 2022:

- 162 of the 466 ZIP codes in Maryland (34.8%) were affected ZIP codes;
- 52.6% of the State's population resided in affected ZIP codes;
- 16.8% of the State's population resided in affected ZIP codes with a premium-to-income ratio greater than 1.5%;
- 6.1% of the State's population resided in affected ZIP codes with a premium-to-income ratio greater than 2%; and
- 2.1% of the State's population resided in affected ZIP codes with a premium-to-income ratio greater than 3%.

B. INSURANCE RESEARCH COUNCIL'S AFFORDABILITY INDEX

The IRC's 2025 brief ranks each state based on the affordability of PPA insurance for its overall population, using 2022 premium data.[5] In the brief, the IRC measures affordability based on the average cost of PPA insurance for all consumers in a state relative to statewide median income. **To arrive at the average PPA expenditure in a state, the IRC divides total written premium *on both the voluntary and residual markets* by the number of cars insured under liability coverage for a full year.** Unlike FIO, the IRC does not consider only written premium for required liability coverages that

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[3] It should be noted that FIO's affordability index ratio does not consider the cost of PPA liability insurance purchase through the residual market (i.e., through the Maryland Automobile Insurance Fund in Maryland).

[4] *Report on Personal Auto Insurance Markets and Technological Change*, FIO (Jan. 2025): https://insurance.maryland.gov/Consumer/Documents/agencyhearings/FIO%20January%202025%20Report%20on%20Personal%20Auto%20Insurance%20Markets%20and%20Technological%20Change.pdf.

[5] *Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, IRC (Mar. 2025): https://www.insurance-research.org/auto-injury-claims-trends/personal-auto-insurance-affordability-countrywide-trends-and-state.

all insureds carry, but also written premium for optional physical damage coverages (collision and comprehensive) that many insureds chose to carry.

The IRC affordability index is calculated as: average annual PPA insurance expenditure ÷ statewide median household income. The IRC describes its affordability index as "a tool to measure and compare auto insurance affordability over time and across jurisdictions," rather than a means of establishing a threshold for affordable insurance. The IRC notes "[s]uch a threshold would be subjective, as different parties can reasonably disagree about what would constitute affordable insurance." In its brief, the IRC ranked Maryland as the 18th most affordable state for PPA insurance in 2022 with a 1.18% affordability index ratio.

C. WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING THE DEFINITION OF "AFFORDABILITY"

At its final meeting, the workgroup agreed that the FIO definition of "affordability" articulates a reasonable conceptual framework for monitoring and evaluating trends in the affordability of PPA insurance over time. At this meeting, the workgroup expressed a collective preference for the FIO definition over the IRC definition, because the FIO definition reflects the reality that lower income households are acutely affected by general increases in PPA premium rates. However, subsequent to the final workgroup meeting, APCIA indicated that it had changed its stance and found the IRC definition to be more useful for monitoring changes in Maryland's PPA market as a whole.

The workgroup does not endorse either definition for inclusion in legislation to establish a literal affordability threshold for PPA insurance. Several stakeholders expressed concern that a legally prescribed threshold may inhibit insurers' ability to rate individual policies based on factually supported assessment of the level of risk associated with writing those policies. The workgroup also discussed complications around the meaningful evaluation of the affordability of PPA insurance over time - affordability of PPA insurance is more complicated than applying a static premium-to-income ratio, and must consider the cost factors at play. Laws, economic conditions, and other circumstances that impact PPA insurance costs and affordability for consumers can and do change over time.

The workgroup recommends that the MIA periodically report on Maryland's metrics with regard to the FIO definition of "affordability." Since the FIO index does not consider affordability on the residual market, it should be noted that these periodic "affordability" reports would not include metrics for Maryland Auto's book of business.

IV. THE AFFORDABILITY OF PRIVATE PASSENGER AUTOMOBILE INSURANCE IN THE STATE

A. TRENDS IN PREMIUM RATE INCREASES

In Maryland and across the nation, personal auto losses, and in turn, premium rates increased significantly in the aftermath of the COVID-19 pandemic due to changes in economic and social factors. In its 2025 brief, the IRC explains: "Insurance losses soared in 2021 and 2022 as miles travelled began to recover, boosted by high rates of overall economic inflation, rising severity in injury claims from deteriorating driving behavior and legal system abuse, and escalating vehicle repair and replacement costs from supply chain disruptions."[6] The data below on changes in average premium rates for PPA insurance in Maryland between 2021 and 2023 is illustrative. This data was reported by the National Association of Insurance Commissioners ("NAIC") in its *2023 Auto Insurance Database Average Premium Supplement*, published in June of 2025.[7]

- The liability average premium (average premium for bodily injury, property damage, and uninsured/underinsured motorist coverage required under State law) was:
  - $717 in 2021;[8]
  - $755 in 2022 (+ 5.23% from 2021); and
  - $869 in 2023 (+ 15.1% from 2022).
- The combined average premium (liability average premium + collision average premium + comprehensive average premium) was:
  - $1,304.04 in 2021;
  - $1,389.11 in 2022 (+ 6.52% from 2021); and
  - $1,602.31 in 2023 (+ 15.34% from 2022).

Rate filings recently submitted to the MIA indicate that general premium rate increases have significantly abated as inflationary pressures have cooled and projected increases in insurers' costs and expenses have improved. Between January 1 and November 20 of 2025, only five of the top ten PPA carriers filed any rate changes with the MIA.

An "indicated rate change" is the difference between the current rate level and the indicated rate level (i.e., the rate level that actuaries have projected necessary to achieve a balance between expected premium income and expected losses and expenses). A "proposed rate change" is the rate change that a carrier actually files with the MIA. The chart below presents data on cumulative annual rate changes for the top ten PPA carriers (which accounted for 70.4% of total written premium in 2024) from 2017 to 2025 (as of November 20). This data suggests that spikes in insurers' projected losses and expenses, as well as resultant spikes in filed rate increases that were seen in the years immediately following the COVID-19 pandemic, have subsided.

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[6] *Id*.

[7] *2023 Auto Insurance Database Average Premium Supplement*, NAIC (Jun. 2025): https://content.naic.org/sites/default/files/aut-db_1.pdf.

[8] Note that the COVID-19 State of Emergency in Maryland ended on July 1, 2021.

CUMULATIVE INDICATED RATE CHANGE - TOP 10 CARRIERS			
SUBMISSION YEAR	**HIGH**	**LOW**	**RANGE**
2025 (as of 11/20)	3.6%	-15.1%	18.7%
2024	30.2%	2.9%	27.3%
2023	49.7%	7.5%	42.2%
2022	57%	9.8%	47.3%
2021	27.4%	1.9%	25.5%
2020	13.9%	-6.7%	20.6%
2019	16.4%	-6.3%	22.7%
2018	14.0%	-0.3%	14.3%
2017	29.0%	-1.7%	30.8%

CUMULATIVE PROPOSED RATE CHANGE - TOP 10 CARRIERS			
SUBMISSION YEAR	**HIGH**	**LOW**	**RANGE**
2025 (as of 11/20)	3.5%	-15.0%	18.5%
2024	24.2%	-0.1%	24.3%
2023	26.3%	7.5%	18.8%
2022	37.1%	8.1%	29.0%
2021	16.3%	1.6%	14.7%
2020	1.9%	-14.6%	16.5%
2019	7.0%	-4.1%	11.1%
2018	6.0%	-0.8%	6.8%
2017	12.5%	-3.8%	16.2%

B. FACTORS THAT CONTRIBUTE TO PREMIUM RATE INCREASES

In its 2025 brief, the IRC identified the following factors (listed in order of impact) as primary cost drivers of PPA insurance rates in Maryland.[9]

- **Accident frequency**: According to the IRC, relative to other states, Maryland has a high number of property damage liability claims filed per 100 earned car years. The factors below may contribute to Maryland's high accident frequency rate.
  - High traffic density: Per the U.S. Census, Maryland was the sixth most densely populated state in 2024.[10] U.S. Census data also indicates that Maryland had the second longest commute time in 2022.[11]
  - Poor road conditions: In March of 2025, the National Transportation Research Nonprofit reported that 49% of major locally and state-maintained roads and highways in Maryland are in poor or mediocre condition, and 5% of Maryland's bridges (250) are in poor/structurally deficient condition.[12]
- **Uninsured motorists**: According to the IRC, relative to other states, Maryland has a high uninsured motorist rate. When an insured driver sustains property damage or physical injury due to an accident caused by an uninsured driver, they must file a claim against their own policy (under uninsured motorist coverage, which all drivers are required to carry under Maryland law). Thus, a high uninsured motorist rate can drive up premium rates. Recent legislative initiatives in Maryland and Virginia are expected to mitigate this issue. Background information and considerations relating to this issue are outlined below.
  - According to the Insurance Information Institute, Maryland had the 14th highest uninsured driver rate among the 50 states and the District of Columbia in 2023 at 16.9%.[13] The workgroup was unable to locate data pinpointing the impact of legislative reforms implemented since 2023 and expected to have a positive impact on Maryland's uninsured driver rate, and such data may not exist yet.
  - On July 1, 2024, Maryland's uninsured driver penalty increased for the first time in over 30 years. The average annual premium for a policy with minimum required liability coverage on the voluntary market is less than the maximum annual uninsured driver penalty. Thus, there is no financial incentive to drive a vehicle registered in Maryland without insurance for those motorists who are able to obtain a policy on the voluntary market.[14]

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[9] *Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, IRC (Mar. 2025): https://www.insurance-research.org/auto-injury-claims-trends/personal-auto-insurance-affordability-countrywide-trends-and-state.

[10] *Highest Density*, U.S. Census: https://www.census.gov/popclock/embed.php?component=density.

[11] *Commuting in the U.S. Facts and Statistics*, Autoinsurance.com (Apr. 2025): https://www.autoinsurance.com/research/us-commuting-statistics/.

[12] *Maryland Transportation by the Numbers*, National Transportation Research Nonprofit (Mar. 2025): https://tripnet.org/wp-content/uploads/2025/03/TRIP_Maryland_Transportation_by_the_Numbers_Report_March_2025.pdf.

[13] *Facts + Statistics: Uninsured Motorists*, Insurance Information Institute: https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists.

[14] *See* 2024 Maryland Laws Ch. 857 (H.B. 1482).

    - As of July 1, 2024, persons who register their vehicles in Virginia no longer have the option of paying a $500 "uninsured motor vehicle fee" instead of obtaining insurance.[15] Anecdotal evidence suggests that some Maryland residents registered their vehicles in Virginia because the uninsured motor vehicle fee cost less than liability insurance.
    - As of January 1, 2025, auto insurers that issue policies in Maryland are required to participate in the Motor Vehicle Administration's Online Insurance Verification Program and electronically submit their current books of business to the Motor Vehicle Administration ("MVA") on a weekly basis.[16] These initiatives enable the MVA to monitor and verify in real-time the status of insurance policies covering vehicles registered in Maryland. In October of 2025, the MVA reported that all insurers were in compliance with the weekly book of business reporting requirement, 96% of insurers were participating in the Online Insurance Verification Program, and these initiatives have increased efficiencies in the MVA's handling of insurance lapse cases. The MVA further reported that "the number of cases closed because the vehicle owner paid the penalty – and therefore the number of identified uninsured vehicles – increased since implementing the new weekly reporting process [from 97,790 between January and August of 2024 to 128,934 between January and August of 2025]."[17]
    - In response to an inquiry from the workgroup, the MVA confirmed that the Department of Public Safety and Correctional Services ("DPSCS") does not currently have access to the MVA's Online Insurance Verification Program. The MVA explained that the DPSCS system used by police officers during traffic stops would have to be modified in order to sync with the MVA's Online Insurance Verification Program.
- **Tendency to file injury claims**: According to the IRC, relative to other states, Maryland has a high ratio of bodily injury liability claims to property damage liability claims. The greater tendency to file injury claims, **coupled with increasing medical costs**, may drive up costs for the following coverages:
    - Bodily injury liability coverage (required), which covers medical bills, rehabilitation costs, lost income, and potentially pain and suffering for other injured persons if the policyholder was at fault;
    - Medical payments coverage (optional), which covers medical expenses for the policyholder and their passengers, regardless of who was at fault; and
    - Personal injury protection coverage (optional), which covers medical expenses, rehabilitation costs, lost income, and funeral expenses for the policyholder and their passengers, regardless of who was at fault.
- **Expense Index**: According to the IRC, relative to PPA insurers in other states, PPA insurers in Maryland spend more to process, investigate, and litigate claims (higher loss adjustment expenses as a percent of incurred losses).

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[15] *See* 2023 Virginia Laws Ch. 538 (S.B. 951).

[16] *See* 2024 Maryland Laws Ch. 73 (S.B. 254 and H.B. 229).

[17] *Insurance Coverage Verification*, MVA (Oct. 2025): https://dlslibrary.state.md.us/publications/JCR/2025/2025_117(a).pdf.

- **Tendency to litigate claims**: According to the IRC, relative to other states, Maryland has a high percentage of PPA insurance claims with litigation. This leads to higher litigation costs for insurers. Tort reform is a multifaceted political issue, which the workgroup members do not share a consensus view on. The workgroup offers the following factual overview of relevant legislation recently enacted or proposed in Maryland, as well as recent tort reform in Florida that has seemingly had positive impacts on market performance.
    - Some workgroup members and other interested parties point to Maryland's atypically high amount in controversy requirement for a civil jury trial as potentially contributing to the high percentage of PPA insurance claims with litigation in the State. 2021 Maryland Laws Ch. 598 (S.B. 670) increased from $15,000 to $25,000 the maximum amount in controversy in a civil action in which a party may not demand a jury trial, contingent on the passage and ratification of a constitutional amendment, which subsequently occurred. Insurers and insurer trade organizations opposed this legislation on the grounds that it might increase the financial incentive for persons who sustain injuries in minor auto accidents to file claims against insurers in district court. They contended that an insurer is disadvantaged in defending against an injury claim in district court, as opposed to circuit court, because discovery of the plaintiff's medical history is restricted and deposition without the plaintiff's consent is generally prohibited. Written testimony submitted in opposition to S.B. 670 noted that Maryland had the highest monetary threshold for a jury trial among all states at that time, and that the change set forth in the bill would make Maryland more of an outlier.[18]
    - Bills were introduced during the 2023, 2024, and 2025 legislative sessions that proposed removing the cap on noneconomic damages in civil cases (which is currently $965,000 and increases by $15,000 each year).[19] Insurers and insurance trade organizations opposed these proposals on the grounds they would result in higher jury awards and lawsuit settlement demands, thereby encouraging more litigation of PPA insurance claims.[20] These industry representatives contended that removing the cap on noneconomic damages in civil cases may result in less consistent and wider-ranging verdicts against PPA insurers, making it more difficult for insurers to accurately forecast potential litigation costs. They maintained that insurers would likely have to increase PPA liability insurance premium rates to account for heightened litigation risks.
    - In 2023, Florida enacted tort reform legislation (H.B. 837) that has reduced auto insurers' exposure to litigation and damages. According to the Florida Office of Insurance Regulation, this legislation has resulted in significant

[18] Written testimony submitted on S.B. 670 is available at: https://mgaleg.maryland.gov/mgawebsite/Legislation/WitnessSignup/SB0670?ys=2021RS.

[19] *See* Md. Code Ann., Cts. & Jud. Proc. § 11-108.

[20] Written testimony submitted on these bills (H.B. 862 in 2023, H.B. 83 and S.B. 538 in 2024, and H.B. 113 and S.B. 584 in 2025) can be located on the General Assembly's website: https://mgaleg.maryland.gov/mgawebsite/Search/Legislation.

rate reductions from multiple auto insurers, with the top five auto insurers (representing 78% of Florida's market) reporting an average rate reduction of 6.5% in 2025.[21] Among other things, the legislation:

- Replaced the prior pure comparative negligence standard with a modified comparative negligence standard;
- Shortened the statute of limitations for general negligence actions from four to two years;
- Established that mere negligence by an insurer is not sufficient to establish bad faith, and that an insurer is not liable for bad faith if they tender the lesser of policy limits or demand within 90 days of receiving notice of a claim and sufficient evidence to support the claim;
- Mostly eliminated one-way attorney fee awards (except for specific declaratory judgments);
- Limited evidence that can be offered to prove the amount of damages for past medical treatment to the amount actually paid, regardless of the source of payment; and
- Required disclosure of third party medical financing, including letters of protection.

The workgroup identified the following additional factors that may adversely impact the affordability of PPA insurance for Maryland consumers.

- **Fraud**: Insurance fraud adversely impacts all consumers by raising premium rates.
  - Common types of auto insurance fraud include:[22]
    - Staged auto accidents, where a driver intentionally causes an accident;
    - Inflated claims, where a driver involved in an accident files an insurance claim that intentionally exaggerates the extent of damage to their vehicle; and
    - Third-party fraud, where a service provider (e.g., an auto repair shop) intentionally inflates the costs they bill to insurance by charging for fictitious or unnecessary parts or services, billing for work not done, billing for repairs to damage that did not result from the incident giving rise to the claim, or charging for the use of more expensive Original Equipment Manufacturer replacement parts when cheaper aftermarket parts were used.
  - According to the Coalition Against Insurance Fraud:[23]
    - About 68% of consumers are not aware of the various types of auto insurance fraud, which indicates that consumers would benefit from

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[21] *Commissioner Mike Yaworsky Highlights Continued Auto Insurance Market Strength and Reinsurance Confidence in Florida*, Florida Office of Insurance Regulation (Nov. 2025): https://floir.com/home/2025/11/18/commissioner-mike-yaworsky-highlights-continued-auto-insurance-market-strength-and-reinsurance-confidence-in-florida.

[22] *Insurance Fraud: Impacts on Premiums, Claim Costs, and the Public*, American Academy of Actuaries (Sep. 2024): https://actuary.org/wp-content/uploads/2024/10/casualty-brief-insurance-fraud.pdf.

[23] *Fraud States*, Coalition Against Insurance Fraud (undated): https://insurancefraud.org/fraud-stats/.

more education about auto insurance fraud and how to protect against it;
    - Almost one in three consumers believe that they have been a victim of auto insurance fraud;
    - 29% of consumers who suspect that they have been victims of auto insurance fraud never reported their suspicions, with women being less likely to report suspected fraud than men (24% versus 35%); and
    - 72% of consumers who allege they were victims of auto insurance fraud report that their premiums increased as a result.
- **High vehicle theft rate**: According to the National Insurance Crime Bureau and National Highway Traffic Safety Administration:
  - In 2023, Maryland had the eighth highest per capita auto theft rate in the nation at 427.99 thefts per 100,000 residents.[24]
  - Vehicle thefts decreased nationwide by 17% from 2023 to 2024 (from 1,020,729 to 850,708), marking the largest annual decrease in stolen vehicles in the last 40 years.[25]
  - Maryland was no longer ranked among the ten states with the highest auto theft rates in 2024; however, our neighboring jurisdiction of the District of Columbia topped the list in 2024 with 842.40 thefts per 100,000 residents (down from 1,149.71 per 100,000 residents in 2023).[26]
- **Auto repair costs**: In October of 2024, Marketwatch ranked Maryland the third most expensive state for car repairs, primarily due to high mechanic salaries (in line with the State's high median income and cost of living), rough roads, and inflation.[27]
- **Electric vehicle ("EV") uptake**:
  - The primary reason that EVs cost more to insure than gas-powered vehicles is that EVs have a much higher claim frequency and severity for physical damages coverages, which is attributable to the following:[28 & 29]
    - EVs tend to have a higher purchase (and replacement) cost;
    - EV batteries can be dangerous to repair due to their complexity and the risk of battery fires;
    - In many cases, replacing an EV battery is cheaper than repairing it, despite the battery representing up to 50% of an EV's price; and

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[24] *Vehicle Thefts Surge Nationwide in 2023*, NICB (Apr. 2024): https://www.nicb.org/news/news-releases/vehicle-thefts-surge-nationwide-2023.

[25] *Vehicle Thefts in United States Fell 17% in 2024*, NICB (Mar. 2025): https://www.nicb.org/news/news-releases/vehicle-thefts-united-states-fell-17-2024.

[26] *Id*. and *Vehicle Theft Prevention*, NHTSA: https://www.trafficsafetymarketing.gov/safety-topics/vehicle-safety/vehicle-theft-prevention.

[27] *10 States With the Highest Auto Repair Costs*, Marketwatch (Oct. 2024): https://www.marketwatch.com/insurance-services/car-warranty/where-do-car-repairs-cost-the-most/.

[28] *Electric Vehicle Insurance Rates*, NAIC (Feb. 2024): https://content.naic.org/insurance-topics/electric-vehicle-insurance-rates.

[29] *How Do Electric and Hybrid Losses Compare to Gas? Recent Auto Experience Data Provides Insights*, Verisk (Jul. 2024): https://core.verisk.com/Insights/Featured-Insights-Articles/2024/July/How-Do-Electric-and-Hybrid-Losses-Compare-to-Gas.

        - The availability of replacement parts and specialized labor have not kept pace with EV growth.
    - As EVs become more common, their replacement parts should become more accessible. If so, insurance rates for EVs may drop because EVs have lower claim frequencies for liability coverages than gas-powered vehicles.[30]
    - An increased number of EVs on the road may increase certain risks for all drivers.[31] Due to the weight of their batteries, EVs tend to be heavier than gas-powered vehicles. There is a trend toward more powerful (higher-acceleration) EVs, which require even larger batteries. As EV uptake increases and EVs get heavier, the likelihood of collisions involving vehicles with significant weight disparities becomes more likely. The larger the weight disparity between two colliding vehicles, the greater the force of impact (and extent of damage) to the lighter vehicle.
- **Increased frequency/severity of weather events**: The impacts of climate change in Maryland include increased precipitation from heavy downpours, more frequent and intense storms, and rising sea-level.[32] Such climate impacts can increase costs for comprehensive coverage, which covers physical damage to a vehicle caused by a weather event, such as hail, flooding, or a tree falling during a windstorm.[33]
- **Excessive Fees for Towing Services**: Members of the workgroup voiced concern that some tow truck companies charge exorbitant fees for towing and storage services. Tactics complained of include charging seemingly unreasonable fees for certain services, such as covering an EV with a fire-suppression blanket, and withholding vehicles under false pretenses to maximize storage fees. Inflated bills from tow truck companies submitted to insurers as claims lead to higher claim costs that drive up premium rates. Recent initiatives to address and examine this issue in Maryland are outlined below.
    - 2022 Maryland Laws Ch. 575 (HB 487) addressed excessive towing and recovery invoices *for police-initiated tows of commercial vehicles*, by requiring the State Police to create a tow list, banning per-pound billing, mandating public rate sheets, and establishing complaint procedures to fight excessive fees and unfair practices by towing companies.
    - The Chair of the Senate Judicial Proceedings Committee established a group to study and submit a report during the 2026 legislative session on post-towing procedures relating to *towing from privately owned parking lots*.
    - The General Assembly has not yet addressed towing and post-towing procedures *following an accident that occurs on roadways other than State highways*.

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[30] *Id*.

[31] *As heavy EVs proliferate, their weight may be a drag on safety*, IIHS-HLDI (Mar. 2023): https://www.iihs.org/news/detail/as-heavy-evs-proliferate-their-weight-may-be-a-drag-on-safety.

[32] *Impacts of Climate Change*, Maryland Department of Natural Resources: https://dnr.maryland.gov/climateresilience/Pages/Climate-Change-Impact.aspx.

[33] *Severe Weather Spurs Rising Auto Insurance Costs*, Insurify (Mar. 2025): https://insurify.com/car-insurance/news/severe-weather-impact-on-car-insurance-costs/.

- **Minimum bodily injury liability coverage requirements**: Generally speaking, higher coverage limits require insurers to collect higher premiums to cover potential claims. Thus, it is relevant to note that Maryland's minimum bodily injury liability coverage requirements are higher than those in most other states.[34]
    - Maryland's minimum liability coverage requirements, set forth in § 17-103(b) of the Transportation Article and § 19–509(c) of the Insurance Article, are as follows:
        - Bodily injury liability coverage of $30,000 for any one person and up to $60,000 for any two or more persons;
        - Property damage liability coverage of $15,000; and
        - Uninsured motorist coverage in the amounts listed above.
    - Three states (California, Minnesota, and Texas) have minimum bodily injury liability coverage requirements that are equivalent to Maryland's requirements.
    - Six states (Alaska, Maine, Michigan, North Carolina, Utah, and Virginia) have minimum bodily injury liability coverage requirements that are higher than Maryland's requirements.
- **Graduated licensing and traffic safety laws:** Recent studies examining graduated licensing and traffic safety laws across the nation indicate that changes to such laws in Maryland may reduce instances of bodily injury and fatalities resulting from auto accidents in the State, thereby reducing PPA insurance costs.
    - Data collected and reported by the Insurance Institute for Highway Safety-Highway Loss Data Institute ("IIHS-HLDI") suggests that[35]:
        - Increasing the permit age from 15 years and 9 months to 16 years could reduce collision claims involving young drivers in Maryland by 1% and fatal crashes involving young drivers in Maryland by 3%;
        - Increasing the number of practice driving hours required for licensure from 60 to 70 could reduce collision claims involving young drivers in Maryland by 3% and fatal crashes involving young drivers in Maryland by 1%;
        - Increasing the license age from 16 years and 6 months to 17 years could reduce collision claims involving young drivers in Maryland by 3% and fatal crashes involving young drivers in Maryland by 7%; and
        - Changing the time at which provisional license driving restrictions go into effect from midnight to 8:00 PM could reduce collision claims involving young drivers in Maryland by 4% and fatal crashes involving young drivers in Maryland by 9%.

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[34] *Minimum car insurance requirements by state*, Insurify (Sep. 16, 2025) https://insurify.com/car-insurance/state-minimum-requirements/#:~:text=Bodily%20injury%20liability%20coverage%20pays,per%20person%20for%20four%20people); and S*tates with minimum car insurance requirement changes for 2025*, Insurance.com (Jul. 9, 2025): https://www.insurance.com/auto-insurance/states-with-minimum-car-insurance-requirement-changes/.

[35] *Graduated Licensing Calculator*, IIHS-HLDI: https://www.iihs.org/research-areas/teenagers/gdl-calculator#calculator.

    - A recent report by Advocates for Highway and Auto Safety ("Advocates") ranks Maryland, along with only four other states and the District of Columbia, as having "good" highway safety laws overall.[36] States included in this category are deemed to have laws meeting all 18 "optimal" safety provisions recommended by Advocates. "Based on research from government, nonprofit and private sector sources as well as crash data and state experience," Advocates has identified those 18 optimal safety provisions as provisions that are most "critical to reducing deaths and injuries on our roadways." While the report ranks Maryland highway safety laws as good overall, it also identifies areas in which these laws could be amended to further reduce the risk of highway deaths and injuries. Specifically, the report reiterates IIHS-HLDI's suggestions concerning possible changes to Maryland's graduated licensing laws. The report also recommends that Maryland enact:
        - A law that requires all occupants in the rear seats of a vehicle to wear seat belts and allows law enforcement officers to stop and issue a ticket for a violation this law, even if no other violation has occurred; and
        - A law that requires children passengers to remain buckled in a rear seat through age twelve.
- **Tariffs:** Over the past year, tariff policies under the Trump Administration have been in flux. Due to the currently evolving nature of tariff policies, it is difficult to predict with certainty which tariff policies will persist and how they will impact costs for PPA insurers. It is possible that imported vehicles, vehicle replacement parts, and materials used to manufacture and repair vehicles could become subject to new or increased tariffs. "If insurers have to pay higher replacement costs [as a result of new or increased tariffs], it is very likely that customers will see that reflected in higher insurance premiums."[37]

Reinsurance is a contractual arrangement whereby an insurer (the "primary insurer") transfers some of its policy risks to another insurer (the "reinsurer"), thereby safeguarding the financial stability of the primary insurer and enhancing its ability to underwrite more policies. The primary insurer typically builds a charge to cover its reinsurance premiums into the premium rates it charges to its policyholders. The legislation mandating this Report directed the workgroup to seek and consider input from the reinsurance industry during the course of its study. The Insurance Commissioner also received a request that the workgroup study and report appropriately emphasize considerations relating to the reinsurance market. The workgroup received and considered information from the Reinsurance Association of America ("RAA") on this topic. Based on this information, explained below, the workgroup does not view reinsurance as a significant cost driver of PPA insurance rates in Maryland.

[36] *2026 Roadmap to Safety*, Advocates for Highway and Auto Safety (Dec. 2025): https://saferoads.org/wp-content/uploads/2025/12/2026-Advocates-Report-ONLINE-fnl1.pdf.

[37] *How Will Tariffs Impact Auto Insurance Rates? The Academy Is Already Monitoring Possible Effects*, American Academy of Actuaries (May 5, 2025): https://actuary.org/publication-issue/how-will-tariffs-impact-auto-insurance-rates/.

According to the RAA, as well as workgroup members who are active in the auto insurance industry, reinsurance utilization by PPA insurers is minimal due to the nature of PPA risks and high market concentration. The reinsurance industry predominantly covers property risks (e.g., homeowner's insurance), where exposures tend to be low-frequency but high-severity. PPA insurance, on the other hand, is characterized by high-frequency but low-severity claims. A few large, national carriers account for most of the PPA market in Maryland. These national carriers tend to have low risk concentration (due to geographical diversification) and the ability to retain nearly all of their risk for PPA lines.

The RAA noted that reinsurance is more commonly purchased by commercial auto insurers to protect against: (1) low frequency, high severity events, such as an accident involving a commercial truck and multiple other vehicles that results in bodily injury and property damage claims totalling tens of millions of dollars; and/or (2) situations in which catastrophes, such as severe hail or flooding, damage fleets of commercial vehicles and result in very costly physical damage claims.

C. WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING TRENDS IN PREMIUM RATE INCREASES

The workgroup recommends further study into the feasibility of updating the DPSCS system used by police officers during traffic stops so that it can connect with the MVA's Online Insurance Verification Program, thereby enabling officers to accurately identify instances in which the subject of a traffic stop has been driving without insurance. Expanding enforcement capabilities in this manner may result in higher rates of compliance with Maryland PPA insurance requirements and positively impact the affordability of uninsured motorist coverage for Maryland consumers.

The workgroup also recommends further study into towing and post-towing procedures following an accident that occurs on roadways other than State highways. This study should examine the extent to which inflated bills that towing companies submit to auto insurers as claims impact insurers' claims costs and premium rates. The study should also assess whether legislative action may be appropriate to curtail unfair insurance billing practices by towing companies.

Finally, the workgroup recommends further study into whether changes should be made to Maryland graduated licensing and traffic safety laws to reduce the frequency of collision claims and fatal crashes involving teen drivers, and to reduce the risk of bodily injury to children and rear seat passengers during collisions. The workgroup stresses that any such study should consider adverse effects that more burdensome licensure requirements could have on the economic opportunities and overall quality of life available to Maryland families.

V. POLICY OPTIONS TO INCREASE TRANSPARENCY AND AFFORDABILITY

As a preliminary matter, the workgroup acknowledges that there are limitations on the extent to which action on the state-level can mitigate certain factors that tend to drive up PPA insurance premium rates (e.g., inflation and supply chain issues). The workgroup also acknowledges that, in certain instances, the public benefit of a legislative or policy action may outweigh the potential adverse impact of such action on the affordability of PPA insurance. This section of the Report outlines policy interventions that were presented to the workgroup as potential ways to increase transparency surrounding and enhance the affordability of PPA insurance premium rates in Maryland. For reasons discussed in detail below, the workgroup did not reach consensus as to whether these policy interventions would achieve the stated goals.

A. POLICY OPTIONS TO INCREASE THE AFFORDABILITY OF PRIVATE PASSENGER AUTOMOBILE INSURANCE IN THE STATE

1. TYPES OF RATE REGULATORY SYSTEMS IN MARYLAND AND OTHER STATES

The National Association of Insurance Commissioners ("NAIC") has identified seven types of rate regulatory systems implemented by states.[38] They are listed below, from most to least restrictive.

- Determined by Commissioner: Rates are set by the state's insurance commissioner.
- Prior Approval: Rate changes must be filed with and approved by the regulator before they can be implemented. Approval can be by means of a deemer provision, which indicates approval if filed rates are not denied within a specified number of days.
- Modified Prior Approval: Rate revisions involving change in expense ratio or rate relativity require prior approval. Rate revisions based on experience only are subject to "file and use" laws.
- Flex Rating: Prior approval of rate changes are required only if they exceed a specified percentage above (and sometimes below) the previously filed rates.
- File and Use: Rates must be filed with the regulator prior to use. Specific approval is not required.
- Use and File: Rates must be filed with the regulator within a specified period after they have been implemented.

[38] The types of rate regulatory systems are discussed in the NAIC's *2021/2022 Auto Insurance Database Report* (Jan. 2025), available at: https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf.

- No File: Rate changes are not required to be filed with or approved by the regulator; however, the company must maintain records of information used to develop the rates and make them available to the regulator upon request.

Several states, including Maryland, moved from a prior approval regulatory system to a file and use (i.e., "competitive rating") regulatory system during the 1990s to allow insurers to react quickly to business cycles by decreasing rates when claims experience is favorable and increasing rates when claims experience deteriorates. Maryland adopted this change in its approach to regulating rates for PPA (private market) and certain other lines of property and casualty insurance via the Insurance Reform Act of 1995. The resultant "competitive rating laws" (codified at Title 11, Subtitle 3 of the Insurance Article) provide in part that:

- Each authorized insurer and designated rating organization must file all rates and supplementary rate information, as well as any changes thereto, on or before the date they become effective; and
- The MIA may not disapprove a filed PPA insurance rate as excessive unless the Commissioner has determined that the rate is unreasonably high for the insurance provided and issued a ruling that a reasonable degree of competition does not exist in a market to which the rate is applicable.

Proponents of competitive rating maintain that competition between insurers prevents excessive rates because an insurer is not willing to raise rates to the point where it will lose significant market share to one or more competitors. The rationale underlying this system of rate regulation is that competition encourages insurers to accept more risks, thereby making insurance more widely available. The MIA publishes a report annually on the effect of competitive rating on insurance markets in the State. More specifically, the report provides information on competitiveness in the PPA and homeowners insurance markets during the preceding calendar year, taking into account the number of insurers in the marketplace, the concentration of the market shares of those insurers, and the changes in market share that occur over time. The most recent iteration of this report, published in May of 2025, concluded that[39]:

- Maryland's PPA insurance market is moderately concentrated; and
- The number of competitors (144 companies with active business in 2024) and a low market share for Maryland Auto (1.6% in 2024) suggest that Maryland's PPA market is competitive, and that private insurers continue

[39] The MIA's *2025 Report on the Effect of Competitive Rating on the Insurance Markets in Maryland* (May 2025) is available at: https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/2025-Report-on-the-Effect-of-Competitive-Rating-on-the-Insurance-Markets-in-MD.pdf.

to compete for market share by writing individuals with higher risk characteristics.

In recent years, insurance regulators in several states have increased their scrutiny of PPA rate filings through existing review processes. Further, some states have enacted or considered proposed legislation to transition to stricter rate regulatory systems in order to give regulators greater authority to prevent unjustified rate increases or unfair pricing practices before they are implemented. Examples of recent legislative initiatives include the following:

- 2023 District of Columbia Laws 25-123 (Act 25-331) requires prior approval of any PPA insurance rate change and provides that a rate filing is deemed approved if no determination is rendered within 90 days. It supplants the prior file and use standard.
- 2025 Vermont Laws No. 23 (H. 137) maintains the pre-existing file and use standard, but provides more lead time for regulators to scrutinize and challenge rate filings. It extends the number of days prior to implementation that a PPA insurance rate filing must be submitted from 15 to 30 days.
- Texas H.B. 5519 (2025), which did not pass, would have required prior approval of any PPA insurance rate change of 5% or more. It would have replaced the current file and use standard with a flex rating standard.
- Illinois S.B. 268 (2025-2026), which was pending as of December 2, 2025, would require prior approval of any PPA insurance rate change and provide that a rate filing is deemed disapproved if no determination is rendered within 60 days. This would supplant the current use and file standard.

There is a risk that moving from competitive rating to a stricter rate regulatory system, such as prior approval, could have adverse impacts on market performance. An IRC study of PPA rate filing measures across all 50 states and the District of Columbia concluded that "processes to achieve approved rate filings for personal auto insurance grew more cumbersome countrywide and across regulatory environments from 2010 through 2023." The study further concluded that "these protracted processes are causing more disparity from timely and necessary rate increases by insurance carriers to achieve adequate rates and pushing the industry toward a less competitive landscape." Key findings from the IRC study are as follows:[40]

- Approximately 10,200 PPA rate filings were made each year, from 2010 through 2023, without much variance.

[40] *Rate Regulation in Personal Auto Insurance: Comparison of State Systems*, IRC: https://insurance-research.org/auto-injury-claims-trends/rate-regulation-personal-auto-insurance-comparison-state-systems.

- The average number of days from request for a rate adjustment to approval increased by about 40%.
- The number of filings withdrawn increased by about 40%.
- It has become more common for regulators to approve smaller rate increases than originally requested by insurers, and the gap between filed and approved rates has widened.
- Market concentration (measured by the Herfindahl-Hirschman Index, or HHI) increased by about 9%.
- Filing process measures and market outcomes vary by regulatory systems.

Some workgroup members wish to point out that, despite the potential negative impacts on market performance cited in the IRC study, stricter rate review processes may benefit consumers. They note that a longer period between the filing and approval of proposed rate changes facilitates heightened regulatory scrutiny, and that consumers benefit when regulators have the opportunity to require additional justification for rate increases. They also note that the increased gap between filed and approved rates associated with a movement towards stricter rate review processes seems to indicate that such processes lower insurance costs for consumers.

Other workgroup members point to a recent experience in California as illustrating how a prior approval system may hamper competition in the PPA insurance market. Insurers collectively issued $2.4 billion in premium refunds to California drivers during the COVID-19 pandemic in recognition of the reduction in miles driven and claims costs early in the pandemic. The California Insurance Commissioner also instituted a rate freeze, refusing to approve filed rate increases that were supported by evidence of increasing claims costs for more than two years.[41] Some PPA insurers reported that, as a result of the rate freeze, they had to slow their growth in the state by restricting the submission of new business.[42] It should be noted that this was the experience of a single state, and it is not possible to know whether or under what circumstances the Maryland Insurance Commissioner would institute an across-the-board rate freeze if a prior approval system were adopted in Maryland.

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[41] *Insurers say California's Inaction Threatens Auto Policies*, CBS News (Sep. 2022): https://www.cbsnews.com/sacramento/news/insurers-say-californias-inaction-threatens-auto-policies/.

[42] *Are auto insurers pulling back from California?*, Insurance Business (Aug. 2023): https://www.insurancebusinessmag.com/us/news/auto-motor/are-auto-insurers-pulling-back-from-california-457197.aspx.

2. OPTIONS FOR LIMITING EXPENSE LOADING

The total premium for an insurance policy consists of the pure premium (the expected cost of claims) and "expense loading" (the amount an insurer adds to the pure premium to cover its operating expenses, administrative costs, and contingencies, including a reasonable profit margin). The primary purpose of expense loading is to ensure that an insurer can cover the costs of running its business, including servicing of policies and claims, while remaining financially stable. At least two states have enacted laws that limit expense loading by prohibiting insurers from considering certain expenses in ratemaking.

A California regulation prohibits insurers from including any of the following expense items in ratemaking:[43]

- Political contributions and lobbying;
- Executive compensation that exceeds a maximum reasonable amount that is determined in accordance with formulas set forth in regulation;
- Bad faith judgments and associated defense and cost containment expenses;
- All costs attendant to the unsuccessful defense of discrimination claims;
- Fines and penalties;
- Institutional advertising expenses, which means expenses incurred for advertising that is not aimed at obtaining business for a specific insurer or providing consumers with information pertinent to the decision whether to buy the insurer's product; and
- All payments to affiliates, to the extent that such payments exceed the fair market rate or value of the goods or services in the open market.

The aforementioned expense loading regulation is one of several rate review regulations codified at Title 10, Chapter 5, Subchapter 4.8 of the California Code of Regulations. The purpose of Subchapter 4.8 is to implement the insurance rate approval provisions of Proposition 103, which was adopted by California voters in November 1988 and resulted in several significant reforms to the state's property and casualty insurance market, including moving it to a prior approval rating system. Consumer advocates say that regulations in Subchapter 4.8 resulted in the issuance of significant premium refunds by nine of the top ten auto insurance companies operating in California between 1989 and 1997. During that timeframe, insurers operating in California issued over $1.18 billion in premium refunds to more than seven million policyholders.[44] The workgroup is unable to pinpoint how

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[43] *See* Cal. Code Regs. tit. 10, § 2644.10.

[44] *Background on Insurance Reform – A Detailed Analysis of California Proposition 103*, Consumer Watchdog (Jun 2000): https://consumerwatchdog.org/in-the-news/background-insurance-reform-detailed-analysis-california-proposition-103/.

much of those premium refunds were issued on PPA policies. The workgroup is also unable to determine the extent to which those premium refunds are attributable to any particular regulation in Subchapter 4.8, which has been amended in more recent years.

Louisiana recently enacted legislation, with an effective date of January 1, 2026, that prohibits an insurer from considering its institutional advertising expenses for the purpose of setting rates.[45] Similar to California, Louisiana defines institutional advertising expenses as "advertising not aimed at obtaining business for a specific insurer nor providing consumers with information pertinent to the decision as to whether to purchase an insurance product."

3. OPTIONS FOR RESTRICTING THE USE OF CERTAIN NON-DRIVING RATING FACTORS

Maryland PPA rating restrictions align with the majority approach. Sections 11-306 and 27-501 of the Insurance Article provide that:

- Rates may not be inadequate (to maintain the insurer's solvency), excessive, or unfairly discriminatory (premium rate differentials cannot be based on something other than actuarial risk); and
- Insurers are prohibited from collecting/using information about the race, creed, color, or national origin of applicants or insureds.

Some states have banned the use of certain non-driving rating factors on the grounds that they may serve as proxies for unfair discrimination (e.g., due to correlation with socioeconomic status or race). Some examples are as follows:

- In California, an insurer is only permitted to use factors mandated or expressly permitted by statute or regulation to rate a PPA policy and must weigh the relative importance of those factors as described in regulation. Mandatory rating factors include: driving safety record, miles driven annually, and years of driving experience. Prohibited rating factors include: gender, age, credit history, education, occupation, employment status, residential status, and insurance history.[46]
- In Hawaii, a PPA insurer may not base any rating standard or rating plan on age, gender, length of driving experience, credit bureau rating, or marital status.[47]

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[45] *See* 2025 La. Sess. Law Serv. Act 85 (H.B. 438).
[46] *See* Cal. Ins. Code § 1861.02; Cal. Code Regs. tit. 10, § 2632.5 and 2632.8.
[47] *See* Haw. Rev. Stat. Ann. § 431:10C-20.

- In Massachusetts, PPA insurance rates may not be based on gender, marital status, age (except discounts for persons who are 65 years or older), occupation, income, education, homeownership, or credit history.[48]
- In Michigan, PPA insurers are limited to using one or more of the rating factors specified by statute and must apply the selected factors on a uniform basis across the state. Insurers are prohibited from basing PPA premium rates on gender, marital status, home ownership, educational level attained, occupation, credit score, or postal zone (through territorial rating is permitted).[49]
- In North Carolina, a rating classification for PPA insurance may not be based upon age or gender.[50]
- In New York, a PPA insurer may not use occupational status or educational level as rating factors, *unless* the insurer demonstrates to the satisfaction of the Superintendent of Financial Services that the use of these factors does not result in rates that are unfairly discriminatory.[51]

This Report will now provide further background information on two particular non-driving rating factors that have been the subject of recent debate in Maryland: credit history and territory (i.e., geographic location).

a) CREDIT HISTORY

As indicated above, at least four states have altogether banned PPA insurers from using credit history as a rating factor (California, Hawaii, Massachusetts, and Michigan). Several states, including Maryland, limit the ways in which PPA insurers can use credit history in rating. Relevant restrictions and requirements set forth in § 27-501 of the Insurance Article are as follows:

- An insurer may not refuse to underwrite, cancel, refuse to renew, or increase the renewal premium based on credit history.
- An insurer may not require a particular payment plan for a policy based on credit history.
- An insurer that uses credit history in rating a new policy shall inform an applicant it does so at the time of application.
- An insurer shall, on request of the applicant, provide a premium quotation that separately identifies the portion of the premium attributable to the applicant's credit history.

[48] *See* 211 Mass. Code Regs. 79.04.
[49] *See* Mich. Comp. Laws Ann. § 500.2111.
[50] *See* N.C. Gen. Stat. Ann. § 58-36-10.
[51] *See* N.Y. Comp. Codes R. & Regs. tit. 11, § 154.6A.

- An insurer may not apply a discount or surcharge of more than 40% based on credit history.
- An insurer may not rate a policy based on the absence of or inability to obtain credit history, the number of credit inquiries, or any credit history factor that is more than five years old.
- An insurer that uses credit history to rate a policy shall review the insured's credit history every two years or upon request by the insured, and adjust the premium rate if the insured qualifies for a *more favorable* credit history rating category.

Examples of ways in which other states restrict the use of credit history in PPA insurance rating differently than Maryland are listed below.

- In Utah, an insurer can only use credit history as the basis for a premium discount.[52]
- In Oregon, if a policy was assigned a higher premium rate due to disputed credit history, the insurer must rerate the policy retroactive to the effective date based on accurate credit history.[53]
- In Connecticut:
    - An insurer with a rating plan that uses credit history must submit to the Commissioner documentation showing how the program impacts consumers in urban versus non-urban territories and of different ages;
    - A credit based rating score cannot be impacted by collection accounts with a medical industry code; and
    - An insurer shall grant a reasonable exception to its credit based rating rules if an applicant's credit history was adversely impacted during the past three years by catastrophic illness/injury, divorce, identity theft, death of a spouse/child/parent, involuntary unemployment lasting three or more months, or a loss rendering their home uninhabitable.[54]

It should be noted that, last year, the Maryland General Assembly enacted the Fair Medical Debt Reporting Act.[55] This law prohibits a consumer reporting agency from maintaining a file or furnishing a consumer report that contains adverse information relating to a consumer's

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[52] *See* Utah Code Ann. § 31A-22-320.
[53] *See* Or. Rev. Stat. Ann. § 746.661.
[54] *See* Conn. Gen. Stat. Ann. § 38a-686.
[55] *See* 2025 Maryland Laws Ch. 121 (H.B. 1020).

medical debt or any collection action against a consumer for medical debt. PPA insurers that consider credit history when rating a new policy generally obtain the underlying credit history information from reports furnished by consumer reporting agencies. Thus, although PPA insurers are not explicitly prohibited from considering adverse credit history information attributable to medical debt when rating a new policy under current Maryland law, the Fair Medical Debt Reporting Act significantly impedes their ability to do so.

In February 2022, the Office of the Insurance Commissioner for Washington State adopted rules that temporarily prohibited the use of credit history to determine premiums and eligibility for coverage in PPA, homeowner's, and renter's insurance for a period to end three years after the termination of the COVID-19 State of Emergency.[56] The justification for the regulatory action was that credit scores had become unreliable due to pandemic-related financial disruptions.[57] A state court invalidated the rules a few months after they were adopted on the grounds that Washington law explicitly permits insurers to use credit-based rating, and the Insurance Commissioner lacks authority to suspend that statute through an emergency rule.[58] During the months that the temporary ban was in place, 61% of policyholders saw their rates increase.[59] Some workgroup members argue that these rate increases are somewhat attributable to the short-lived ban on credit-based rating. However, as discussed elsewhere in this Report, PPA premium rates increased across the country for several reasons during this time period. Thus, it is difficult to ascertain the extent to which the temporary ban on credit-based rating may have contributed to these rate increases in Washington.

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[56] Documentation and information published during the process of promulgating rules establishing a temporary prohibition of use of credit history (R 2021-07) in Washington is available at: https://www.insurance.wa.gov/laws-rules/legislation-and-rulemaking/rulemaking/temporary-prohibition-use-credit-history-r-2021-07.

[57] *Concise Explanatory Statement; Responsiveness Summary; Rule Development Process; and Implementation Plan Relating to the Adoption of Temporary Prohibition on Use of Credit History on Some Personal Lines*, Office of the Insurance Commissioner, Washington State (Feb. 2022): https://www.insurance.wa.gov/sites/default/files/2025-02/r-2021-07-ces.pdf.

[58] *Final order on court credit scoring decision; Kreidler will not appeal*, Office of the Insurance Commissioner, Washington State (Aug. 2022): https://www.insurance.wa.gov/about-us/news/2022/final-order-courts-credit-scoring-decision-kreidler-will-not-appeal.

[59] *Credit Scoring in Washington: Part 2 - Commissioner Kreidler & Insurers Not Responding*, Professional Insurance Agents Western Alliance (Jan. 2022): https://www.piawest.com/news-releases-and-bulletins/credit-scoring-in-washington-part-2-commissioner-kreidler-insurers-not-responding/.

b) TERRITORIAL RATING

An insurer that engages in territorial rating assesses the risk of potential claims and losses based on the physical location where a vehicle is primarily parked overnight and adjusts the location-specific base rate accordingly. Territorial base rates are higher for locations with higher concentrations of risk factors. For example, territorial base rates tend to be higher in areas with greater traffic density and accident rates due to the increased likelihood of accidents leading to claims and in areas with high rates of vehicle theft due to the increased risk of criminal activity leading to claims. The premium rate assigned to an individual policyholder may be higher or lower than the relevant territorial base rate due to their individual risk factors.

Territories can be expressed in different geographic terms (e.g., ZIP codes or groupings of ZIP codes). The more policyholders an insurer has within a territory, the more data they accumulate on past losses and claims in that territory. Thus, larger insurers tend to use a greater number of smaller territories, whereas smaller insurers tend to use a lesser number of larger territories.

Requirements pertaining to PPA insurers' use of territorial rating under Maryland law are codified at §§ 11-205, 11-216, 11-306, and 11-319 of the Insurance Article. These provisions provide that:

- A rate may not be based wholly or partly on geographic area itself, as opposed to underlying risk considerations, even though expressed in geographic terms; and
- An insurer that uses territory as a factor in establishing automobile insurance rates shall submit a statement to the Commissioner certifying that the territories used by the insurer have been reviewed within the previous three years and use of the territories is actuarially justified.

No state completely bans the use of territorial rating by PPA insurers, but a few limit how the practice can be applied. Examples of such limitations are listed below.

- California law requires that a territory be at least 20 square miles. One reason for mandating larger territories is to broaden the socioeconomic characteristics of individuals within the territories. California law also requires an insurer that uses territorial rating to submit to the regulator a biennial report on its loss experience for each territory, including a breakdown of actual loss experience statistics by ZIP code, for examination to ensure that the territories reflect homogeneity of loss experience. The biennial report must include separate loss data for each type of coverage underwritten, including liability or physical damage coverage. Following examination of the reports, the regulator aggregates and makes available to the public data on territorial loss experience reported by insurers.[60]

- Connecticut law requires a rating plan that includes territorial classifications to assign a weight of 75% to individual territorial loss cost indication and 25% to the statewide average loss cost indication. This weighting requirement is intended to moderate the impact of territorial rating on urban areas. Connecticut law also provides that any change in territorial classifications is subject to prior approval by the regulator.[61]
- Michigan law authorizes an insurer to group automobile insurance risks by territory, but not to establish or maintain a rate or rating classification based on the postal zone (i.e., ZIP code) in which the insured resides.[62]
- New Jersey law requires that territories:
  - Recognize both qualitative similarities and differences in driving environments or mix of driving environments, which may include traffic and population density, severity of loss, and the degree of homogeneity within a territory in terms of driving environments, population, and driver classification;
  - Be comprised of towns or cities which are contiguous;
  - Contain a sufficient number of exposures to result in statistically credible experience and be defined in a manner which minimizes the effect of variability of loss in a territory on a year-to-year basis;
  - Take into account the impact of the overlapping of traffic patterns on exposure to loss;
  - Result in an equitable distribution of exposures among territories throughout the State;
  - Not result in disproportionate differences in territorial relativity factors or territorial base rates between contiguous territories with similar driving environments; and

[60] *See* Cal. Ins. Code § 11628.
[61] *See* Conn. Gen. Stat. Ann. § 38a-686.
[62] *See* Mich. Comp. Laws Ann. § 500.2111.

- Not result in unfair inter-territorial subsidization among territories with significant differences in driving environments, population density, traffic density, mix of driver classifications, and degree of severity of loss.[63]

4. STATE-SPONSORED NO-COST AND LOW-COST AUTO INSURANCE PROGRAMS

The workgroup identified and discussed three state-sponsored low-cost or no-cost PPA insurance programs: the Hawaii No-Fault No-Cost Auto Insurance Program, the New Jersey Special Automobile Insurance Policy, and the California Lost Cost Auto Insurance Program. Each of these programs is administered by the state's assigned risk plan, which is composed of all private insurers authorized to write auto insurance in the state, and serviced by AIPSO. AIPSO is a national non-profit organization that provides administrative services for assigned risk plans. For context, Hawaii and New Jersey are among the twelve states with "no-fault" insurance laws that require drivers to purchase personal injury protection ("PIP") coverage.[64] In these states, a driver's policy covers certain expenses arising from bodily injury to or death of the driver or their passenger(s) during a car accident, regardless of who was at fault, up to the PIP coverage limit.

Hawaii has implemented a program that provides free auto insurance to eligible low-income individuals. Generally, only one vehicle per qualifying household may be covered through the program. To qualify for insurance through the program, a person must be a recipient of financial assistance payments or Supplemental Security Income benefits (as confirmed by the Department of Human Services), be the sole registered owner of the vehicle, and possess a valid driver's license or be unable to operate the vehicle due to a permanent disability. A policy through the program satisfies all minimum coverage requirements under Hawaii law (bodily injury coverage of $20,000 per person or $40,000 per accident, property damage coverage of $10,000, and PIP coverage of $10,000).[65]

The New Jersey Special Automobile Insurance Policy ("SAIP") makes limited medical coverage-only auto insurance policies available to drivers enrolled in Federal Medicaid with hospitalization at a cost of $365 a year. Only one vehicle can be covered under a SAIP policy, which does not provide liability coverage for

[63] *See* N.J. Stat. Ann. § 17:29A-48.

[64] *What States Have No-Fault Insurance?*, Experian (Feb. 2025): https://www.experian.com/blogs/ask-experian/what-states-have-no-fault-insurance/.

[65] *See* Haw. Code R. Tit. 17, Ch. 654 and https://www.aipso.com/Plan-Sites/Hawaii.

the policyholder or satisfy all PPA insurance requirements under state law. To be eligible for a SAIP policy, a person must have a valid driver's license and demonstrate their enrollment in Medicaid when the policy is first written and at each renewal. A SAIP policy only covers the expenses of emergency treatment immediately following an accident and treatment of serious brain and spinal cord injuries up to $250,000, as well as a $10,000 death benefit. A person whose property is damaged due to an accident caused by a driver that only has a SAIP policy would have to file for reimbursement under their own uninsured motorist coverage. The Insurance Commissioner establishes the premium rate for a SAIP policy, which must be sufficient to cover the cost of writing the policy plus a predetermined amount to offset claims paid by the state's Unsatisfied Claim and Judgment Fund.[66]

The California Low Cost Auto ("CLCA") insurance program provides affordable basic liability coverage, at a level lower than the state's general mandatory minimum limits but deemed to be legally sufficient for those insured by CLCA, to low-income individuals with good driving records. All CLCA policies provide bodily injury coverage up to $10,000 per person or $20,000 per accident and property damage coverage up to $3,000 - it is important to note that these limits are lower than minimum liability coverage limits required for non-CLCA policies under California law. Additional optional coverages available through the CLCA program include uninsured motorist-bodily injury coverage up to $10,000 per person or $20,000 per accident and medical payments coverage up to $1,000 per person. An eligible person may insure up to two vehicles through the CLCA program. To qualify for a CLCA policy, a person must be at least 16 years old, have a valid California driver's license, have a good driving record or be a new driver, meet income eligibility guidelines, and own a vehicle valued at $25,000 or less. The CLCA program is self-funded via premiums and electronic transaction surcharges collected from CLCA policyholders. The Department of Insurance is authorized to use up to five cents of a special purpose assessment on each vehicle insured under a policy issued in the state to fund its efforts to notify insurers and members of the public about the existence of the CLCA program.[67]

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[66] *See* NJ Rev Stat § 39:6A-3.3; https://www.nj.gov/dobi/division_consumers/insurance/saip.htm; and https://www.aipso.com/Plan-Sites/New-Jersey.

[67] *See* https://www.mylowcostauto.com/; https://www.aipso.com/Plan-Sites/California-Low-Cost; https://www.insurance.ca.gov/0400-news/0102-alerts/2024/California-s-Low-Cost-Auto-Insurance.cfm and https://www.insurance.ca.gov/01-consumers/105-type/95-guides/01-auto/lca/upload/CLCA_2025_Legislative_Report.pdf.

5. WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING OPTIONS TO INCREASE THE AFFORDABILITY OF PRIVATE PASSENGER AUTOMOBILE INSURANCE IN THE STATE

Workgroup members were unable to reach a consensus on whether legislation establishing a more stringent rate review process in Maryland would positively or negatively impact the affordability of PPA insurance. Some workgroup members would support legislation that transitions Maryland to a prior approval or flex rating system, or that grants the MIA more time to review (and identify/address any concerns with) a filed rate before it takes effect. Other workgroup members would oppose such legislation and maintain that transitioning away from the current competitive rating system would not lower premium rates, but would hamper insurers' ability to implement timely adjustments to premiums rates as market conditions change and ultimately stifle competition. Feedback submitted to the workgroup by the Maryland Association of Mutual Insurance Companies notes that the 1995 law that moved Maryland from prior approval to competitive rating did not limit the MIA's ability to evaluate rates and take action to ensure that they are not excessive, inadequate, or unfairly discriminatory.[68]

Workgroup members were unable to reach a consensus on whether legislative action to prohibit PPA insurers from considering certain operating expenses, administrative costs, or contingencies in ratemaking would have a meaningful impact on the cost of PPA insurance in Maryland. Some workgroup members argue that these expenses can be substantial and contend that it is unfair for Maryland drivers who are legally required to purchase PPA insurance to shoulder these costs, particularly high salaries paid to executives of national insurance companies. Other workgroup members view these expenses as necessary costs of doing business and argue that they ultimately have a negligible impact on premium rates when spread across an insurance company's entire book of business. They stress that consistent legal requirements from state-to-state contain compliance costs and urge against adoption of rating restrictions that are unique or embraced by an extreme minority of states.

As part of its discussion of the disparate impacts that certain non-driving rating factors may have on particular racial groups, the workgroup considered a market conduct examination report published by the District of Columbia

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[68] *Comments on Workgroup to Study Private Passenger Automobile Insurance under House Bill 1098*, Maryland Association of Mutual Insurance Companies (Nov. 2025): https://insurance.maryland.gov/Consumer/Documents/agencyhearings/MAMIC-Comments-on-Workgroup-to-Study-Private-Passenger-Automobile-Insurance-under-House-Bill-1098.pdf.

Department of Insurance, Securities & Banking ("DISB") in July 2024.[69] The DISB market conduct examination included a review of PPA insurers' rating and underwriting methodologies, as well as premium and loss data for calendar years 2019 through 2021. The purpose of the examination was to assess the extent and possible causes of "premium gaps" between drivers of different races in the District of Columbia. "Since insurance carriers do not collect information about applicants' races or ethnicities, this information was inferred for the limited purpose of the testing in this review…us[ing] the Bayesian-improved firstname surname geocoding (BIFSG) methodology." Some key findings set forth in the DISB report are summarized below.

- Black drivers pay 1.46 times more than white drivers for PPA insurance, and Hispanic drivers pay 1.20 times more than white drivers. The fact that Black and Hispanic drivers are more likely to have poor credit-based insurance scores is one factor that may contribute to this premium disparity.
- Black drivers' average losses are 2.38 times higher than white drivers, meaning "Black drivers are more costly as a group than the other groups, because although their premiums are high (relative to white drivers), their losses are even higher (relative to white drivers)." Further study is warranted to assess the extent to which the difference in average claims losses for Black versus white drivers may be attributable to an overall wealth gap between these groups. Wealthier individuals may file less insurance claims because they are more likely to: pay for certain losses out-of-pocket, have access to secure off-street parking, and live in neighborhoods with safer road conditions.
- "Black and Hispanic drivers are more likely to have driving infractions, but it is not clear if this is the result of difference[s] in enforcement rather than differences in driving practices."

Some workgroup members recommend that the MIA conduct an examination of unintentional bias in Maryland's PPA market similar to the DISB study in design and breadth. They contend that this type of study may expose important information about the extent to which certain racial groups in Maryland pay more for PPA insurance than others, and explain why that may be. Other workgroup members would oppose this type of study. They contend that insurers expended a lot of resources to provide data solicited by DISB during its study, and

[69] Report On Market Conduct Examination Evaluating Unintentional Bias in Private Passenger Automobile Insurance, District of Columbia Department of Insurance, Securities & Banking (Jul. 2024): https://disb.dc.gov/sites/default/files/dc/sites/disb/page_content/attachments/Unintentional_Bias_Report-final.pdf.

point out that the DISB study did not conclusively correlate higher average premium rates among certain groups with anything other than higher average losses.

The use of credit history in rating PPA insurance policies has been an extensively debated topic over the past two decades and the workgroup members do not share a unified position on whether the overall impact of this practice does more harm or good for Maryland consumers. In support of their view that credit-based rating has an unfair impact on insurance costs for affected consumers, some workgroup members cite a 2015 Consumer Reports article which found that the average new-customer premium for an adult Marylander with a clean driving record and poor credit history was $1,636 more than for an adult Marylander with excellent credit history and a driving while intoxicated conviction.[70] Those workgroup members also point to research establishing a strong correlation between lower levels of household income and higher credit scores, arguing that prohibitively high premium quotes due to poor credit history reflect disparate treatment of low and moderate-income drivers by PPA insurers that engage in credit-based rating.[71] Other workgroup members embrace the view articulated in a letter submitted by the National Association of Mutual Insurance Companies, which states that "[t]he correlation between credit-based information and the risk of loss has been repeatedly validated through actuarial studies and regulatory reviews."[72] The letter further states that "the use of credit-based scoring enhances fairness by reducing reliance on less accurate factors and helps maintain a competitive marketplace that lowers costs for the majority of policyholders."[73] The workgroup also considered a report by the Arkansas Department of Insurance which concluded that the use of credit history as a factor in rating PPA insurance policies in the state during 2016 resulted in either a premium discount or had no effect on premium rates for 76.6% of affected consumers.[74]

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[70] *The Secret Score Behind Your Rates*, Consumer Reports (Jul. 2015): How a Credit Score Affects Your Car Insurance - Consumer Reports.

[71] *The Use of Credit Scores by Auto Insurers: Adverse Impacts on Low- and Moderate-Income Drivers, Consumer Federation of America* (Dec. 2013): https://consumerfed.org/pdfs/useofcreditscoresbyautoinsurers_dec2013_cfa.pdf.

[72] *Re: November 18th Private Passenger Automobile Insurance Affordability Workgroup Meeting*, National Association of Mutual Insurance Companies (Nov. 2025): https://insurance.maryland.gov/Consumer/Documents/agencyhearings/NAMIC-CommentLetter-Private-Passenger-Automobile-Insurance-Affordability-Workgroup-Meeting-11182025.pdf.

[73] *Id*.

[74] *Use and Impact of Credit in Personal Lines Insurance Premiums Pursuant To Ark. Code Ann. § 23-67-415*, Arkansas Insurance Department (Jun. 2017): https://insurance.maryland.gov/Consumer/Documents/agencyhearings/Arkansas-Legislative-Report-Use-and-Impact-of-Credit-2017.pdf.

Workgroup members did not reach a consensus as to whether legislative action to mitigate the impact of territorial rating on residents of urban areas would enhance fairness in Maryland's PPA insurance market. Some workgroup members would support such legislation for two primary reasons. First, they point to the fact that territorial rating disproportionately affects certain racial minorities, as average annual premium rates are significantly higher in Maryland ZIP codes with majority African American and/or Hispanic populations than in Maryland ZIP codes with majority white populations.[75] Second, they note that relatively high accident frequency rates in urban areas are, to some degree, attributable to accidents involving commuters from rural and suburban areas. Other workgroup members would oppose such legislation on the grounds that it would be detrimental to the majority of policyholders, who reside outside of urban areas and would be charged higher premium rates to subsidize rates for urban residents with greater territorial loss exposure.

The workgroup recommends further study into whether and how the legislature could design an equitable and sustainable low-cost auto program in Maryland. More specifically, the workgroup suggests the following nonexhaustive list of considerations to be examined:

- How the program should be administered;
- Whether and how coverage limits for policies offered through the program should be constrained to control program costs;
- Whether the program should be completely self-funded via adequate rates and processing surcharges paid by its policyholders, or if a supplemental funding source should be designated; and
- Which eligibility requirements individuals should meet to qualify for coverage through the program (e.g., individual or household income below a certain threshold, good driving record or new driver, vehicle valued below a certain amount, etc.).

All workgroup members agree that the study should consider whether coverage through a low-cost auto program should be available to low-income residents with good driving records who are eligible for coverage through the voluntary market. It is Maryland Auto's opinion that it should administer any low-cost auto program that the General Assembly may establish, as it has the infrastructure and statutory purpose to administer all aspects of Maryland's residual market. Other workgroup members point out that Maryland Auto's statutory purpose, as the State's residual market mechanism, is to provide auto insurance to

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[75] *How Zip Codes Affect Auto Insurance Premiums in Maryland*, Economic Action Maryland Fund and Consumer Federation of America: PolicyBrief-HowZipCodesImpactMarylandAutoInsurancePremiums.docx3_.pdf.

high-risk drivers who are unable to obtain it on the voluntary market. Those workgroup members would have concerns about structuring a low-cost auto program in a manner that positions Maryland Auto to directly compete with the voluntary market to write policies covering low-risk drivers. The workgroup does not offer specific recommendations concerning how a low-cost auto program in Maryland should be administered, and views this as an area warranting further study.

B. POLICY OPTIONS TO INCREASE TRANSPARENCY SURROUNDING PRIVATE PASSENGER AUTOMOBILE INSURANCE PREMIUMS

1. REQUIREMENTS FOR NOTICES OF PREMIUM RATE INCREASES UNDER CURRENT MARYLAND LAW

Maryland law requires that a PPA insurer provide advance notice to a policyholder of the premium rate that will be charged for their renewal policy. An insurer is not required to provide a policyholder with an explanation of the reasons for a general (i.e., across-the-board) rate increase. However, an insurer is required to provide a policyholder with an explanation of the reasons for a premium increase based on factors that specifically pertain to the individual policyholder. A policyholder has the right to protest a premium increase they believe to be incorrect, and in the case of a premium increase of more than 15%, request a hearing to challenge the basis of the premium increase. A more detailed overview of the relevant provisions of the Insurance Article is provided below.

- Section 27-610(a)(2) requires that, unless an insurer provides notice of its intention not to renew a PPA policy, the insurer must notify the policyholder of the renewal premium at least 45 days before it becomes effective.
- Section 27-614(c) requires that, at least 45 days before increasing a policy premium via a surcharge, removal/reduction of a discount, or retiering/reclassification, the insurer provide the policyholder with an explanatory notice that:
    - Is on a form approved by the Commissioner;
    - States in clear and specific terms the basis for the premium increase; and
    - Explains the policyholder’s right to protest the premium increase and, in the case of a premium increase of more than 15%, request a hearing before the Commissioner.
- Section 27-614(d) provides that the Commissioner shall disallow a premium increase that is protested or challenged in a hearing if the Commissioner determines that the premium increase does not comport with the insurer's filed rating plan and applicable requirements of the Insurance Article.

MIA Bulletin 24-26 clarifies certain steps that a PPA insurer must take to comply with notice requirements under § 27-614 of the Insurance Article when increasing the premium for a policy based on factors measured through a telematics program.[76] Specifically, the bulletin provides that notice of a premium increase based on information about an insured's driving behaviors collected through a telematics program:

- Must state the percentage of the premium increase that is attributable to the telematics program;
- Must identify each behavior measured through the program and included in the calculation of the increase;
- Must specify, if applicable, that the increase was due to insufficient driving data or disenrollment; and
- May not use vague phrases like "may have included," or "based on factors such as."

2. INFORMATIONAL RESOURCES CONCERNING PREMIUM RATES CURRENTLY AVAILABLE TO MARYLAND CONSUMERS

The MIA's *Consumer Guide to Auto Insurance* provides information about how PPA insurers rate policies to aid consumers in effective comparison shopping.[77] The guide explains that when evaluating an application for a PPA insurance policy, an insurer gathers information about individual risk characteristics that are predictive of the likelihood that the applicant will be in an accident or file a claim. The insurer then evaluates those risk characteristics to determine whether their underwriting guidelines permit them to write a policy for the applicant and, if so, to assign a premium rate consistent with the rating plan the insurer has filed with the MIA.

The MIA's *Consumer Guide to Auto Insurance* describes individual risk characteristics that an insurer may consider when rating a PPA policy, including the applicant's driving record, geographical area, gender, age, marital status, prior insurance coverage, vehicle (age, make, and model), and credit history. The guide explains that when assessing an applicant's driving record, an insurer assigns points for moving violations and accidents and uses the applicant's total score to place the applicant in a certain risk category, pursuant to the insurer's underwriting guidelines or filed rating plan. The guide also explains that bankruptcies, late payments, and the number of credit cards an applicant has may result in a higher premium quote if the insurer's rating plan designates credit history as a factor used

[76] MIA Bulletin 24-26 is available at: https://insurance.maryland.gov/Insurer/Documents/bulletins/24-26-Notice-Requirements-for-Premium-Increases-Based-on-Factors-Measured-through-a-Telematics-Program.pdf.

[77] The MIA's *Consumer Guide to Auto Insurance* is available at: https://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf .

to rate a new policy. Finally, the guide describes how Maryland law restricts the ways in which PPA insurers can use credit history in rating and provides a basic overview of the laws governing premium rate increases.

The MIA's *Comparison Guide to Automobile Insurance Rates* provides additional information about rating factors, as well as an overview of the various types of mandatory and optional PPA insurance coverages available to consumers.[78] The guide is updated every six months. It presents scenarios based on risk characteristics of hypothetical consumers, and lists premium rates that licensed private insurers, as well as the Maryland Auto, would charge such consumers. The guide also identifies which insurers use credit history as a rating factor, and indicates that several private insurers and Maryland Auto do not. The MIA is currently collecting premium quotes from insurers that will be included in the next edition of the guide, which should be published in February of 2026. Rating scenarios in the forthcoming edition will be updated to include newer vehicle models and electric vehicles.

3. POTENTIAL ADDITIONAL DISCLOSURE REQUIREMENTS PERTAINING TO PREMIUM RATE INCREASES

The NAIC has established a Transparency and Readability of Consumer Information Working Group. One of the working group's charges is to develop voluntary regulatory guidance pertaining to disclosures of premium increases for property and casualty insurance products. Pursuant to this charge, the working group published a *Premium Increase Transparency Disclosure Notice Guidance for States* earlier this year.[79] The guidance document recommends that states consider adopting the following disclosure requirements that are not codified in Maryland law:

- Require that a PPA insurer provide a premium change notice, including a reasonable explanation of the causes of a premium increase, in advance of any premium increase (including a general premium increase) of 10% or more; and
- Require that a premium change notice specify the dollar impact of each major factor contributing to the premium increase (under Maryland law, notice of a premium increase based on individualized factors must specify the amount of the increase attributable to a telematics program and provide

[78] The MIA's *Comparison Guide to Automobile Insurance Rates* (Aug. 2025) is available at: https://insurance.maryland.gov/Consumer/Documents/publicnew/AutoRateGuide.pdf.
[79] The NAIC Transparency and Readability of Consumer Information Working Group's *Premium Increase Transparency Disclosure Notice Guidance for States* is available at: https://content.naic.org/sites/default/files/inline-files/Premium%20Increase%20Transparency%20Disclosure%20Notice%20Guidance%20for%20States.pdf.

a specific description of other contributing factors, but the dollar impact of all such factors does not need to be specified).

4. CONSIDERATIONS RELATING TO TELEMATICS PROGRAMS

Telematics programs (referred to as "programs that measure the operation of insured vehicles" in the Insurance Article), enable insurers to analyze risk profiles and tailor rates based on individual driving habits. Workgroup members agree that consumers on the private market should continue to have the option to voluntarily enroll in these programs, which disincentivize unsafe driving behaviors (e.g., cell phone use while driving and speeding) and may result in lower premium rates for individuals who demonstrate low-risk driving habits. APCIA asserts that the primary reason consumers choose to voluntarily enroll in telematics programs is to save money, and that consumers often switch carriers to do so.

In 2023, MIA's Market Analysis Unit surveyed the top 18 insurers representing 80.9% of Maryland's auto insurance market to gather information about insurers' implementation of telematics programs.[80] This survey found that 303,845 of 2,296,713 in-force policies during 2023 were enrolled in some type of telematics program, resulting in an enrollment rate of approximately 13.23%. The survey also found that, at the time of renewal, about 31.16% of telematics program enrollees experienced a rate decrease, 23.6% experienced a rate increase, and 45.24% experienced no change in premium during 2023. Finally, the survey identified more than 40 different data elements that insurers measure through telematics programs.

Data collected by the MIA indicates that many consumers who voluntarily enroll in a telematics program do not fully understand which types of data are collected through the program and how their insurer considers that data in underwriting and rating. Between January 1, 2024 and June 30, 2025, the MIA received 811 complaints from consumers concerning rate increases based on driving behaviors measured through telematics systems, accounting for 12.4% of all PPA related consumer complaints received during that period. Premium rate increases that were the subject of these complaints ranged from 0.4% to 42.5%. A wide range of driving behaviors measured through telematics systems, including the time at which a policyholder drives to work (e.g., 3:15am) and the fact that a policyholder encounters stop-and-go traffic during their regular commute, were cited as giving rise to such rate increases.

[80] *Telematics Survey Report - Auto Insurance Market in Maryland*, MIA (Jul. 2025): https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Telematics-Survey-Report-2025.pdf.

5. WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING POLICY OPTIONS TO INCREASE TRANSPARENCY SURROUNDING PRIVATE PASSENGER AUTOMOBILE INSURANCE PREMIUMS

The workgroup members were unable to reach a consensus on whether legislative action should be taken to implement the enhanced notice of premium increase requirements suggested by the NAIC. Some workgroup members would support such legislation on the grounds that it would enhance transparency surrounding premium rate increases, including general rate increases. Other workgroup members would oppose such legislation on the grounds that it would impose additional operational costs on insurers and be of little practical value to consumers who are overwhelmed or confused by voluminous information about factors impacting general premium rates.

The workgroup members were unable to agree on whether legislative action should be taken to establish disclosure requirements and appeals processes for telematics programs. Some workgroup members would support legislation requiring a PPA insurer that utilizes a telematics program: (1) disclose information to applicants and policyholders concerning the types of data collected through the program and how that data may be considered in rating and underwriting decisions; and (2) implement a process by which enrollees can contest the accuracy of data collected through the program. These workgroup members contend that mandatory disclosures are necessary to ensure that consent to participate in a telematics program is meaningful, and that a transparent appeals process is needed so that consumers can assess and contest premium increases based on potentially erroneous telematics readings. Other workgroup members would oppose such legislation, stressing the voluntary nature of telematics programs and arguing that insurers would have to pass additional costs incurred to comply with such legislation onto enrollees.

VI. METHODOLOGIES BY WHICH AFFORDABILITY CAN BE CONSIDERED IN RATEMAKING

A. BACKGROUND INFORMATION CONCERNING MARYLAND AUTO'S AFFORDABILITY INDEX

The workgroup was tasked with considering methodologies by which affordability can be considered in establishing PPA insurance rates c*onsistent with rate making principles codified in the Insurance Article*. The workgroup understands that the underlying goal of this charge is to identify potential alternatives to the "Affordability Index" that Maryland Auto devised to cap liability base rates (for minimum legally required coverage) at 3.3% of the median household income in ZIP codes with territorial base rates above this threshold. The differing opinions that the MIA and Maryland Auto, respectively, maintain as to the legality of the Affordability Index is well documented in prior legislative reports.[81] Without restating everything that has already been reported on, some basic background information is provided below.

Maryland Auto is a statutorily created entity, governed by Title 20 of the Insurance Article, intended to act as the State's auto insurer of last resort by making coverage available for high-risk drivers who are unable to secure coverage through the private market. If Maryland Auto's surplus level falls below a certain amount determined pursuant to a statutory calculation, it issues an assessment against the private market, the cost of which is typically passed onto private insurers' policyholders.[82] Between 1989 and 2007, Maryland Auto accrued a surplus, which reached a historic peak of $184 million in 2007. Beginning in 2007, Maryland Auto's surplus steadily eroded, partly - if not primarily - due to rate inadequacies. Eventually, the surplus was depleted to the extent that Maryland Auto issued an assessment (for the first time in 36 years) against the private market in 2025.[83] It is important to note that, as a general matter, inadequate rates afforded to some policyholders are ultimately subsidized by others.

In December of 2024, the MIA issued an order requiring Maryland Auto to phase out its use of the Affordability Index. The MIA determined that the Affordability Index violates the following rating principles codified in Title 11, Subtitles 2 and 3 of the Insurance Article, for which there is no statutory language exempting Maryland Auto.

- §§ 11-205 and 11-306 provide that rates may not be inadequate or unfairly discriminatory. The Maryland Supreme Court has held that, "[u]nfair discrimination, as the term is employed by the Insurance Code, means discrimination among insureds of the same class based upon something other than actuarial risk." *Insurance Commissioner v. Engleman*, 345 Md. 402, 413 (1997).

[81] The *2024 Joint Chairmen's Report on Methods for Determining Auto Insurance Rate Affordability* is available at: https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Joint-Chairmens-Report-Methods-for-Determining-Auto-Insurance-Rate-Affordability.pdf; and the *2025 Joint Chairmen's Report on Rate Assignment by ZIP Code* is available at: https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Report-on-Rate-Assignment-by-ZIP-Code-2025.pdf.

[82] The need for and amount of a Maryland Auto assessment is determined pursuant to § 20-404. Pursuant to § 20-406, a private insurer may recoup its portion of a Maryland Auto assessment (apportioned according to market share) via an assessment surcharge on each policy of motor vehicle liability or physical damage insurance that it writes or renews during the 1-year period following notice of the assessment.

[83] More historical information about Maryland Auto's surplus level over the years can be found in Section V of the MIA's 2023 JCR report, *Maryland Automobile Insurance Fund and the Private Insurance Market*, available at: https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Joint-Chairmens-Report-Maryland-Automobile-Insurance-Fund-and-the-Private-Insurance-Market.pdf.

- Rates may not be based wholly or partly on geographic area itself, as opposed to underlying risk considerations, even though expressed in geographic terms. Rather, pursuant to § 11-319, the use of territories must be actuarially justified.

The MIA's December 2024 order, together with an amendment to the order, which the MIA issued at the request of Maryland Auto in March of 2025:

- Stated that the rates proposed under a Maryland Auto rate filing with an effective date of January 24, 2025 were inadequate and, with respect to the Affordability Index, unfairly discriminatory;
- Indicated that, despite the MIA's concerns with the aforementioned rate filing, it was approved for implementation in order to enable Maryland Auto to increase its rates somewhat and mitigate its operating losses (the basis for the 2025 assessment against the private market);
- Ordered Maryland Auto to file new proposed rates with an expected implementation date of August 31, 2025;
- Ordered Maryland Auto to submit a plan to gradually eliminate the Affordability Index by March 1, 2026; and
- Required that as of December 31, 2027 and thereafter, rates in each ZIP code to which Maryland Auto has applied the Affordability Index be actuarially justified and consistent with the territory, as required by § 11-319 of the Insurance Article.

During the course of the workgroup study, Maryland Auto presented two options for reducing rate shock in affected ZIP codes as it phases out its Affordability Index. The first option presented by Maryland Auto, which is consistent with rate making principles codified in the Insurance Article, was to adjust the length of Maryland Auto policy terms from twelve to six months. The second option presented by Maryland Auto, which is not consistent with current ratemaking principles codified in the Insurance Article, was to establish an "economic relief credit" program to subsidize premium rates for policyholders verified as having income levels below a certain threshold. Maryland Auto proposed this program as a means of advancing affordability while addressing the MIA's concern that its current Affordability Index is unfairly discriminatory.

B. WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING ALTERNATIVES TO MARYLAND AUTO'S AFFORDABILITY INDEX

The workgroup endorses Maryland Auto's suggestion to adjust the length of Maryland Auto policy terms from twelve to six months. Maryland Auto indicates that such action will lower down payments due from its policyholders, encourage participation in the voluntary market (by encouraging more frequent comparison shopping), and hasten its progress towards achieving rate adequacy by enabling it to realize rate adjustments in half the time. This proposal is consistent with rate making principles codified in the Insurance Article, and could be implemented administratively (without legislative action). The workgroup further recommends that Maryland Auto monitor and report to the MIA on the effects of changing the length of its policy terms over the two years immediately following implementation of the change.

Maryland Auto's second suggestion, the establishment of an "economic relief credit" program, was presented as a means of achieving the same outcome as Maryland Auto's Affordability Index, but only for policyholders who meet individualized income eligibility requirements. This proposal is not consistent with current ratemaking principles codified in the Insurance Article, and would require legislative action to implement. Under the proposed program, an individual would be eligible for the economic relief credit if they are a current recipient of public assistance from a program that participates in the Maryland Benefits One Application (e.g., Medicaid, Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, or Women, Infants, Children programming).[84] Maryland Auto further suggested that an individual who is not currently receiving such public assistance may qualify for the economic relief credit if they submit proof of or certification that their annual premium rate is equal to or greater than a certain percentage of their annual individual or household income. Similar to health insurance subsidies currently in effect, economic relief credits granted by the program would be applied to make the cost of adequate and actuarially justified premium rates more affordable for policyholders.

The workgroup recommends further study into whether and how the legislature could design an economic relief credit program to reduce the cost of PPA insurance for low-income Maryland consumers. The workgroup thinks it would make sense for an economic relief credit program to be examined together with and as a potential alternative to a low-cost auto program, which is identified as another possible legislative intervention warranting further study in Section V.A.5 of this Report. In regards to an economic relief credit program, the workgroup specifically recommends further evaluation of:

- How the program would be funded (e.g., increased rates for non-qualifying policyholders, assessments on the private market, a new vehicle registration surcharge, etc.); and
- Whether an economic relief credit could be applied towards the premium for a PPA policy purchased through the private market, as opposed to limiting the program to Maryland Auto.

[84] The Maryland Benefits One Application can be accessed at: https://benefits.maryland.gov/home/#/. A press release concerning the application is available at: https://health.maryland.gov/newsroom/Pages/Governor-Moore-Announces-Streamlined-Benefits-Access-for-Marylanders-Through-Maryland-Benefits-One-Application.aspx.

VII. THE FINANCIAL STATUS OF PRIVATE PASSENGER AUTOMOBILE INSURERS IN THE STATE AND OPTIONS TO ADDRESS EXCESS PROFITS

A. OVERVIEW OF THE FINANCIAL STATUS OF PRIVATE PASSENGER AUTOMOBILE INSURERS IN THE STATE

Each authorized insurer is required to file with the MIA and the NAIC, on an annual basis, a complete statement of its financial condition, transactions, and affairs for the immediately preceding calendar year (the "Annual Statement").[85] The Annual Statement is submitted on a form developed by the NAIC and prepared in accordance with instructions published by the NAIC.[86] The purpose of the Annual Statement is to provide transparency surrounding insurers' financial performance and compliance with relevant laws and regulations. Among other things, the Annual Statement includes detailed financial data on insurers' revenue (earned premiums, investment earnings), expenses (claims, underwriting costs), assets, and liabilities. The visual and narrative summations of aggregate financial performance by PPA insurers that follow are based on information reported by insurers in Annual Statement filings for Calendar Years 2015 - 2024.

Underwriting profit is the profit that an insurance company generates from its core business of issuing policies and does not include investment income. The Combined Ratio is the key measure of an insurer's underwriting profitability, which is calculated by adding the Loss and Loss Adjustment Expense Ratio to the Expense Ratio. A Combined Ratio under 100% indicates an underwriting profit, whereas a combined ratio over 100% indicates an underwriting loss (e.g., a Combined Ratio of 105% means the insurer loses $0.05 for every $1.00 of premium collected). The components of the Combined Ratio are as follows:

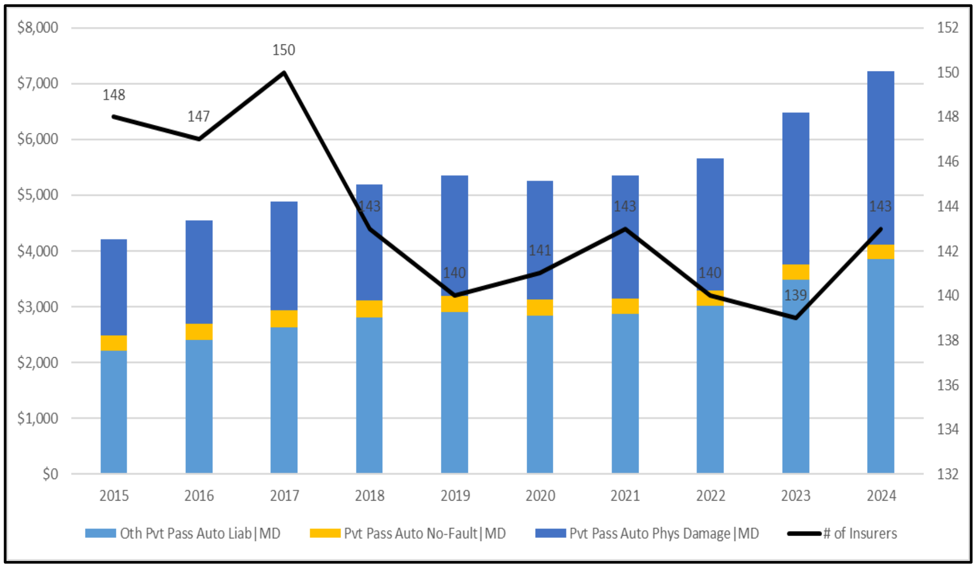
- Loss is the financial obligation the insurer expects to pay for a claim.
- Loss Adjustment Expense ("LAE") is the cost to investigate, manage, and settle a claim. LAE is separate from the claim payment. LAE consists of:
    - Defense and Cost Containment ("DCC") expenses, which include legal and other expenses an insurer incurs to investigate, defend, and litigate a claim; and
    - Adjusting and Other ("AO") expenses, which include general overhead expenses incurred in claims settlement.
- Loss Ratio = (Loss + LAE) ÷ Premium Earned
- Expense Ratio = Administrative Expenses ÷ Premium Written
    - Administrative expenses include sales and operating expenses.

The chart below shows aggregate PPA premium by line of business, as well as the number of active PPA insurers, in Maryland between 2015 and 2024. It shows that 143 insurance companies wrote PPA premiums in Maryland during 2024, reflecting an

[85] *See* Md. Code Ann., Ins. § 4-116.

[86] Updated versions of Annual Statement forms and instructions are available through the NAIC Financial Data Repository at: https://content.naic.org/industry_financial_filing.htm.

increase over the total number of companies in 2023. The chart also depicts an upward trend in total combined PPA direct written premium in Maryland from $4.2 billion in 2015 to $7.2 billion in 2024. “Direct written premium” is the amount of premium an insurance company collects from policyholders before it accounts for any premiums paid to reinsurers.



The table below summarizes the *nationwide* financial performance of PPA insurers, based on all lines of business net of reinsurance, between 2015 and 2024. The table indicates that the first underwriting gain in four years occurred in 2024. It shows that premiums earned increased and the loss ratio decreased to 73.8% in 2024. It also shows that investment gains were required to offset underwriting losses in 2016, 2017, 2021, and 2023, and that investment gains were not sufficient to offset significant underwriting losses in 2022. Finally, it shows that dividends paid to policyholders was higher in 2020 than in the other years. This may be due in part to premium credits and refunds that state insurance regulators mandated or recommended auto insurers to issue, commensurate with reduced loss exposure due to the drastic decrease in miles driven at the height of the COVID–19 pandemic.[87] While some insurers may have reported COVID-19 credits and refunds on auto policies as dividends to policyholders, others may have reported them as a reduction in premiums revenue or an expense netted within the total amounts reported in the premium or expense categories.

[87] *See* Bulletin 20-12, Bulletin 20-38, and Bulletin 21-01 issued by the MIA at: https://insurance.maryland.gov/pages/newscenter/propertycasualtybulletins.aspx.

For the year ended December 31,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Results (in millions, except for percent)										
Net Premiums Written	$ 241,122	$ 250,031	$ 257,203	$ 276,946	$ 284,518	$ 288,453	$ 304,143	$ 331,143	$ 373,561	$ 420,578
Net Premium Earned	237,248	248,037	255,167	272,345	280,747	285,326	296,321	320,217	356,933	407,284
Net Loss & LAE Incurred	170,632	188,827	195,486	196,146	203,485	198,220	223,460	263,789	290,056	300,673
Administrative Expense	64,911	65,458	65,331	69,955	71,470	74,386	75,950	78,957	84,974	94,745
Underwriting Gain (Loss)	4,206	(6,248)	(5,650)	6,245	5,793	12,720	(3,089)	(22,529)	(18,098)	11,866
Net Loss Ratio	71.9%	76.1%	76.6%	72.0%	72.5%	69.5%	75.4%	82.4%	81.3%	73.8%
Expense Ratio	26.9%	26.2%	25.4%	25.3%	25.1%	25.8%	25.0%	23.8%	22.7%	22.5%
Combined Ratio	**98.8%**	**102.3%**	**102.0%**	**97.3%**	**97.6%**	**95.3%**	**100.4%**	**106.2%**	**104.0%**	**96.4%**
Net Investment Gain (Loss)	23,062	20,733	29,629	26,972	22,213	20,959	27,814	21,924	28,110	35,438
Other Income (Expense)	510	700	1,163	603	1,216	788	1,194	869	506	948
Dividends Paid to Policyholders	1,473	1,258	1,373	1,516	2,082	5,102	2,026	1,485	1,512	1,891
Federal Income Tax Exp (benefit)	2,193	869	(641)	3,147	3,275	4,177	1,669	434	1,841	6,502
Net Income	$ 21,289	$ 12,634	$ 23,761	$ 28,860	$ 23,566	$ 25,298	$ 21,955	$ (572)	$ 7,406	$ 40,132

Excludes Aggregate Write-in for Underwriting Deductions and Aggregate Write-in for Other Income

The table below summarizes underwriting results reported by PPA insurers in *Maryland-only* for PPA lines of business between 2015 and 2024. The table shows that PPA insurers reported an underwriting loss in 2016 and 2022, and very modest underwriting profits in most of the other years presented. A low Combined Ratio of 78.3% resulted in a 22.7% underwriting profit in 2020, which is an anomaly attributable to the sharp decline in vehicle use at the height of the COVID-19 pandemic. There was also a relatively low Combined Ratio of 89% in 2024, resulting in an 11% underwriting profit, which is attributable to steep rate increases that insurers effectuated in 2023 and 2024 following poor underwriting results in 2022 (106.1% Combined Ratio). Loss and LAE ratio results demonstrate that losses, rather than expenses, was the primary determinant of underwriting profitability in the years presented. Finally, the table shows that dividends paid to policyholders (which is not included in underwriting results) were significantly higher in 2020 than the other years presented. As noted above, some insurers may have reported COVID-19 credits and refunds on auto policies as dividends to policyholders, whereas others may have reported them as a reduction in premiums revenue or an expense netted within the total amounts reported in the premium or expense categories.

For the year ended December 31,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Results (in millions, except for percent)										
PPA Prem Earned - MD	$ 4,140	$ 4,441	$ 4,765	$ 5,117	$ 5,315	$ 5,284	$ 5,334	$ 5,512	$ 6,221	$ 7,059
PPA Losses Incurred - MD	2,956	3,248	3,316	3,400	3,515	2,753	3,511	4,479	4,642	4,552
PPA Loss Adj Expense (LAE) Incurred - MD	71	64	72	72	88	71	73	96	97	95
Administrative Expense - MD	1,102	1,149	1,171	1,271	1,288	1,308	1,272	1,305	1,463	1,657
PPA UW Gain(Loss) - MD	$ 10	$ (21)	$ 207	$ 374	$ 424	$ 1,152	$ 478	$ (367)	$ 18	$ 755
PPA Direct Loss and LAE Ratio - MD	73.1%	74.6%	71.1%	67.9%	67.8%	53.4%	67.2%	83.0%	76.2%	65.8%
Expense Ratio - MD	26.2%	25.3%	24.0%	24.5%	24.1%	24.9%	23.8%	23.1%	22.6%	23.0%
PPA Combined Ratio - MD	**99.3%**	**99.9%**	**95.1%**	**92.3%**	**91.8%**	**78.3%**	**91.0%**	**106.1%**	**98.8%**	**88.8%**
Dividends Paid to Policyholders -MD	$ 22	$ 18	$ 20	$ 25	$ 38	$ 139	$ 28	$ 24	$ 21	$ 32

In sum, the financial data presented above indicates that, over the decade evaluated, PPA insurers earned very modest underwriting profits in Maryland and nationally.

B. CURRENT LAW AND RECENT LEGISLATIVE INITIATIVE IN MARYLAND RELATING TO EXCESS PROFITS BY PPA INSURERS

The MIA enforces laws that establish minimum surplus requirements for property and casualty (P&C) insurers, including PPA insurers. However, these insurers have discretion under current law as to how much additional surplus they wish to carry. One reason that an insurer may build additional surplus is to ensure its ability to pay out claims without risking its financial stability if it experiences significant future losses or a catastrophic event.

A bill introduced during the 2025 legislative session (H.B. 1159) proposed a uniform approach to determining the realization of and requiring the return of excess profits by insurers writing any line of P&C insurance. It would determine excess profits based on an insurer's premium revenue and incurred claim costs in a single year, without consideration of the insurer's overall financial condition or the extent to which gains in one year may have been offset by losses in a preceding or subsequent year. More specifically, **H.B. 1159 would have:**

- **Defined a P&C insurer's loss ratio as Incurred Claims ÷ Premium Revenue;**
- **Established a minimum acceptable loss ratio of 85% for a P&C insurer;**
- Required a P&C insurer to issue rebates to its policyholders if its loss ratio for the reporting year is less than 85%; and
- Specified that the amount of the rebate due to an insured equals (85% - Actual Loss Ratio) x (Total Premium Revenue Received from the Insured - Taxes, Licensing Fees, Regulatory Fees, Payments for Risk Adjustment, and Payments for Reinsurance).

The MIA submitted a letter of information regarding H.B. 1159 to the House Economic Matters Committee ahead of its hearing on the bill.[88] The letter of information relayed the following:

- Some P&C insurance policies (e.g., workers compensation policies) have a "long tail," meaning that claims can be made on the policy for many years. Long-tail insurers tend to have a higher surplus compared to other types of P&C insurers because it is more difficult to accurately estimate potential losses for long-tail lines of business, resulting in greater variability of losses.
- Certain lines of P&C insurance are less profitable than others.
- The bill would make no exception for insurers that are in a hazardous financial condition or have suffered significant losses.
- The bill may have adverse impacts on the net worth of P&C insurers and limit P&C insurers' ability to pay dividends to shareholders (or to policyholders, in the case of mutual insurance companies).

[88] The MIA's letter of information regarding HB 1159 (2025) is available at: https://mgaleg.maryland.gov/cmte_testimony/2025/ecm/1mYgncH989dkG0E_5YMR-tj4bCvZbsmsx.pdf.

Although H.B. 1159 was not enacted, the General Assembly acknowledged that there may be benefit to targeted evaluation of some concerns that the bill sought to address. Thus, the legislation that established this workgroup (H.B. 1098) included a charge that the workgroup study the current financial status of private passenger automobile insurers in the State and potential options to address excess profits realized by insurers in this particular line of P&C insurance.

C. EXCESS PROFITS LAWS ADOPTED BY OTHER STATES

Florida law pertaining to excess profits provides the following:[89]

- Each automobile insurer group shall file, prior to July 1 of each year on forms prescribed by the regulator, the following data for Florida PPA business:
  - Calendar-year total limits earned premium;
  - Accident-year incurred losses and loss adjustment expenses;
  - Administrative and selling expenses incurred in Florida or allocated to Florida for the calendar year; and
  - Policyholder dividends incurred during the applicable calendar year.
- Each insurer group's underwriting gain or loss for each calendar-accident year shall be computed by subtracting from the calendar-year earned premium the sum of:
  - The accident-year incurred losses and loss adjustment expenses as of March 31 of the following year, developed to an ultimate basis; plus
  - The administrative and selling expenses incurred in the calendar year; plus
  - Policyholder dividends applicable to the calendar year.
- **Excessive profit has been realized if there has been an underwriting gain for the three most recent calendar-accident years combined, which is greater than the anticipated underwriting profit plus 5% of earned premiums for those calendar-accident years.**
- If the insurer group has realized an excessive profit, the regulator shall order a return of the excessive amounts after affording the insurer group an opportunity for a hearing. **Such excessive amounts shall be refunded in all instances, unless the insurer group affirmatively demonstrates to the regulator that the refund of the excessive amounts will render a member of the insurer group financially impaired or will render it insolvent under the provisions of the Florida Insurance Code.**

[89] *See* Fla. Stat. Ann. § 627.066.

- Any excess profit of an insurance company offering motor vehicle insurance shall be returned to policyholders in the form of:
    - A cash refund within 60 days of entry of a final order indicating that excessive profits were realized; or
    - A credit towards renewal policies applied to policy renewal premium notices forwarded to insureds more than 60 calendar days after entry of a final order indicating that excessive profits were realized.

New Jersey laws and regulations pertaining to excess profits provide the following:

- Each insurer shall file with the commissioner, on or before July 1 of each year, a profits report with respect to its New Jersey PPA business. Each insurance holding company system shall file a separate combined profits report for all insurers in its system. A profits report shall contain the information and calculations set forth in statute, in a manner prescribed by the commissioner via regulation.[90]
- The excess profit report shall contain the following information for the 9 most recent calendar-accident years:[91]
    - Paid, unpaid and incurred loss;
    - Case incurred loss developed to an ultimate basis;
    - Paid, unpaid and incurred ALAE (allocated loss adjustment expense);
    - Case incurred ALAE developed to an ultimate basis;
    - AIRE (Automobile Insurance Risk Exchange) Allocation and investment income received;
    - AIRE Allocation and investment income developed to an ultimate basis;
    - AIRE Assessment; and
    - AIRE Assessment developed to an ultimate basis.
- The excess profit report shall include a calculation of each of the following items:[92]
    - Underwriting income, actuarial gain, and actual investment income for each of the seven calendar-accident years immediately preceding the date of the profit report;
    - Development adjustment for the 11th through the 8th calendar-accident years immediately preceding the due date of the profit report;

[90] *See* N.J. Stat. Ann. § 17:29A-5.7 and N.J. Admin. Code 11:3-20.
[91] *Id*.
[92] *Id*.

- Monies spent and monies encumbered to fund reinvestments by the insurer in the New Jersey private passenger automobile insurance market; and
- Total actuarial gain and excess profit.

- **The existence of an excess profit shall be determined based upon the prescribed calculations for the seven calendar-accident years immediately preceding the date the profits report is due. An excess profit shall be deemed to exist when an insurer's total actuarial gain for all PPA coverages combined exceeds 2.5% of earned premium, or 3.85% on a pre-tax basis, using the Federal corporate tax rate of 35%.**[93]
- **If the commissioner finds that an insurer has excess profits, the insurer shall establish, subject to the approval of the commissioner, a fair, practicable, and nondiscriminatory plan for the refund or credit of the excess profits to such group or groups of policyholders as the commissioner may determine to be reasonable in consideration of the insurer's financial and business circumstances.**[94]
- In the event an excess profit is returned by an insurer and subsequent development demonstrates that an excess profit did not exist or was overstated, an "excess profit carry forward" in the amount of the excess profit refunded or the amount overstated, whichever is less, shall be established. This "excess profit carry forward" shall be applied by such insurer as a credit against future determinations of excess profits until such credit is exhausted or the expiration of a 15-year period from the date such carry forward was established, whichever occurs first.[95]

New York's excess profits laws measure a motor vehicle insurer's profitability in the state relative to its net worth, averaged over a six-year period. This approach considers all sources of the insurer's income, including capital gains, investment income, and underwriting income. A base of several years is used to minimize volatility in the results. More specifically, New York laws and regulations provide:[96]

- **Excess profits is the amount by which the six-year average of an insurer's annual rates of return on net worth exceeds 21%.** The Department of Financial Services primarily verifies excess profits by reviewing insurers' financial statements and rate filings. It may also conduct examinations and require insurers to file additional information.

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[93] *See* N.J. Stat. Ann. § 17:29A-5.8 and N.J. Admin. Code § 11:3-20.7.
[94] *See* N.J. Stat. Ann. § 17:29A-5.12.
[95] *See* N.J. Stat. Ann. § 17:29A-5.10.
[96] *See* N.Y. Ins. Law § 2329 and N.Y. Comp. Codes R. & Regs. tit. 11, §§ 166-1.1 - 166-1.7.

- **The Department of Financial Services determines, on an annual basis, the amount of excess profits that an insurer (or group of insurers) is required to return to its New York policyholders as follows:**
    - **The amount of excess profits is divided by the average country-wide earned premium-to-net worth ratio of the six-year period, thus stating the excess profit as a percentage of premiums.**
    - **This percentage is then multiplied by the six-year total direct earned premiums for New York motor vehicle insurance.**
- Within 90 days of notice from the Insurance Department of the amount of excess profit to be returned, an insurer shall allocate the amount among its New York insureds of record on the date of distribution, in accordance with a fair, practicable, and nondiscriminatory plan for refunds or credits.

South Carolina's laws and regulations pertaining to excess profits provide the following:

- The regulator may require insurers licensed to write property or casualty insurance in the State to:[97]
    - Report loss and expense experience and other data necessary to determine whether rates are excessive; and
    - Submit, as a supplement to the annual statement, a report showing direct writings in the State and the U.S.
- **Excessive or unreasonable profits are aggregate operating profits in excess of either:[98]**
    - **15% of earned premiums over a five-year period; or**
    - **25% of the average policyholder surplus over a five-year period.**
- **If annual statements filed by an insurer during the preceding five years show an aggregate operating profit in excess of a reasonable amount from property, casualty, surety, marine, title, or allied lines of business in the State, the regulator may:[99]**
    - **Order a general reduction in rates to reduce the operating profit to a reasonable amount; and/or**
    - **Order a pro rata refund of excessive or unreasonable profits realized by the insurer, plus interest, to policyholders in the form of a cash refund, a credit toward future premiums.**

Of the four states discussed above, the workgroup was only able to confirm that Florida was prompted to enforce its excess profits laws within the past decade. Several auto

[97] *See* S.C. Code Ann. § 38-13-300.
[98] *See* S.C. Code Ann. Regs. 69-45.
[99] *See* S.C. Code Ann. § 38-73-1100.

insurers recently realized underwriting gains in Florida that triggered operation of the state's excess profit laws. Florida officials largely attribute these underwriting gains to the success of tort reform measures discussed in Section I.V.B of this Report. A press release dated October 22, 2025 quotes Florida Governor Ron DeSantis as saying: "This year, Florida's top five auto insurers are averaging over a 6% rate reduction, and we've secured nearly $1 billion in credits for Progressive auto policyholders – and the other carriers are expected to follow suit soon."[100] A press release dated November 18, 2024 quotes Florida Insurance Commissioner Mike Yaworsky as saying: "Ongoing discussions with top auto insurers have resulted in several [Office of Insurance Regulation] approvals of rate reductions and rebates for policyholders."[101]

D. WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING EXCESS PROFITS BY PPA INSURERS IN MARYLAND

The workgroup recommends that the MIA submit an annual report to the General Assembly on the overall financial performance and underwriting profitability of PPA insurers in Maryland during the preceding calendar year. The workgroup agrees that this annual report would increase transparency surrounding insurers' profits and enable the legislature and other interested parties to identify which financial factors are driving trends in PPA insurance premium rates.

The workgroup members were unable to reach a consensus on whether or not to recommend legislation that defines "excess profits," establishes a reporting process to enable the MIA to verify the existence of excess profits, and requires PPA insurers to return excess profits to policyholders. Some workgroup members think that there is no need for such legislation because PPA insurers earned very modest underwriting profits over the preceding decade and rate filings recently submitted to the MIA evidence the fact that insurers tend to decrease rates when underwriting profitability improves. These workgroup members also highlight that there is no evidence that PPA insurers have recently realized underwriting gains sufficient to trigger mandatory rebates in states that have adopted excess profit laws, with the exception of Florida. Finally, they contend that excess profit laws adopted in other states establish complex reporting requirements that generate compliance costs for insurers. Other workgroup members take the opposite view, stressing that there is no harm in having an excess profit law in effect during years that insurers realize modest underwriting profits. They emphasize the fact that such a law would operate

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[100] *Governor Ron DeSantis Announces $1 Billion in Auto Insurance Refunds as a Result of Florida's Improving Insurance Market, Executive Office of Governor Ron DeSantis* (Oct. 2025): https://www.flgov.com/eog/news/press/2025/governor-ron-desantis-announces-1-billion-auto-insurance-refunds-result-floridas.

[101] *Commissioner Mike Yaworsky Highlights Continued Auto Insurance Market Strength and Reinsurance Confidence in Florida*, Florida Office of Insurance Regulation (Nov. 2025): https://floir.com/newsroom/archives/item-details/2025/11/18/commissioner-mike-yaworsky-highlights-continued-auto-insurance-market-strength-and-reinsurance-confidence-in-florida.

to benefit consumers in years that insurers realize excessive profits, and that requiring insurers to report more detailed information about their underwriting profitability in Maryland would better enable legislators, regulators, and consumers to understand changes in the market.

APPENDIX A: WRITTEN FEEDBACK SUBMITTED TO THE WORKGROUP

[see attached]

APPENDIX A: WRITTEN FEEDBACK SUBMITTED TO THE WORKGROUP

Maryland

Kathryn Callahan -MDInsurance- <kathryn.callahan1@maryland.gov>

PPA Insurance Affordability

1 message

BURCH, R BURCH <robertburch1@allstate.com> Thu, Nov 13, 2025 at 5:21 PM
To: "kathryn.callahan1@maryland.gov" <kathryn.callahan1@maryland.gov>

Members of Committee,

My opinion as a 30 plus year licensed Agent:

1. More Law Enforcement! Stricter fines and impoundment for uninsured vehicles & aggressive/unsafe driving. Anyone operating a vehicle in a manner that endangers another's life should have their vehicle impounded for a minimum of 30 days (Regardless of ownership- Unless stolen or non permissive use).
2. Distracted Driving- SAME more law Enforcement- Strict Fines for cell phone use. Certainty, swiftness and severity of punishment.
3. Improve our roads and highways.

The political tariffs, supply chain, costs of vehicles, EV's on the road that is uncontrollable.

We need legislation passed to change the fines & penalties. Safer driving and better roads is a good start.

Thank you for sharing the video clips of your meetings.

Sincerely,
Robert Burch

My Website My Account Allstate Mobile

Referrals are the best compliment!

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November 18, 2025

Maryland Insurance Administration
Private Passenger Automobile Insurance Affordability Workgroup
200 St. Paul Street, #2700
Baltimore, MD 21202

Re: November 18th Private Passenger Automobile Insurance Affordability Workgroup Meeting

Members of the Private Passenger Automobile Insurance Affordability Workgroup,

On behalf of the National Association of Mutual Insurance Companies (NAMIC), thank you for the opportunity to provide written comments to the workgroup.

NAMIC is the largest mutual insurance trade association in the United States, representing more than 1,300 member companies. Our membership includes regional and local mutual insurance carriers as well as some of the nation's largest insurers. Collectively, NAMIC member companies write 61% of the homeowners insurance market, 48% of the automobile insurance market, and 25% of the business insurance market.

Recently, the Maryland Insurance Administration released a list of discussion questions for consideration by the Private Passenger Automobile Insurance Affordability Workgroup. Among these was the potential restriction or prohibition of certain non-driving rating factors, including banning or further limiting the use of credit history as a rating factor.

The correlation between credit-based information and the risk of loss has been repeatedly validated through actuarial studies and regulatory reviews. Credit-based insurance scores are predictive of claim frequency and severity, providing insurers with an objective tool to assess risk accurately. As a result, consumers benefit through broader coverage availability, competitive pricing, and greater market stability. This predictive value helps insurers price policies fairly, ensuring that lower-risk drivers are not subsidizing higher-risk drivers.

Importantly, the use of credit-based scoring enhances fairness by reducing reliance on less accurate factors and helps maintain a competitive marketplace that lowers costs for the majority of policyholders. Removing this factor would limit insurers' ability to offer competitive pricing and innovative products, ultimately reducing consumer choice in the marketplace.

NAMIC urges the workgroup to maintain the current statutory framework that allows the use of credit in private passenger automobile insurance rating. Doing so supports actuarially sound pricing, promotes fairness, and helps keep insurance affordable for Maryland drivers.

Another discussion point included for the Workgroup was in regard to whether Maryland should maintain its competitive rating system or should legislative action be taken to establish an alternative rate regulatory system.

Maryland should maintain its current competitive rating system because it fosters a fair and predictable regulatory environment that allows insurers to price coverage accurately according to risk. Since the late 1980s, this system has replaced the outdated prior-approval model, enabling rates to be used in the marketplace without unnecessary delays while still preserving robust consumer protections. The MIA retains full authority to review rates and ensure they are not excessive, inadequate, or unfairly discriminatory. This balance between market competition and regulatory oversight has proven effective for decades, supporting both consumer interests and insurer stability.

Thank you for your consideration of these comments. We look forward to continuing to work with the Maryland Insurance Administration and the Private Passenger Automobile Insurance Affordability Workgroup.

Sincerely,

Gina Rotunno

Gina Rotunno
Regional Vice-President,
Mid-Atlantic Region

MAMIC
Maryland Association of
Mutual Insurance Companies

191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

November 18, 2025

Maryland Insurance Administration
Marie Grant, Commissioner
200 St. Paul Street, #2700
Baltimore, MD 21202

RE: Comments on Workgroup to Study Private Passenger Automobile Insurance under House Bill 1098

Dear Commissioner Grant,

I am writing in my capacity as President of the Maryland Association of Mutual Insurance Companies (MAMIC) to provide comments on the study of private passenger automobile insurance under House Bill 1098.

MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

MAMIC members are all mutual insurers, owned by our policyholders. That connection to the customer is vital to our business model. Most members are also small or medium-sized carriers, which means they are close to the customer. Though few in number, MAMIC members serve an important role in insurance availability to consumers throughout Maryland.

Insurance coverages available from MAMIC members include substantial writings in homeowners and other property insurance across the State. We also include at least one specialty insurer, Medical Mutual, which provides medical professional liability coverage to Maryland physicians. Some MAMIC members offer private passenger automobile insurance as a related line of coverage to homeowners insurance. This is a feature that has become quite important to insurance consumers in recent years.

In order to offer private passenger automobile coverage, the MAMIC members who do so depend on a regulatory environment that is fair, predictable, and permits pricing that is reflective of the risks that insurers must accept every day. Two examples of your current study offer themselves for comment.

First, since the late 1980s Maryland has had a system of competitive rating for private passenger automobile rates and other lines as well. We relinquished a previous system that required regulatory approval before rates could be used in the marketplace. It is important to note that the move to competitive rating did <u>not</u> limit the ability of the Maryland Insurance Administration to evaluate rates and ensure that they are not excessive, inadequate or unfairly discriminatory. These and other statutes provide ample authority for the Administration to carry out its obligation of consumer protection in this area.

Second, over 20 years ago the Maryland General Assembly considered, and after heated debate enacted, a comprehensive statute to govern the use of credit in private passenger automobile insurance pricing. The resulting statute was one of the strictest in existence at that time. While that law prohibited the use of credit in homeowners insurance pricing, the use of credit was retained for private passenger automobile rating purposes.

That was a momentous decision, one that is reflected in the statutes of many other states. The correlation between certain credit-related information and the risk of loss for an insurer has been repeatedly demonstrated.

The proliferation of credit and other methods of assessing risk in the intervening years has placed some MAMIC insurers at a competitive disadvantage to large, national insurers with substantial resources available for the pricing of risk. Put simply, if credit were removed as a permissible rating factor, it is unclear whether MAMIC insurers would be able to compete effectively in the private passenger automobile insurance line. If they cannot, Maryland automobile consumers will suffer.

We offer these comments for your consideration as the workgroup completes its analysis and any recommendations under the provisions of House Bill 1098. We look forward to working with you during the next legislative session on this and related issues, and we will be happy to respond should you have further questions in the meantime.

Very truly yours,

Melissa G Shelley

Melissa Shelley
President

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November 25, 2025

Maryland Insurance Administration
Private Passenger Automobile Insurance Affordability Workgroup
200 St. Paul Street, #2700
Baltimore, MD 21202

Re: Private Passenger Automobile Insurance Affordability Workgroup Meeting

On behalf of the National Association of Mutual Insurance Companies (NAMIC), thank you for the opportunity to provide feedback to the Private Passenger Automobile Insurance Affordability Workgroup. We appreciate the workgroup's ongoing review of the preliminary recommendations under consideration and its commitment to improving affordability and access for Maryland drivers. Our comments below focus on maintaining a competitive, risk-based insurance market that protects consumers, supports innovation, and ensures long-term market stability.

As the workgroup evaluates potential restrictions on rating practices, NAMIC urges the preservation of a competitive and transparent rating system. Independent ratings provide consumers and businesses with confidence by demonstrating an insurer's financial strength and ability to meet its obligations. When multiple rating agencies apply rigorous standards, insurers must maintain strong financial health to remain competitive. This benefits policyholders by ensuring carriers remain reliable, resilient, and capable of paying claims promptly. A competitive rating environment also strengthens overall market stability by expanding consumer choice and reducing barriers to competition.

As noted in our November 18th letter, NAMIC strongly opposes restrictions on ratemaking and risk assessment. Insurers rely on actuarially sound, risk-based rating systems to predict potential losses and set premiums that reflect the true cost of insuring risk. This ensures that consumers pay rates aligned with their individual risk profiles rather than subsidizing others. Accurate risk assessment promotes fairness, supports market stability, and allows insurers to maintain the financial strength needed to serve policyholders and innovate.

Restrictions on territorial rating would significantly undermine these principles. Geographic factors, such as exposure to natural disasters, crime, traffic density, or loss trends, are essential components of risk analysis. Limiting an insurer's ability to incorporate territorial data reduces pricing accuracy and can create adverse outcomes, including higher premiums for some consumers, decreased availability of coverage, or reduced competition. Protecting sound territorial rating practices is important for preserving a fair and sustainable insurance marketplace.

Telematics programs are another important tool for promoting fairness and accuracy in rating. These voluntary programs use technology to measure driving behaviors such as speed, mileage, and braking, allowing insurers to price policies based on actual risk rather than broad demographic or geographic averages. Telematics empowers consumers by rewarding safe driving and offering opportunities to reduce costs. Restricting the use of telematics would limit consumer choice, hinder innovation, and slow progress toward a more efficient, data-driven insurance market. Accurate behavioral data also helps reduce fraud, improve risk assessment, and enhance overall financial stability - all of which support policyholders and public safety.

NAMIC appreciates the workgroup's consideration and review of the factors affecting auto insurance affordability in Maryland. As the workgroup moves toward final recommendations, we encourage the continued protection of competitive rating practices, sound risk assessment, and innovative tools such as telematics, all of which work together to ensure a fair, stable, and consumer-focused insurance marketplace.

We look forward to continued collaboration with the Maryland Insurance Administration and the workgroup.

Sincerely,

Gina Rotunno

Gina Rotunno
Regional Vice-President,
Mid-Atlantic Region

INDEPENDENT INSURANCE AGENTS OF MARYLAND, INC.

DBA BIG I MARYLAND

BIG I MARYLAND

Comments to the Private Passenger Automobile Insurance Affordability Workgroup

The Big I MD appreciates the opportunity to provide comments to the Discussion Guide presented at the last meeting of the Private Passenger Automobile Insurance Affordability Workgroup. The BIG I MARYLAND ("Big I") is the State's oldest trade association of independent insurance agents. It represents 200 independent agencies, which employ over 2000 people in the state. We represent independent insurance agents and brokers who present consumers with a choice of policy options from a variety of different insurance companies. These small, medium, and large businesses offer a variety of insurance products – including property, casualty, life, health, employee benefit plans, and retirement products.

In general, while we agree that private passenger automobile insurance is expensive, our responses reflect that the only way to address the issue is to focus on the real cost drivers without disrupting a vibrant and very competitive Maryland market.

Topic 1: Ways in which the term "affordability" has been or may be defined in the context of the establishment of PPA insurance premium rates

Response:

The two proposed ways in which to define affordability would present problems for Maryland's insurance market. While we understand that the FIO and IRC definitions are intended as a "conceptual framework for monitoring" rather than for ratemaking, we respectfully caution that using these specific metrics, even for monitoring, risks creating an incomplete picture of the Maryland marketplace.

Evaluating the market using metrics that decouple premium from risk, creates exposure to misdiagnosing the root causes of price fluctuations. We submit the following concerns regarding these definitions as monitoring tools:

The Risk of Misdiagnosis

Monitoring “affordability” solely through income-to-premium ratios misses the critical context of **Cost-to-Premium ratios**. If premiums rise to match the increasing costs of medical care, parts, and liability settlements, the market is functioning correctly. A framework based on the FIO/IRC models would flag this as a negative trend, potentially obscuring the underlying cost drivers that need to be addressed.

We urge the Administration to focus its monitoring on these underlying cost drivers of claims, rather than income-based ratios that do not reflect the actuarial reality of the risk transfer.

Topic 3: Policy options to provide greater transparency regarding PPA insurance premiums and to increase the affordability of PPA insurance in the State

Response:

Litigation Reform

We strongly urge the Workgroup to move beyond a mere "factual discussion" of legislative trends and instead include **a clear recommendation for litigation reform** in its final report.

While we acknowledge the political complexity of this issue, the Workgroup’s mandate is to address **affordability**. Insurance premiums are a direct reflection of claim costs. If the Workgroup provides the Legislature with a report that highlights high premiums but fails to recommend addressing the legal environments that drive those premiums, the analysis is incomplete.

A "factual discussion" that simply lists recent bills (such as the 2021 jury trial threshold change or 2023-2025 attempts to remove damage caps) is insufficient. It tells the Legislature *what* happened, but not *how* it impacts their constituents' wallets.

We believe the Workgroup has an obligation to explicitly state the causal link: **The stability of the civil justice system is a prerequisite for the affordability of insurance.**

Additionally, we ask the Workgroup to recommend that the Legislature focus on stabilizing the legal environment to reduce volatility in the marketplace. The repeated legislative attempts to remove or drastically increase noneconomic damage caps create pricing uncertainty. When insurers cannot predict the maximum potential loss on a claim, they must price for "worst-case" scenarios. We respect the political tensions surrounding tort reform, but "political feasibility" should not prevent the Workgroup from stating the actuarial reality.

We request that the final report includes a recommendation that the Legislature prioritize the predictability and stability of Maryland’s tort system as a primary mechanism for improving insurance affordability. Ignoring the cost drivers of litigation while attempting to lower premiums is an actuarially impossible task.

We also think more education about the proper amount of insurance to procure is in order. As independent producers, we consistently educate the consumer about the need to buy the appropriate amount of insurance.

Underwriting factors

Does the workgroup want to recommend legislative action to ban or further restrict the use of credit history as a rating factor (e.g., by prohibiting insurers from considering medical debt)? or is there a reason that the workgroup wants to advocate in favor of maintaining the status quo? Does the workgroup want to offer any recommendations for or against legislative action to establish new requirements for or restrictions on territorial rating (e.g., requiring territories be of a certain minimum size or limiting the weight that can be assigned to territorial versus state-wide factors when calculating rates)?

Response:

We respectfully advise the Workgroup to recommend maintaining the status quo regarding both credit history and territorial rating.

Our position is not born from a desire to protect industry profits, but from a commitment to actuarial fairness. Insurance rates must reflect the risk of loss. When legislation prohibits the use of predictive data (like credit) or dilutes geographic reality (like territorial rating), it does not lower the overall cost of insurance; it simply redistributes that cost. This results in lower-risk consumers unfairly subsidizing higher-risk consumers.

Furthermore, Maryland currently maintains some of the most robust consumer protections in the nation on these specific issues. Layering additional restrictions on top of existing statutes risks creating regulatory conflict without adding consumer value.

Topic 5: The current financial status of PPA insurers in the State and potential options to address excess profits

The workgroup considered data on the financial condition of PPA insurers active in Maryland in the ten year period from 2015 through 2024. The data indicates that, over the decade evaluated, PPA insurers earned <u>very modest underwriting profits</u>. The workgroup also considered laws enacted in other states that define what constitutes "excess profits" by PPA insurers and outlines the circumstances in which state insurance regulators may order the return of excess profits to policyholders.

Does the workgroup want to recommend that Maryland adopt a law to address excess profits? Or, does the workgroup think that underwriting profitability trends over the past decade indicate there is not a pressing need for this type of legislation?

Response:

In light of the evidence provided by the MIA's research, it does not make any sense to recommend that Maryland adopt a law to address excess profits.

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November 25th, 2025

Comments from the Consumer Federation of America to the Private Passenger Automobile Insurance Affordability Workgroup on Reducing Auto Insurance Costs

Kathryn Callahan
Director of Regulatory Policy
Maryland Insurance Administration
Kathryn.callahan1@maryland.gov

Re: Making Maryland Auto Insurance More Affordable and Accessible for Consumers

The Consumer Federation of America[1] (CFA) submits these comments to the Private Passenger Automobile Insurance Affordability Workgroup on lowering auto insurance costs and making coverage more accessible for consumers. We urge the Workgroup to make the following recommendations:

1) Adopt prior approval regulation of auto insurance rates;
2) Restrict the use of socioeconomic rating factors in auto insurance underwriting and rating and require insurers to demonstrate that their underwriting, rating, claims handling, and anti-fraud algorithms do not disproportionately penalize consumers on the basis of a protected class status, and
3) Establish a low-cost auto insurance program for safe drivers with low incomes.

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[1] CFA is an association of over 200 state and local members 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 an appointee to the California Automobile Assigned Risk Plan Advisory Committee which oversees California's low-cost auto insurance program. Our Research and Advocacy Associate Michael DeLong is a member of the Nevada Advisory Committee on Property and Casualty Insurance and a funded Consumer Representative with the National Association of Insurance Commissioners (NAIC). CFA possesses decades of experience on auto insurance costs and the best ways to lower them.

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Rising premiums and auto insurers' use of socioeconomic factors have made auto insurance expensive and even unaffordable for many Marylanders. This unaffordability has intensified while – and perhaps in part because – auto insurers in Maryland have earned above average profit returns over the ten most recent years for which the NAIC has published data (2014-2023)[2] and, using the NAIC data available for 2024, a below average loss ratio compared with the country.[3] As the Maryland insurance market proves better than average for companies, Maryland consumers suffer, facing the eighth highest average expenditure on auto insurance in the country, according to NAIC data.[4]

The use of non-driving rating factors – including credit-based insurance scores, job title and occupation, education level, age, gender, marital status, homeownership status, ZIP code or territory, and prior insurance coverage – further exacerbates the high prices for lower-income Marylanders who would struggle to comply with the state's insurance mandate even without being targeted for socioeconomic status penalties by insurance companies. A 2021 joint policy brief by CFA and Economic Action Maryland, for example, found that Maryland drivers pay dramatically different rates for auto insurance based on their ZIP code, and residents of ZIP codes with majority African American populations pay far higher premiums compared to ZIP codes with majority white populations. For Maryland ZIP codes where less than 10% of residents were African American, the average premium at the time of the study was $988. By contrast, for ZIP codes where 70-80% of residents were African American, the average premium was $1,962.[5]

Insurers' use of credit information is especially harmful to consumers. Our 2023 report on credit scores and auto insurance found that Maryland drivers with excellent credit paid an average annual premium of $805. By

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[2] National Association of Insurance Commissioners, April 2025. *Report on Profitability by Line by State in* 2023.
[3] National Association of Insurance Commissioners, June 2025. *2024 Market Share Reports for Property/Casualty Groups and Companies by State and Countrywide*
[4] National Association of Insurance Commissioners, June 2025. *2023 Auto Insurance Database Average Premium Supplement*.
[5] "How ZIP Codes Affect Auto Insurance Premiums in Maryland." Consumer Federation of America and Economic Action Maryland. March 2nd, 2021. Available at https://econaction.org/wp-content/uploads/2022/11/PolicyBrief-HowZipCodesImpactMarylandAutoInsurancePremiums.docx3_.pdf.

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contrast, Maryland drivers with fair credit paid an average premium of $1,116, and drivers with poor credit paid an average premium of $1,422--a 77% premium hike compared to drivers with excellent credit.[6] Other reports have found similar penalties paid by consumers with poor credit. A 2015 study by Consumer Reports found that Maryland drivers with poor credit and a perfect driving record paid an average annual premium of $2,904, while Maryland drivers with excellent credit and a drunk driving conviction paid an average premium of $1,268. In other words, safe Maryland drivers with poor credit paid $1,636 more than convicted drunk drivers with a high credit score.[7]

The use of socioeconomic characteristics is not limited to rating, as many drivers in Maryland, even those with clean driving records, have trouble finding coverage in the voluntary market if they have a low credit score or had a lapse in insurance coverage in the past. According to the FAQ on the website for Maryland Auto, the state's auto insurer of last resort:

> In fact, 60 percent of the drivers we insure have "clean" driving records with one or no points on their licenses. While we do provide coverage for drivers who have been cancelled or denied based on their driving record, many of our policyholders have been cancelled or denied because of lapses in coverage or credit issues. Whatever the reason, we provide a transitional solution to keep you covered until you are eligible for the standard market.[8]

The high rates and above average profits in the Maryland market and the severe penalties for drivers due to their socioeconomic status lead us to the three recommendations we identified above.

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[6] "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 31st, 2023. Available at https://consumerfed.org/wp-content/uploads/2023/07/Official-CFA-Credit-Score_2023-FINAL-REPORT.pdf.
[7] "The Secret Score Behind Your Rates." Consumer Reports. July 30th, 2015. Available at https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm.
[8] "Maryland Auto Insurance Claims Q&A." Retrieved on November 24th, 2025. Available at https://www.mymarylandauto.com/site/claims/claims-qa/.

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1. **Require insurers to justify their rates and pricing models.** The Workgroup should recommend legislation that will shift market oversight of rates and rating rules to a prior approval system that requires insurers to justify their rates and pricing models to MIA before going to market with them.
2. **Stop unfair discrimination in the insurance market that leaves lower-income Marylanders and people of color paying more for insurance.** MIA should restrict the use of socioeconomic rating factors pursuant to its authority to prohibit unfair discrimination and seek legislative reforms that will further ensure that insurance companies demonstrate that the models they use throughout the insurance lifecycle – from marketing, underwriting, and rating to claims handling and fraud fighting – do not perpetuate or create discrimination in the Maryland market.
3. **Provide an auto insurance lifeline to low-income, safe drivers who cannot afford private market prices.** The Workgroup should look to the success of California's low-cost auto insurance program for safe, low-income drivers and recommend the adoption of a similar program to provide bare bones coverage for good drivers.[9] This low-cost program would allow qualifying drivers to buy coverage below the minimum required limits as a way to avoid becoming (or remaining) completely uninsured; it 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 per year and currently serves over 63,000 drivers. We urge the Workgroup and the Maryland Insurance Administration (MIA) to consult with the California Department of Insurance, which has worked for years to improve the efficacy of this program.

At a time when the insurance industry has returned to huge profits, Maryland drivers need relief and real reform so they can obtain the coverage they need. We urge the Workgroup to adopt these recommendations and would be happy to provide additional information.

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

[9] "California's Low-Cost Auto Insurance." Retrieved on November 19th, 2025. Available at https://www.mylowcostauto.com.

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Sincerely,

Douglas Heller
Director of Insurance
Consumer Federation of America

Michael DeLong

Michael DeLong
Research and Advocacy Associate
Consumer Federation of America

Commissioner Marie Grant
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, MD 21202
Cc: Kathryn Callahan, Director, Regulatory Policy

November 25, 2025

Commissioner Grant,

We, the undersigned consumer protection, financial justice, housing, labor, and legal service organizations, thank you for the opportunity to provide comments on HB1098 Work Group on Auto Insurance affordability. This is a critical topic that our members, clients, and supporters grapple with and that needs strong, structural reforms.

Background

In most parts of Maryland a car is a necessity. Even in areas with public transit, access to a functioning automobile increases physical and economic mobility. An automobile expands access to jobs and increases the ease of caring for family members. In Baltimore, 80,000 families do not have access to a car and must rely on limited public transit options. A survey by Vehicles for Change found that workers in the Baltimore-area neighborhoods where most of its clients live can only reach 54% of the region's jobs within 90 minutes on public transit and that the low- and middle-skill jobs they can reach in 90 minutes comprise only 25% of the region's jobs[1]. These long commutes to and from work are common for low-income families, creating time-consuming burdens and a barrier to jobs that pay a family-sustaining wage.

There are many concrete examples of this, many detailed in the Maryland Auto's 2020 report "*The Uninsured Motorist Problem in Maryland*". In Baltimore County, officials at BWI airport note that second-shift workers can take the light rail to work but the rail closes before their shift ends. Similarly, other employers in Baltimore County noted that the bus lines close before workers' second shift ends, while some workers lament the fact that the bus stop closest to the workplace is still a mile away.

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[1] http://www.vehiclesforchange.org/transportations-impact/better-jobs/

Charles and Dorchester counties noted limited bus service and stops and no Sunday service. In Prince Georges County, a majority African-American county, employees working the second or third shift struggle to get to work at the National Harbor or at Trade Zone Drive.

Required By Law, Unaffordable for Working People

Maryland, like most states, requires drivers to carry auto insurance. Bankrate estimates that for minimum liability coverage (the coverage required by law), Maryland drivers pay, on average, $1101 per year, significantly higher than the national average of $678 per year. For full coverage, Maryland drivers pay, on average, $3039, a bit more than the national average of $2,697. These rates reflect large price hikes by auto insurance companies. In Maryland, drivers have experienced successive exorbitant price hikes from 2020 to 2025 including hikes of 29% in 2022 and 24.3% in 2024. Maryland's rate hike of 29% in 2022 was one of the highest rate hikes in the nation.[2] Coupled with price increases for a range of basic goods and services, the increased cost of auto insurance in Maryland is unaffordable for many low-wage working families across the state.

As a result, according to a 2025 Federal Insurance Office study, 16.8% of Maryland households, or 543,135 people, live in communities where auto insurance is unaffordable.

It is a problem if a product like auto insurance is legally required for drivers but priced in a way that working people can't afford to comply with the law. Elected officials must take action to solve this policy problem and pass measures to make auto insurance affordable.

Why Maryland's Auto Insurance So Expensive

There are two primary reasons why insurance is unaffordable in Maryland: 1) our high limited liability requirements; and 2) the use of non-driving related factors to set rates.

1. Limited Liability Requirements

Maryland has the sixth highest limited liability requirements in the country[3] which increases the cost of coverage for drivers that purchase limited liability coverage. Maryland's limited liability requirements are $60,000/$30,000/$15,000. Only Michigan, Alaska, and Maine have higher minimum liabilities. Maryland's limited liability requirements are the highest of neighboring states of Pennsylvania, Delaware, Virginia, West Virginia, New Jersey, and Washington, D.C. In fact, Maryland's limited liability requirements are more than double the requirements of Pennsylvania and New Jersey.

Recommendation #1 Establish a Low-Cost Auto Insurance Program

Maryland should create a means-tested low-cost affordable auto insurance program.

California's experience with a successful low-income, affordable insurance program provides Maryland with a model. In California, under their program, the average cost of insurance for qualified drivers is $384 (four times less than the average cost of insurance in Maryland). California achieved this by providing a bare bones ($10,000/$20,000) policy for low-income drivers with perfect driving records. It is crucial to note that 93% of drivers who enrolled in the program had not been insured prior to joining.[4]

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[2] https://insurify.com/report/auto-insurance/december-2022/

[3] https://www.bankrate.com/insurance/car/states/

[4] http://www.insurance.ca.gov/01-consumers/105-type/95-guides/01-auto/lca/upload/2019-CLCA-Legislative-Report.pdf

In California, which has a shared risk pool, each insurance company underwrote a percentage of the policies based on their share of the California insurance market, and the insurance policy was approved by the California insurance commissioner so that it was actuarially sound. The cost of the policy covered the costs to administer it, so no insurance company lost money providing the policy.
Most importantly, the program was revenue neutral as it was not a subsidy or charity model but created as an equity model.

A low-income affordable insurance program will create an on-ramp for working families who are not driving because of the high cost of insurance, who are driving without insurance, or who are sacrificing vital necessities in order to pay for insurance. More insured drivers means more affordable coverage and safer roads for everyone.

2. Use of Non-Driving Factors

Although the Maryland Insurance Administration (MIA) does not use race or income to set auto insurance rates, they do allow insurers to use a number of non-driving factors including credit score, zip code, gender, marital status, education, occupation, and homeownership to set rates.

MIA allows auto insurance companies to use these non-driving related factors "in predicting the likelihood that you will be in an auto accident in the future or *will file a claim for damages*."[5]

By allowing the use of these non-driving factors to predict the likelihood that a driver *may file a claim*, insurers can charge higher rates to low-income drivers who are more likely to file a claim than wealthier drivers. These non-driving factors act as a proxy for race and income and economically discriminate against low-wage workers, low-income drivers, women, and drivers of color.

A recent study by Washington D.C. 's Department of Insurance, Securities, and Banking (DISB) found significantly higher premiums charged to Black and Hispanic drivers than to white drivers in the District. The study found that, on average, Black drivers pay 46% more than white drivers and Hispanic drivers pay 20% more. Even accounting for other factors, there remained an average premium gap of $271 between Black and white drivers.

Use of Credit

Credit is one of the most egregious factors which disproportionately affects low income drivers and working families. Insurance companies review individuals' credit scores to try to predict the likelihood of which drivers might file a claim. Insurance companies cherry-pick 30 of 130 elements of a credit report, creating a proprietary score different from the FICO score.

A 2018 report from WalletHub found that the average premium fluctuation between moderate and good credit is 41% with a maximum fluctuation of 95% difference. A 2019 Zebra study found someone with moderate credit would be charged $696 more than someone with excellent credit[6].

According to a 2015 *Consumer Reports* study[7], a Maryland driver with good credit will pay $255 more

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[5] Auto Insurance Guide http://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf
[6] https://www.thezebra.com/resources/research/credit-insurance-rates/
[7] https://www.consumerreports.org/car-insurance/car-insurance-money-savers-surprises/?EXTKEY=EE914

than a driver with excellent credit, while a driver with poor credit will pay $1,759 more than a driver with excellent credit. At the same time, a Maryland driver with excellent credit and a DUI will pay $1,636 *less* than a driver with poor credit but a perfect driving record. This creates perverse incentives – when someone with poor credit pays more than someone with a DUI, this is a policy problem.

The majority of Maryland drivers with poor credit see a 40% increase in their auto insurance rates, regardless of their driving record. Auto insurance companies generally attach a 40% surcharge to any driver with moderate or poor credit.

Use of Territory

A driver's home zip code is used as a primary factor in setting an individual's insurance premium. Auto insurers argue that considering the residential zip codes of policyholders is a useful way to assess drivers' risk and establish their premiums. In particular, insurance companies focus on the frequency of losses associated with a zip code (how often will claims be filed) and the severity of losses for each zip code (how much will an average claim cost).

However, for reasons that may be wholly unintended or deeply linked with historic zip code-based discrimination, the outcome of zip code pricing in Maryland is that people of color consistently pay significantly higher premiums for the coverage mandated by state law.

A recent report Economic Action Maryland Fund (formerly the Maryland Consumer Rights Coalition) and the Consumer Federation of America found that zip codes that have a majority African American population pay significantly higher premiums compared to zip codes where the majority of the population is white[8].

As the percentage of African Americans living in the zip code increases, the average annual premium increases. The average premium for basic coverage decreases by $72 for each 10% increase in the proportion of white residents in a zip code. The 1.15 million residents living in zip codes where less than 20% of the population is white face average premiums of more than $1,600. The 1.15 million residents living in zip codes where more than 80% of the population is white see average premiums of less than $1,000.

Recommendation #2. Draw zip codes over larger territories to smooth the stark differences made within a two mile radius as currently exists.

Recommendation # 3. Reduce the disparity in pricing between zip codes by regulating the percentage by which zip codes can vary. For example, policymakers could address the disparate impact of zip code pricing by capping the difference between zip codes to no more than 25% range.

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8 https://econaction.org/wp-content/uploads/2022/11/PolicyBrief-HowZipCodesImpactMarylandAutoInsurancePremiums.docx3_.pdf

Executive Compensation and Insurance Costs

As auto insurance rates soared over the past five years, so did CEO compensation. Between 2023-2024, compensation for the top 10 insurance executives grew 27%, or $134 million[9]. That same year, these companies raised rates for auto insurance between 2.6-12.2 percent. Insurance companies pocket the profits while socializing the costs.

2024 Rank, Policies, and Executive Compensation 2023-2024

Name	**Rank**	**Maryland Policies written**	**2023 CEO Compensation**	**2024 CEO Compensation**	**Increase**	**Auto Rate increase 2024**
GEICO	1	1,596,778,809	$10 million	$15 million	$5 million	3.7%
State Farm	2	1,367,372,708	$3,578,361	$4,412,867	$834,506	8.0%
Progressive	3	969,526,687	$15,636,618	$16,37,514	$740,896	2.9%
Allstate	4	829,944,060	$16,516,626	$26,147,258	$9,630,632	12.2%
USAA	5	648,398,485	$8,118,816	$9,610,174	$1,491,358	2.6%

Sources:
https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/2025-Report-on-the-Effect-of-Competitive-Ra,https://consumerfed.org/press_release/insurance-ceos-get-27-salary-and-bonus-bump-while-consumers-see-premium-hikes-and-non-renewals/

Maryland drivers pay to give insurance CEOs millions of dollars in executive compensation and bonuses. We pay for corporate insurance companies to hire highly paid lobbyists to fight against policies that will bring auto insurance rates down so working people can afford them. We pay for insurance companies to fight claims that they discriminated against drivers. All of these costs are passed onto drivers and show up in our rates.

Recommendation #4. Limit passing corporate compensation and business costs onto insurance customers. Several states limit expenses that can be passed onto a driver such as political contributions and lobbying, executive compensation that exceeds a maximum reasonable amount, costs of defending against a discrimination complaint, certain advertising, and more.

Thank you for taking our recommendations into consideration.

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[9] https://consumerfed.org/press_release/insurance-ceos-get-27-salary-and-bonus-bump-while-consumers-see-premium-hikes-and-non-renewals/,

December 10, 2025

Via Email: kathryn.callahan1@maryland.gov
Kathryn Callahan, Director of Regulatory Policy
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, Maryland 21202

Dear Kathryn:

RE: IA&B COMMENTS – DRAFT REPORT OF THE MARYLAND PRIVATE PASSENGER AUTOMOBILE INSURANCE AFFORDABILITY WORKGROUP

On behalf of the Insurance Agents & Brokers of Maryland (IA&B), thank you for the opportunity to provide our comments on the draft report of the Private Passenger Automobile Insurance Affordability Workgroup. IA&B is a professional trade association for independent insurance agents in Maryland, representing nearly 200 member agencies and their 1,800-plus employees who work directly with private passenger automobile insurance consumers in every region of the state. We appreciate the considerable time and effort invested by the Workgroup members, the Maryland Insurance Administration and Insurance Commissioner Marie Grant, Senator Gile and Delegate Fraser-Hidalgo, and all others involved in convening public meetings, gathering data, and producing this draft report.

Data and Definition of Affordability

IA&B appreciates the report's thorough explanation of the Federal Insurance Office (FIO) and Insurance Research Council (IRC) affordability indices. While both the FIO and IRC measures can be useful tools for tracking and quantifying affordability over time, they should never be viewed in isolation. Premiums are a direct reflection of claims costs, and a deterioration in affordability metrics is, first and foremost, a sign that underlying claim frequency and severity are rising.

When underlying costs rise, corresponding premium adjustments are not only appropriate but necessary. In fact, failing to adjust premiums in response to rising claim costs would represent a true market failure. The final report should therefore emphasize that many of the pressures affecting affordability originate outside the insurance sector and cannot be remedied through insurer-directed regulation alone. Policymakers aiming to improve affordability in a meaningful way should focus first on the external forces driving claims costs upward, including the tort and litigation environment, predatory towing practices, inflation, vehicle repair costs, medical expenses, and other systemic cost drivers.

By the standard of the FIO's 2% affordability index ratio threshold, the proportion of Maryland's population in affected ZIP codes declined from 12.4% to 6.1% between the 2015 and 2022 (a decrease of over 50%). That is no small accomplishment. Over roughly the same period, Maryland's minimum wage rose from $8.00 in 2015 to $12.50 in 2022, a 56% increase, and has since continued to increase to $15.00 statewide and up to $17.65 in certain counties, depending on employer size. Because income is the denominator in the affordability ratio, it is reasonable to conclude that Maryland's FIO affordability index has likely improved further since 2022.

Affordability indices, however, should not be converted into hard legal thresholds, used to define a mandated "affordable" rate level, or employed as the basis for a pared-down product design. It is also essential to distinguish between individuals who genuinely cannot afford minimum required coverage and those who simply prefer to pay less for insurance than their risk profile justifies. Policy choices should be carefully calibrated to assist the former group without unintentionally subsidizing the latter.

Factors that Contribute to Premium Rate Increases

IA&B concurs with the draft report's emphasis on several external factors as meaningful structural cost drivers. The draft report correctly identifies that recent premium increases are rooted in higher loss costs rather than in administrative expenses or excessive insurer profits. Data from Maryland and nationwide demonstrate that private passenger auto insurers have experienced only modest underwriting profits over the past decade, with several years of outright underwriting loss. Where strong underwriting results do appear, most notably in 2020 and again in 2024, they are best understood as temporary anomalies linked to sharply reduced driving during the COVID-19 pandemic and necessary catch-up after years of poor underwriting performance, not as evidence of overpricing.

The report appropriately calls attention to predatory towing and storage practices, which IA&B views as a significant and growing concern. Towing and recovery bills can reach many thousands of dollars, and in the case of commercial vehicles, even into the tens of thousands, with prices that do not reflect the cost of services actually performed. These inflated invoices are ultimately borne by policyholders through higher premiums. Addressing abusive towing practices is one of the clearest opportunities for policymakers to tackle an underlying driver of claim costs rather than attempting to redistribute those costs within the insurance system.

In its review of various medical coverages, the report outlines the interaction of bodily injury liability, medical payments coverage, and personal injury protection (PIP). However, we flag the potential overlap between two optional coverages: medical payments and PIP. It would be useful to clarify why two separate overlapping medical coverages are needed, whether they are triggered differently in practice, and whether their coexistence can lead to pricing discrepancies or consumer confusion. A more streamlined structure might benefit both policyholders and insurers.

Finally, the legal and litigation environment remains a major factor. Maryland's relatively high jury trial threshold, ongoing debates about caps on noneconomic damages, and a higher-than-average propensity to litigate bodily injury claims all contribute to rising defense and settlement costs. Experience from other states, including the recent example of Florida's broad tort reform package followed by measurable rate reductions and refunds, underscores how changes in the legal environment can have a much larger impact on overall premiums than narrow adjustments to rating mechanics or expense loading rules. It can also have a secondary benefit of deterring fraudulent claims by making them less likely to succeed.

Workgroup Recommendations and Policy Options to Increase Transparency and Affordability

In light of the underlying cost drivers identified in the draft report, IA&B urges the Workgroup to clearly distinguish between policy options that meaningfully address the root causes of rising automobile insurance premiums and those that simply reshuffle costs among different groups of insureds. True affordability improvements come from reducing claim costs and structural pressures on the insurance system, not from forcing one group of policyholders to subsidize another.

Real-Time Verification Improvements: IA&B strongly agrees that the Motor Vehicle Administration's Online Insurance Verification Program is a major step forward in reducing the uninsured motorist rate. The next logical step is to enable "live" verification during traffic stops by allowing law enforcement through the Department of Public Safety and Correctional Services to access the system in real time. This targeted enforcement enhancement would help improve compliance with existing insurance requirements and, over time, reduce the burden on insured drivers who currently pay for uninsured motorists through higher premiums.

Prior Approval Rate Regulation: IA&B recommends that the Workgroup's final report include an acknowledgement that the National Association of Insurance Commissioners (NAIC) explicitly recommends against the use of rate regulation to address affordability issues:

> *Insurance rate regulation is not an appropriate public policy tool to address affordability. Auto insurance is a necessity for many, but to shift prices based on an arbitrary income benchmark will cause a major disruption to insurance markets, raising prices for all insureds.*

Experience in other states shows that a rigid market has a detrimental effect on affordability. In New York, auto insurance rates stabilized or reduced immediately after converting from Prior Approval to a Flex-Rating system, and the number of insurers increased by 28 percent, providing greater coverage options from which to select. In Massachusetts, strict regulation reduced the number of insurers in the state to less than 55 percent of the average in other northeastern states. In New Jersey and South Carolina, firms left the market due to strict price regulation in auto insurance, and the price of auto insurance subsequently increased. Each of these policies were enacted to improve the "affordability" of insurance for high-risk drivers or homeowners. The result in every case was a failed market with fewer insurers and higher prices.

Limiting Expense Loading: IA&B understands the intuitive appeal of proposals that would cap or disallow certain categories of insurer expenses, particularly executive compensation and broad institutional advertising, as seen in California and Louisiana. However, these proposals do not withstand scrutiny as affordability solutions. Even where a CEO of a nationwide P&C carrier earns compensation in the tens of millions of dollars, that amount is spread across tens of millions of policies, meaning that the premium impact of this "expense loading" on a given policy would be fractions of a penny per year. Such measures may resonate with those who believe premium increases are driven primarily by "corporate greed," but they are profoundly unserious symbolic gestures that do nothing to improve affordability.

Moreover, nothing in the California or Louisiana approaches appears to constrain expense loading for the underlying cost drivers that are actually pushing premiums upward, such as vehicle repair costs, medical services, towing and storage charges, or litigation expenses. If the logic is that certain high salaries or overheads should not be recoverable through prices charged to consumers, it is unclear why that principle would apply only to insurers and not to every other participant in the claims ecosystem. Should a personal-injury law firm be prohibited from reflecting its partners' compensation in its billable rates? Should medical providers be barred from recovering their own executive salaries and overhead in the prices they charge? Singling out insurers while leaving these other sectors untouched will not meaningfully change the trajectory of claim costs or premiums; it simply narrows the focus to the one party whose pricing is already heavily regulated, while ignoring the areas in which the cost growth is actually occurring.

Restricting Non-Driving Rating Factors: Many empirical studies, including those summarized by the NAIC, as well as the Federal Trade Commission's 2007 report to Congress, have found that credit-based insurance scores are strongly correlated with automobile insurance loss risk and that, while scores differ across income and racial groups, their predictive power is not primarily derived from those socio-economic characteristics.

It should be noted that eliminating credit-based and territorial rating factors does not reduce premiums; it merely reallocates costs so that lower-risk policyholders pay less and higher-risk policyholders pay more. The use of these rating factors scores permits insurers to evaluate risk with greater accuracy, which makes them more willing to offer insurance to higher-risk consumers for whom they otherwise would not be able to determine an appropriate premium.

As mentioned in the draft report, the Maryland Supreme Court has held that "[u]nfair discrimination, as the term is employed by the Insurance Code, means discrimination among insureds of the same class based upon something other than actuarial risk." If the many studies linking credit history and territorial rating to actuarial risk are wrong, then the Maryland Insurance Administration already has both the authority and the duty to prohibit their use as unfairly discriminatory. If those studies are right, and credit and territorial factors are in fact predictive of risk, then legislation restricting them would undercut sound ratemaking and distort the market. Put simply: if the studies are wrong, new legislation is unnecessary; if they're right, such legislation would be bad policy.

Low-Cost Options: We agree that exploring a carefully targeted low-cost coverage option may be worth consideration, but it is a double-edged sword. Any such product should be strictly means-tested, yet means testing itself can be cumbersome and vulnerable to misrepresentation and fraud if not designed with strong safeguards and simple, verifiable criteria. It is also essential to maintain robust liability limits for most drivers. If too many motorists are permitted to carry very low limits, more accident victims will be left with unpaid damages and uncompensated medical bills. If those same drivers also reduce or drop their own comprehensive, collision, and PIP-type coverages, we may simply be postponing a more serious affordability and adequacy crisis.

Telematics Programs: Telematics programs can be an important tool to align price with individual driving behavior and to encourage safer habits. However, many consumers do not fully understand how these programs operate or which behaviors are penalized. It should be clear that certain work schedules or driving patterns, such as regular overnight driving or heavy stop-and-go commuting, are simply ill-suited to telematics pricing and are likely to result in higher premiums. Those individuals may be better served by traditional, non-telematics products.

In our experience, independent agents often provide robust counseling to help customers decide whether telematics is appropriate for them. However, online purchasers may or may not read the information provided. One practical step would be to require a simple, plain-language warning at enrollment outlining the primary behaviors that typically increase telematics-based premiums. Because most programs provide live feedback through mobile applications, policyholders who do not like their results can switch to a different product at renewal.

Consumer Disclosures: We agree that transparency around premium changes is valuable, but caution that Maryland already mandates a large number of notices. There is little evidence that ever-increasing notice volume has significantly improved consumer understanding. Meanwhile, each additional notice adds administrative cost, which ultimately feeds into the expense ratio and premiums. Any new disclosure requirement should therefore be evaluated against its likely benefit to consumers relative to the cost of implementation. In our view, more focused communication and consumer education efforts may be more effective than expanding the universe of boilerplate notices.

MAIF, the Affordability Index, and Economic Relief Credits: IA&B supports the Maryland Automobile Insurance Fund's proposal to move from 12-month to 6-month policy terms as it phases out the Affordability Index. This is a practical, non-controversial measure that should help reduce down payments, foster more frequent comparison shopping, and allow MAIF to reach rate adequacy more quickly. We also support monitoring and reporting on whether shorter terms affect renewal behavior or retention, particularly considering the high rate of cancellations of MAIF policies.

On the other hand, IA&B strongly urges the Workgroup to oppose any proposal that would revive MAIF's former affordability index, whether directly or under a new label such as an "Economic Relief Credit." If policymakers wish to provide targeted assistance to low-income motorists, that objective should be pursued transparently through means-tested programs or broader social policy, not by quietly embedding subsidies in MAIF's rate structure and shifting the cost onto other insureds.

For many years, MAIF's use of an affordability index in its ratemaking produced chronic and severe rate inadequacy. MAIF's surplus declined from roughly $184 million to just $3.5 million, ultimately triggering a statewide MAIF assessment surcharge on all automobile policies statewide. Over the past two decades, MAIF's combined loss ratio has averaged 119%, meaning that for every $1.00 in premium collected, MAIF has paid $1.19 in claims and other expenses. Loss ratios of this magnitude are not sustainable, and the Maryland Insurance Administration was correct to require MAIF to phase out the affordability index and move toward fully actuarially justified rates.

Additionally, MAIF's inadequate rates distorted competition in the marketplace. By underpricing coverage relative to the true risk, MAIF was able to attract moderate-risk drivers who should have been written in the private market, undermining MAIF's statutory role as a residual market of last resort. This is reflected in MAIF's recent policy count growth: Private Passenger Auto Policies in Force increased from 19,553 in January 2022 to 44,269 in December 2024, a sharp expansion that is difficult to reconcile with the notion of a narrowly targeted safety net. Any attempt to reintroduce an affordability index through an Economic Relief Credit would once again invite underpricing relative to risk, fuel cross-subsidies from private-market policyholders, and increase the likelihood of future assessments on all Maryland drivers.

More broadly, the success of a residual market should be measured by two metrics: how few drivers remain uninsured, and how few drivers need to be placed in the residual market. By that standard, MAIF's recent trajectory is troubling. Most states operate their residual markets through assigned risk plans, in which high-risk policyholders are placed with admitted carriers in proportion to each carrier's market share. IA&B believes the Workgroup's final report should recommend further study into alternative residual market mechanisms, including the potential benefits of a transition to an assigned risk plan model.

IA&B Insurance Agents & Brokers

Conclusion

In closing, we commend the workgroup and the Maryland Insurance Administration for assembling a thorough and data-driven draft report. Our comments are intended to sharpen the diagnosis of what is driving costs and to focus policy attention on measures that address root causes rather than shifting costs within the system or undermining risk-based pricing.

Across our comments, we have tried to emphasize two core themes. First, premium levels are ultimately a function of claim frequency and severity. Sustainable improvements in affordability will come from addressing the underlying cost drivers, such as the litigation environment, predatory towing and storage practices, vehicle repair and medical costs, severe weather impacts, roadway conditions, and uninsured driving, not from artificially shifting costs from one driver to another or holding premiums below actuarially indicated levels.

As the workgroup finalizes its recommendations, we suggest beginning with the areas where there appears to be broad agreement across stakeholders, including:

- Targeted reforms to address predatory towing and excessive post-towing fees; and
- Technical fixes to give law enforcement live access to the MVA's Online Insurance Verification Program.

IA&B and its member agencies stand ready to assist the Workgroup, the Maryland Insurance Administration, and the General Assembly as this report is finalized and as any subsequent legislation is developed. We appreciate your continued engagement with stakeholders on these complex issues and thank you again for the opportunity to present our perspective on how Maryland can improve auto insurance affordability in a way that is responsible, data-driven, and sustainable.

Sincerely,

John Savant

Johnathan Savant
Government Affairs Director

Cc: Jason Ernest, President & CEO, IA&B
Claire Pantaloni, VP Advocacy, IA&B

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December 10, 2025

Maryland Insurance Administration
Private Passenger Automobile Insurance Affordability Workgroup
200 St. Paul Street, #2700
Baltimore, MD 21202

Re: *Draft Workgroup Report on the Affordability of Private Passenger Automobile Insurance*

Members of the Private Passenger Automobile Insurance Affordability Workgroup:

On behalf of the National Association of Mutual Insurance Companies (NAMIC), thank you for the opportunity to provide comments on the draft report. NAMIC represents more than 1,300 member companies nationwide, including regional and local mutual carriers as well as several of the largest insurers. Collectively, our members write 61% of the homeowners market, 48% of the auto market, and 25% of the business insurance market.

We appreciate the workgroup's commitment to transparency and stakeholder engagement throughout this process. The opportunities to present information, submit written comments, and participate in detailed discussions have been invaluable, and we commend the Maryland Insurance Administration for its thoughtful and inclusive approach.

Given the significance of these recommendations, we believe several areas require additional clarification to ensure the findings are interpreted accurately and implemented effectively by the General Assembly and other stakeholders.

Definition of Affordability

NAMIC respectfully disagrees with the report's preference for the Federal Insurance Office (FIO) definition of "affordability" over the Insurance Research Council (IRC) metric. Although the report states that neither definition is being formally recommended for statutory use, policymakers may view this discussion as signaling a preferred approach.

A rigid, income-based threshold poses risks. Defining auto insurance as "affordable" or "unaffordable" based solely on a fixed percentage of household income oversimplifies family budgets, which must balance housing, food, utilities, and healthcare. Auto insurance is only one component of vehicle ownership costs. Using a static income ratio does not reflect how households prioritize or manage these expenses.

The IRC metric offers a more practical measure by examining average expenditures relative to median income - not to impose a cutoff, but to track long-term market trends. This approach provides meaningful insight without constraining insurers' ability to set rates based on actuarially supported risk characteristics.

Policy Options to Increase Transparency and Affordability

We are deeply concerned by the statement suggesting that the public benefit of legislative or policy action could outweigh the adverse impact on PPA insurance affordability. This rationale risks diminishing affordability as a core principle and could lead to significant unintended consequences for consumers and the market. Applying such an approach without rigorous, data-driven analysis prioritizes speculative benefits over measurable financial burdens on policyholders. Moreover, policies framed under this logic may inadvertently increase insurer operating costs, restrict risk-based pricing, and reduce rating flexibility - ultimately driving higher premiums or limiting coverage availability.

Additionally, the introductory sentence in Section V may imply that the workgroup concluded these interventions would improve affordability or transparency. Because no such consensus was reached, we suggest replacing it with:

"This section outlines policy interventions presented to the Workgroup as potential ways to increase transparency and enhance affordability of PPA insurance premium rates in Maryland. However, as discussed in Subsection A.5, the Workgroup did not reach consensus on whether these interventions would improve transparency or affordability."

This clarification will help prevent misinterpretation by the legislature or the public.

Maryland's Rate Regulatory System

The draft report provides a helpful overview of Maryland's transition from prior approval to a competitive "file and use" framework. We urge caution against any implication that returning to a more restrictive system would benefit consumers. Competitive rating enables insurers to respond efficiently to shifting loss trends, lowering rates when warranted and adjusting them as needed to maintain solvency.

Maryland's most recent competitiveness report confirms that the PPA market remains robust, with 144 active insurers and a low market share for Maryland Auto - indicators of wide availability and strong competition, including for higher-risk drivers. National data and other states' experiences show that restrictive systems create delays, increase withdrawn filings, and widen gaps between filed and approved rates. These outcomes reduce competition, hinder accurate risk-based pricing, and ultimately increase long-term costs for consumers. Maryland's current framework best supports availability, affordability, and market health.

Restrictions on Non-Driving Rating Factors

NAMIC strongly opposes restrictions on actuarially sound ratemaking. Insurers rely on predictive factors to price policies accurately and ensure premiums reflect the true cost of risk. Limiting or eliminating key variables, particularly credit and territory, would reduce rating precision, increase cross-subsidization, and undermine market stability.

Credit-Based Insurance Scores

Credit-based insurance scores have been validated over decades as one of the strongest predictors of future claims. Their predictive value remains robust even after controlling for income, race, and other sensitive variables. Eliminating this factor would reduce pricing accuracy, broaden rating bands, and weaken alignment between premiums and actual risk. Lower-risk policyholders would subsidize higher-risk drivers, undermining fairness and incentives for responsible financial behavior. States that have restricted credit have seen reduced insurer participation and higher costs.

Territory as a Rating Factor

Territorial rating is equally essential because geographic location captures risk characteristics that cannot be measured effectively at the individual level. Differences in traffic volume, crash frequency, crime rates, and weather patterns vary significantly across Maryland and directly affect claims. Restricting territorial rating would force subsidization across regions, raise premiums for lower-risk areas, and potentially reduce insurer participation in higher-risk communities.

Together, credit and territorial rating are two of the most predictive tools insurers use to align risk and price. Restricting them would reduce fairness, distort market signals, weaken competition, and ultimately increase costs for Maryland drivers.

Limiting Expense Loading

Restricting expense loading may seem consumer-friendly, but it disregards the essential cost structure of insurance operations and threatens market stability. Expense loading covers critical costs such as claims handling, policy servicing, compliance, technology infrastructure, and risk management; functions necessary for financial stability and timely claims payments. Prohibiting certain expenses forces insurers to underprice risk, leading to inadequate reserves, reduced market capacity, and greater volatility that harms consumers.

Institutional advertising, often dismissed as unnecessary, promotes industry awareness, financial literacy, and consumer trust. Restricting these costs could diminish consumer understanding and reduce competitive differentiation. Likewise, a reasonable profit margin is not excessive; it provides a buffer against catastrophic losses and helps maintain capital adequacy. Limiting expense loading erodes this buffer, increasing insolvency risk and potentially prompting insurer exits, ultimately reducing consumer choice. Finally, state-level variability creates fragmented compliance requirements, increasing administrative costs that will ultimately be passed back to consumers.

Telematics Programs
Telematics programs are critical for promoting fairness, pricing accuracy, and consumer choice. By collecting data on driving behaviors such as speed, mileage, and braking patterns, these voluntary programs allow insurers to set premiums based on actual driving performance rather than broad averages. This benefits safe drivers with lower premiums and encourages safer habits through feedback and education.

The Maryland Insurance Administration's 2025 Telematics Survey Report shows that 31.2% of telematics policyholders received a premium decrease, 23.6% experienced an increase, and roughly 45% saw no change. Participation grew by nearly 45% between 2021 and 2023, demonstrating strong consumer interest. Framing premium increases or lack of discounts as evidence of program failure is misleading; risk-based pricing naturally produces varied outcomes. Complaints about late-night driving or stop-and-go commuting ignore well-established actuarial correlations with higher accident risk. Rather than restricting telematics, the report should focus on transparency and consumer education, including clear disclosures about data use and potential outcomes.

Financial Status of the PPA Market and "Excess Profits"
The draft report's discussion of profitability oversimplifies market dynamics and risks mischaracterizing normal cyclical performance as unjustified profit-taking. Underwriting gains do not equate to excess profits; insurers rely on investment income, must reserve for volatility, and operate in a cyclical industry where periods of profitability often follow years of losses. Isolated observations cannot capture this context or insurers' need to maintain adequate margins for solvency.

The report also does not sufficiently address cost drivers behind recent premium increases, including inflation in parts and labor, advanced vehicle technology, and increased accident frequency. Without a clear benchmark grounded in underwriting results, investment returns, and reserve adequacy, labeling profits as "excess" is speculative and could distort policy discussions.

We thank the Maryland Insurance Administration for its thorough work and commitment to balancing consumer protection with market stability. We hope these comments assist in refining the report to ensure that policy solutions are evidence-based and equitable. NAMIC looks forward to continued collaboration and remains committed to supporting efforts that improve affordability, promote fairness, and strengthen Maryland's insurance marketplace.

Sincerely,

Gina Rotunno

Gina Rotunno
Regional Vice-President,
Mid-Atlantic Region

Commissioner Marie Grant
Maryland Insurance Administration
200 St. Paul Place, Suite 2700
Baltimore, MD 21202
Cc: Kathryn Callahan, Director, Regulatory Policy

December 10, 2025

Commissioner Grant,

Thank you for the opportunity to provide comments on the draft W*ork Group Report on the Affordability of Private Passenger Auto Insurance*. This is a critical topic that our clients and supporters grapple with and one that needs strong, structural reforms in order to ensure that low-and-moderate income drivers can afford to purchase this legally required product.

Process Challenges and Considerations

The Work Group and report submission has faced an expedited timeline in order to meet the deadline set in the statute. As a result, Work Group members have been asked to provide comments prior to the draft report and for the draft report with only a few days to respond. While this may be feasible for insurance producers and their lobbyists who have staff and administrative support to assist them, there are asymmetries in resources, capacity, and time between insurance producers, their trade associations, and the sole consumer voice in the Work Group. As a result, the consumer protection and economic justice perspective is more limited than desired. Should there be a future Work Group, I recommend there be an equal number of consumer and industry representatives in the composition of future work groups and a longer timeline for comments which would allow more thoughtful and robust feedback to inform deliberations.

Specific Comments and Suggested Additions to the Report

1. Include Washington DC DISB study and findings : Suggested language below.

ADD *A recent study by Washington D.C. 's Department of Insurance, Securities, and Banking (DISB) found significantly higher premiums charged to Black and Hispanic drivers than to white drivers in the District. On average, Black drivers pay 46% more than white drivers and Hispanic drivers pay 20% more. Even accounting for other factors, there remained an average premium gap of $271 between Black and white drivers.*

Include the DISB study in the appendix.

Recommendation: MIA should conduct a similar study to assess the potential of disparate impact in the cost of auto insurance for Maryland drivers.

2. Page 13, V. Policy Options to Increase Transparency and Affordability

After the second sentence which reads *The workgroup also acknowledges that, in certain instances, the public benefit of a legislative or policy action may outweigh the potential adverse impact of such action on the affordability of PPA insurance.*

ADD Conversely, the public benefit of a legislative or policy action may outweigh the potential adverse impact on competitiveness or actuarial soundness.

Rationale: There may be instances when a legislative change or policy action provides important public benefits. This sentence or a similar one is necessary to provide balance to the sentence.

3. A. POLICY OPTIONS TO INCREASE THE AFFORDABILITY OF PRIVATE PASSENGER AUTOMOBILE INSURANCE IN THE STATE 1. TYPES OF RATE REGULATORY SYSTEMS IN MARYLAND AND OTHER STATES

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Page 16. The draft report extensively cites an IRC report which suggests adverse impacts on market performance of moving to a stricter rate regulatory system. It is worth noting

that the IRC is a research organization for the insurance industry. Their webpage notes that the IRC is *supported by leading property and casualty insurance companies and associations.* Therefore its findings reflect the perspective of the industry it represents and serves. Several of the purported adverse impacts may, from an affordability perspective (the central subject of this work group) be beneficial.

For example, a longer timeline from request to approval may be indicative of greater scrutiny and justification by the regulator, which from a public interest perspective is a positive development. In the same way, if the number of increased filings were due to excessive rates being rejected or questioned, that is a positive development. Finally, the approval of smaller rate increases than requested is a net positive for low-wealth drivers and consumers overall.

Recommendation: 1) either revise this entire section to provide the countervailing view that these developments demonstrate why consumer and economic justice advocates find a stricter rate regulatory system to be in the public interest; OR

2) strike the section detailing the IRC research and move it to a footnote with a sentence describing the industry and consumer perspective.

4. WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING OPTIONS TO INCREASE THE AFFORDABILITY OF PRIVATE PASSENGER AUTOMOBILE INSURANCE IN THE STATE

Page 25. Paragraph 1.

Other workgroup members would oppose such legislation and maintain that transitioning away from the current competitive rating system would not lower premium rates, but *would hamper insurers' ability to implement timely adjustments to premiums rates as market conditions change and ultimately stifle competition.*

1. Add rationale for why consumer advocates support stricter rate regulation or prior approval; AND modify the paragraph above as follows:

Other workgroup members would oppose such legislation and ~~maintain~~ SUGGEST that transitioning away from the current competitive rating system ~~would~~ MAY not lower premium rates, but ~~would~~ MAY hamper insurers' ability to implement timely adjustments to premiums rates as market conditions change and ultimately stifle competition.

Paragraph 2. AFTER *Some workgroup members argue that these expenses can be substantial and contend that it is unfair for Maryland drivers who are legally required to purchase PPA insurance to shoulder these costs, particularly high salaries paid to executives of national insurance groups.*

ADD *Implementation of CA regulations limiting institutional advertising, limiting excessive compensation, and other expenses, benefited consumers. Between 1989 and 1997, insurance companies operating in California issued over $1.18 billion in premium refunds to more than seven million policyholders. 15 Among those companies that complied with the rollback were nine of the ten largest auto insurance companies operating in California. They represented 61.4% of the marketplace*[1].

Paragraph 3. The viewpoints of consumer, civil rights, labor, financial justice members are relegated to a single sentence while the comments from NAMIC, the insurance industry trade association, was cited extensively. This creates an inaccurate perception of the arguments, gravitas, and data raised by both respondents.

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1 https://consumerwatchdog.org/in-the-news/background-insurance-reform-detailed-analysis-california-proposition-103/

Recommendation: Expand comments for proponents of eliminating credit scores from insurance companies which are included in the joint letter including an analysis of the

impact of credit scores in Maryland. Cite the 2023 The One Hundred Percent Penalty which examines the impact of credit score use on consumers' auto rates. In addition, cite the 2015 Consumer Reports article which finds a $1759 gap between a Maryland driver with excellent credit and poor credit. The analysis also found that someone with poor credit and no accidents pays about $1600 more than a driver with a DUI and excellent credit.

Alternatively, strike the extensive references and quotes from NAMIC, the insurance industry trade association, if comparable references and data are not included from state and national consumer advocates.

Paragraph 4. Include the findings from Economic Action Maryland Fund and Consumer Federation of America's report which found that:

- *Maryland drivers pay dramatically different rates for auto insurance based on their zip code*
- *Zip codes that have a majority African American population pay significantly higher premiums compared to zip codes where the majority of the population is white.*

There is extensive quantitative data and analysis in the report. I would recommend equal attention and inclusion of consumer advocates perspectives and analysis be included in the report so that the coverage is balanced and equitable. I am happy to provide specific data to include in this section and suggest this inclusion.

- *Our analysis of adjacent zip codes shows that the best predictor of higher rates is, once again, the percentage of African Americans or Latinx residents in a zip code. The more people of color living in a zip code, the higher the rate charged for auto insurance. In other words, auto insurance companies are engaging in a new form of redlining - making it more costly for communities of color to insure their cars.*

Page 26. When discussing the recommendation on whether and how to design a low-cost auto insurance program, clarify that the bullet points on what the study will consider is illustrative rather than exhaustive.

Policy Recommendations to Address Auto Insurance Affordability

While the Work Group was unable to reach consensus on numerous proposals to address affordability, it is important to note that a letter was submitted prior to the draft report signed by 11 organizations representing more than 40,000 Maryland households calling for strong systemic reforms for members, clients, and supporters. In summary, the organizations called for Maryland to:

- **Recommendation #1**. Establish a Low-Cost Auto Insurance Program
- **Recommendation #2**. Draw zip codes over larger territories to smooth the stark differences made within a two mile radius as currently exists.
- **Recommendation # 3.** Reduce the disparity in pricing between zip codes by regulating the percentage by which zip codes can vary. For example, policymakers could address the disparate impact of zip code pricing by capping the difference between zip codes to no more than 25% range.
- **Recommendation #4**. Limit passing corporate compensation and business costs onto insurance customers.

Thank you for your consideration of these comments.

Best,

Marceline White
Executive Director

Attn: Kathryn Callahan
Director of Regulatory Policy
External Affairs & Policy Initiatives Division
Maryland Insurance Administration
200 St, Paul Place
Suite 2700
Baltimore, Maryland 21202
Via email: kathryn.callahan1@maryland.gov.

RE: Exposure Draft Report: Workgroup Report on the Affordability of Private Passenger Automobile Insurance

Dear Ms. Callahan,

It has been a pleasure to serve as the representative of the automobile trade association on the Workgroup studying the issues surrounding the affordability of private passenger auto. Thank you to the Maryland Insurance Administration and Commissioner Grant for leading the Workgroup and drafting a very comprehensive report.

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 67.4% of the private passenger auto insurance market in Maryland. APCIA welcomes the opportunity to comment on the draft report. We have a number of areas where we would like to offer additional information or other suggestions, which are organized section by section below.

Page 3-4 **WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING THE DEFINITION OF "AFFORDABILITY"**

"The workgroup agrees that the FIO definition of "affordability" articulates a reasonable conceptual framework for monitoring and evaluating trends in the affordability of PPA insurance over time. The workgroup prefers the FIO definition over the IRC definition, because the FIO definition reflects the reality that lower income households are acutely affected by general increases in PPA premium rates."

APCIA Response:

Our primary concern with any method would be arbitrarily declaring auto insurance as affordable or unaffordable based on an arbitrary percentage of income. There are many competing expenditures for a household, and auto insurance is still a relatively small part of the cost of owning a vehicle, let alone in comparison to necessities such as housing, food, utilities and healthcare. **We believe the IRC definition to be more useful.** The IRC measures the ratio of the average auto insurance expenditure to median household income, not to establish a subjective point at which auto insurance becomes unaffordable, instead it provides a tool to measure affordability across time and jurisdictions.

Page 11 Excessive Fees for Towing Services

"The workgroup discussed the fact that the Chair of the Senate Judicial Proceedings Committee established a group to study post-towing procedures and report its findings and recommendations to the Committee during the 2026 legislative session. We highlight that separate study for the awareness of those reading this Report."

APCIA Comment:

This interim workgroup is studying post-towing procedures relating to **towing from privately owned parking lots.** This study workgroup does not address the issues that were discussed at the September meeting, which are predatory towing and post-towing procedures after an accident. The Workgroup should recommend that the General Assembly establish a group to study towing and post-towing procedures following an accident that occurs on roadways other than the state highways. State Police initiated tows after an accident have already been addressed by the General Assembly which addressed excessive towing charges on state highways[1].

Page 12 After Tariffs

APCIA provided the workgroup with the newly released report "2026 Roadmap to Safety" from Advocates for Highway & Auto Safety. The report provides a comprehensive strategy to improve safety and lower motor vehicle fatalities and injuries. The report provides an overview of each state's enacted laws and where further legislation could improve vehicle fatalities in that state. Maryland appears on page 51 of the report. While Maryland is graded as good; there are several items for consideration by the Workgroup for legislative action including primary rear seat belt enforcement. In addition, several of the items recommended by the advocates overlap with the Workgroup's discussion of further study of Maryland driver's licensing laws and safety**. The recommendations listed below requiring legislative action should be supported by the Workgroup.**

[1]In accordance with legislation passed in 2022, **HB0487** and 2023, **HB1002**, the Maryland State Police has established a maximum rate schedule that may be charged on police-initiated towing of medium and heavy-duty commercial vehicles. The new rate schedule is at https://mdta.maryland.gov/sites/default/files/Files/Police/MDTA_Police_Tow_Rates_05-09-2024.pdf

MARYLAND

5,525 = Ten-year fatality total
579 = 2024 fatalities
$5.910 Billion = Annual cost due to motor vehicle crashes

GOOD

HIGHWAY LAWS ADOPTED

- Primary Enforcement Front Seat Belt Law
- All-Rider Motorcycle Helmet Law
- Rear Facing Through Age 2 or Older Law
- Booster Seat Law
- All-Offender Ignition Interlocks
- Open Container Law
- All-Driver Text Messaging Restriction
- GDL Cell Phone Restriction
- Permits Red Light Cameras by Law
- Red Light Cameras in Use
- Permits Automated Speed Enforcement by Law
- Automated Speed Enforcement in Use

HIGHWAY LAWS NEEDED

- Primary Enforcement Rear Seat Belt Law
- Rear Seat Through Age 12 Law
- Minimum Ages for Learner's Permit and Licensing
- 70 Hours of Supervised Driving Provision
- Nighttime Driving Restriction Provision
- Passenger Restriction Provision

Page 13 INTRODUCTION TO SECTION V (POLICY OPTIONS TO INCREASE TRANSPARENCY AND AFFORDABILITY)

At the bottom of page 13:

"The workgroup also acknowledges that, in certain instances, the public benefit of a legislative or policy action may outweigh the potential adverse impact of such action on the affordability of PPA insurance."

APCIA Comment.

What does that mean? **We suggest this be deleted.**

Next Sentence: "This section of the report outlines relevant provisions of current Maryland law and identifies policy interventions that may increase transparency surrounding and enhance the affordability of PPA insurance premium rates in Maryland."

APCIA Comment

This sentence is problematic because Section V discusses changes to competitive rating, expense loading and restricting the use of non-driving rating factors (credit, territory), so this introductory sentence can be read to suggest that the Workgroup found that these measures have the potential to improve affordability and transparency. Much later on (starting on page 24), the draft does say that no consensus was reached on these things, but the sentence in the introduction could easily be read out of context to say that the workgroup found that these things may help to address affordability.

We suggest striking this sentence and instead saying: "**This section of the report outlines the policy interventions that were presented to the workgroup as potential ways to increase transparency surrounding and enhance the affordability of PPA insurance premium rates in Maryland. However, as discussed in Subsection A.5 of this Section, the workgroup did not reach consensus on whether these interventions have the potential to improve transparency or affordability of PPA rates.**"

3. OPTIONS FOR RESTRICTING THE USE OF CERTAIN NON-DRIVING RATING FACTORS

a) CREDIT HISTORY P 20

As discussed, this section did not include recent activity in Washington State that banned the use of credit and its impact. A bill to ban the use of credit scoring sponsored by the Insurance Department (Senate Bill 5010) failed to pass the legislature in 2021. Insurance Commissioner Kreidler then issued an emergency rule in March 2021 to ban the use of credit scoring. The ban was in place for a few months resulting in higher premiums for many drivers. Statistics produced by the commissioner's office found that 61% of consumers saw their insurance premiums rise as a result of the prohibition before it was ruled invalid by a court in October 2021.[2] The impact on senior citizens was pronounced.

Page 24 "WORKGROUP DISCUSSION AND RECOMMENDATIONS CONCERNING OPTIONS TO INCREASE THE AFFORDABILITY OF PRIVATE PASSENGER AUTOMOBILE INSURANCE IN THE STATE."

Page 25 Rate Review Process:

APCIA Comment

APCIA strongly recommends that the current file and use rate review process remains in effect. As discussed during the prior meetings, there is no evidence that prior approval would make private passenger insurance more affordable. Many times, California's system has been suggested as an option.. Prior approval may have a detrimental impact. During the pandemic, California insurers provided $2.4 billion in COVID premium refunds in recognition of diminished driving habits early on. As drivers returned to the roads, unfortunately, costs increased. Yet in spite of the data demonstrating that increase, not a single auto rating plan was approved for two and a half years.

As reported in the media[3] at the time, some insurers saw little choice but to restrict new business. Many terminated agency appointments and limited policy submissions. While few completely exited the auto market, they became highly selective about renewals. In addition, according to recent Perr & Knight statistics, CA's current turnaround time for rate approval is the highest in the country at 287.[4] This makes rate response to changes in market conditions even more difficult and hampers companies' ability to predict if and when a rate could be approved.

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[2] https://www.piawest.com/news-releases-and-bulletins/credit-scoring-in-washington-part-2-commissioner-kreidler-insurers-not-responding/

[3] https://www.insurancebusinessmag.com/us/news/auto-motor/are-auto-insurers-pulling-back-from-california-457197.aspx

[4] https://www.perrknight.com/wp-content/uploads/2025/10/State-Filings-Pulse-2025-Q2-Edition.pdf

Page 25 CREDIT

Last Paragraph

APCIA suggests deleting **“controversial topic”** and inserting **“extensively debated”.**

CREDIT Page 25-26 Discussion

APCIA Comments

Legislative action to ban or further restrict the use of credit history as a rating factor should not be considered as the Workgroup pursues measures to make auto insurance more affordable because such measures would have the opposite effect, by making auto insurance less affordable for many Maryland drivers. As discussed, Washington State attempted to ban the use of credit and it disrupted the market.

In 1993, FICO®, the analytics company that developed the first credit score, developed FICO® Insurance Scores. Since then, other analytics firms and even some insurance companies have also developed their own credit-based insurance score (CBIS) models.

Prior to the introduction of CBIS, auto insurance underwriting generally consisted of three buckets: good, average and bad drivers. Due to a lack of precision in risk segmentation, many drivers found themselves in the state’s high-risk pools, stuck paying higher rates with nowhere else to go. But with the introduction of CBIS, the number of rating tiers increased dramatically. This allowed auto insurers to more accurately measure and price risk, which in turn led to the offering of more—and more competitively priced—coverage.

In state-run high-risk pools, prior to the introduction of CBIS, prior to the introduction of CBIS, volumes in the plans fluctuated somewhat but remained highly elevated, often thousands of cars in even low-cost states and much higher volumes in more expensive states. But since the introduction and widespread adoption of CBIS, policy volumes in the plans dropped precipitously in the years immediately after and remain at greatly reduced levels. In 25 states, the total volume of insured cars in 1985 was approximately 1.6M. The volume in 2023? Under 190,000.

The predictive value of credit-based insurance scoring has been validated by every study conducted on the matter, including by many state insurance departments[5] including Arkansas as noted in the Report and the Federal Trade Commission[6].

And while insurers are not required under professional actuarial principles and practices to explain why actuarial principles and practices for insurers to show why a risk factor is predictive in order to utilize it, *the causal connection between credit and risk has been explained* by scholars, notably a 2007 study by researchers at the University of Texas at Austin.[7]

In addition, APCIA has conducted research using telematics data showing that credit information is highly correlated with real-world driving behavior and auto insurance claims costs[8].

The takeaway for Maryland policymakers is to consider what this means for potentially banning use of credit. A large percentage of drivers would pay more. A small percentage would pay less. And those drivers that pay less are the ones that are more likely to produce more and higher claims. Banning the use of credit is unfair because it forces low-risk individuals to pay more to subsidize high-risk drivers who pay less.

Page 26 TERRITORY

APCIA Comment

Legislative action to limit the use of territory should not be considered. No one can dispute the fact that automobile accidents, or vandalism and theft losses are more likely to occur in certain locations than in others. The cost of automobile accidents and property damage is more likely to be greater in certain areas as well. APCIA opposes restrictions on the use of territory in auto insurance pricing which would result in an increase in premiums for some policyholders would take place to offset the decrease in premiums given to others, unfairly overcharging those persons who actually have less loss exposure than other persons having greater exposure.

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[5] A report of the Vermont Department of Financial Regulation is a good example. The 2016 report, ***A Study of Credit-Based Insurance Scoring for Motor Vehicle Insurance—Impact and Limitations****,* available at this link, reviewed existing studies of credit-based insurance scoring to assess its efficacy as a predictor of risk and assessed the potential impacts of limitations on the use of credit-based insurance scoring on insurance rates in Vermont. Utilizing information for 253,197 private passenger vehicles in Vermont collected from companies representing 65% of the market, the Department concluded that if the use of credit-based insurance scores was prohibited, "approximately two-thirds of vehicles with premiums influenced by credit-based insurance scoring would see an increase in premium."

[6] ***Credit-Based Insurance Scores: Impacts on Consumers of Automobile Insurance*** available at this link. The report is based on data representing 27% of the automobile insurance market in "drawn in a way that ensured a nationwide representation of policies." The FTC found that, "Credit-based insurance scores are effective predictors of risk under automobile policies. They are predictive of the number of claims consumers file and the total cost of those claims. The use of scores is therefore likely to make the price of insurance better match the risk of loss posed by the consumer. Thus, on average, higher-risk consumers will pay higher premiums and lower-risk consumers will pay lower premiums."

[7] ***Biological and Psychobehavioral Correlates of Credit Scores and Automobile Insurance Losses: Toward an Explication of Why Credit Scoring Works***, March 2007, Journal of Risk & Insurance.
[8] https://www.apci.org/media/news-releases/release/68827/

As discussed in APCIA's testimony on Senate Bill 816[9] from the 2023 session, if restrictions in geographical location as a rating factor were imposed and limited rating territories were used, in a state, then a redistribution of premiums among policyholders would be necessary. Those policyholders living in higher-cost areas would have a decrease in their premium, while policyholders in lower-cost areas would have an increase. In other words, the residents of less populated communities would be required unfairly to subsidize their counterparts living in the more heavily populated cities. Generally, it is the majority of policyholders in the state who would be affected negatively by this type of change.

The debate on territorial rating has resulted, no doubt, in part from increases in the cost of insurance, especially to those living in metropolitan areas. Certain groups feel that restrictions on the insurance ratemaking process will result in lower premiums for the policyholder. This is not the case, however, as affordability concerns cannot be mitigated over the long term by establishing artificial barriers on the risk assessment process and prohibiting or limiting the use of territorial rating. Rather, premium decreases should only take place when the true problem of high underlying claim costs is recognized and dealt with directly and successfully.

Page 26- DISB Report on Market Conduct Examination Evaluating Unintentional Bias in Private Passenger Automobile Insurance [10]

The D.C. Department of Insurance, Securities and Banking (DISB) conducted an extensive market conduct examination that occurred over a two-year period to examine the potential for unintentional bias in auto insurance. DISB conducted a review of auto insurers' rating and underwriting methodologies. The market conduct data collection and processing were expensive requiring many company hours to provide data. Based on the extensive data collected by DISB, the report proved that insurance premiums accurately reflect insured losses. APCIA does not recommend a similar study in Maryland.

The report by DISB confirmed that differences in premiums are driven by differences in losses, and the systems insurers use to produce quotes reasonably reflect the policies offered to potential customers and are reflective of the sound risk-based pricing methods being used in the market. Insurers use a variety of actuarially sound and predictive driving and non-driving rating variables to fairly and accurately price policies, which benefits consumers with lower rates overall, more choices, and greater market and price stability.

It is critically important to understand that insurers do not collect race information and do not use race information in any way, including to set insurance premiums. While DISB created and used racial categories in its report, insurers base rates on risk, not race. DISB's analysis found that, whenever a group paid higher premiums, it also had more accidents, more claims, and generated more in losses, and therefore this group paid more in premiums. Higher losses and more claims translate into higher premiums.

[9] https://mgaleg.maryland.gov/cmte_testimony/2023/fin/1Eps12qdNcY0DKxl3olW2hP3gnyQVYvhO.pdf

[10] Report on Market Conduct Examination Evaluating Unintentional Bias in Private Passenger Automobile Insurance – Final 2024

DISB is currently examining ways to lower the underlying losses for certain groups so that premiums can decline, especially for those who are paying the most.

Page 26 LOW-COST AUTO PROGRAM

These recommendations are similar to the recommendations regarding MAIF's economic relief program on page 34. APCIA requests to include as well under these recommendations, consideration in studying in place of a low-cost auto program, a subsidy such as an economic relief credit to low- income individuals to used toward premiums through the private market.

Page 30 TELEMATICS

APCIA Comments

This section does not provide an accurate description of the telematics marketplace. It omits or selects certain facts and does not provide a clear picture. In addition, the complaint data provided was not shared with the workgroup and discussed in the context of the number of policyholders enrolled, nor was there any detail on the nature of the complaints provided for review and discussion.

Consumers voluntarily enroll in a telematics plan primarily to save money and often switch carriers to do so. A MIA survey[11] of the top 18 insurers for 2023 showed, at time of renewal, 31.18% experienced a rate decrease, 23.6% experienced a rate increase and roughly 45.24% experienced no change in premium.

In 2023, 303,845 in-force policies were enrolled in some type of telematics program, out of a total of 2,296,713 in force policies resulting in an enrollment rate of 12.39%. Between January 1, 2024, and June 30, 2025, over a year and half period, the MIA received 811 complaints concerning rate increases based on driving behaviors measured through telematics systems, or just .003 percent of telematics policies in force. The small number of complaints relative to policies in force does not seem to indicate there is a widespread problem regarding transparency and disclosure. This reflects similar percentage to the market share of the telematics policies of 12.39%. Premium rate increases that were the subject of these complaints ranged from 0.4% to 42.5%. According to the MIA report, there are over 40 various data elements that different insurers collect for rating and some of these various driving behaviors measured were cited as giving rise to such rate increases.

Page 43 CONCERNING EXCESS PROFITS BY PPA INSURERS IN MARYLAND

APCIA Comment

As provided in the draft report, no further legislation is necessary. Maryland PPA insurers have not experienced "excess profits" over the past 10 years. Through the "not excessive, inadequate, unfairly discriminatory" standard in law, the insurance regulator has the authority to prevent excessive

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[11] *Telematics Survey Report-Auto Insurance Market in Maryland,* MIA (Jul.2025) https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Telematics-Survey-Report-2025.pdf

pricing by applying that statute but at the same time protecting solvency and the competitive market by taking a longer view with respect to each company, to assure rates accurately reflect losses and also to compare one company's rates to the market.

Because of the regulators existing authority to prevent excessive pricing, while protecting solvency and competitive markets, only four states (FL, NY, NJ, SC) have implemented specific provisions for excess profits, and those are all based either on long term results (3-7 years). There has only been one instance where the law has come into play. This was recently in Florida but only after substantial tort reform which lowered the underlying claim costs for insurers. Such tort reform is not possible in Maryland.

Thank you for the opportunity to share our suggestions and comments to the draft report Please do not hesitate to contact me if you have questions or need additional information.

Sincerely,

Nancy J Egan

Nancy J. Egan,
Vice-President, State Government Relations- Mid-Atlantic
Nancy.egan@APCIA.org Cell: 443-841-4174

MARYLAND
AUTO INSURANCE

December 16, 2025

Marie Grant, Insurance Commissioner
200 St. Paul Place, Suite 2700
Baltimore, MD 21202

Dear Commissioner Grant,

Thank you for the opportunity to provide additional comments to the HB1098 Affordability Workgroup Report. I am honored to have served on the Workgroup and appreciative of the collaborative nature of the work towards the common goal of providing affordable rates and access for Maryland drivers.

MAIF believes it is important to elaborate on the following two points: 1) Affordability in the residual market is a critical factor and should be included in any ongoing studies or reporting recommended by the Workgroup; and, 2) Any low-cost alternative program or approach should be administered by Maryland's residual market mechanism, MAIF, as they are in other states.

MAIF has cited the FIO definition of affordability for several years. In fact, MAIF's current affordability index is influenced by the FIO definition. However, the FIO definition does not consider residual market premium rates. It is MAIF's opinion that this omission should not be continued in reporting Maryland statistics. Residual markets, like MAIF, are often over-represented in urban communities where pricing sensitivity may be even more pronounced.

MAIF is Maryland's residual market mechanism and a statutorily created unit of State government, having administered Maryland's residual market for more than 50 years. As such, MAIF has the infrastructure, talent (approximately 200 jobs headquartered in Baltimore City), and experience to administer and implement any low-cost alternative programs. Low-cost alternative programs are often administered by the State's residual market mechanism. MAIF strongly believes that it is the appropriate, if not intended, entity to administer any alternative approach to Maryland's residual market.

Thank you for your work and that of all Workgroup members in taking on the complex topic of auto insurance affordability in Maryland. I am happy to meet and further our discussion on this important matter.

Sincerely,

Al Redmer Jr.
Maryland Auto Insurance | Executive Director
Al.Redmer@marylandauto.net

American Property Casualty Insurance Association

INSURING AMERICA apci.org

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Baltimore, Maryland 21202
Via email: kathryn.callahan1@maryland.gov.

RE: Second Draft Report: Workgroup Report on the Affordability of Private Passenger Automobile Insurance

Dear Ms. Callahan,

Thanks again to the Maryland Insurance Administration staff and Commissioner Grant for leading the Workgroup and providing a second opportunity to review this very comprehensive report.

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 67.4% of the private passenger auto insurance market in Maryland. APCIA welcomes the opportunity to comment on the draft report. We have a few areas where we would like to offer additional information to address factual inaccuracies which are organized section by section below.

Page 12 Bullet Point 3-Discussion of Third-Party Fraud

The report provides a repair shops use of OEM parts when less expensive parts are allowed by the policy as an example of intentionally inflating charges. We didn't find a source for this in the citations (footnote 23) for this section, but we suggest that it would be more accurate to use charging for the use of an OEM part, and using another less expensive type of part would be a better description of this type of fraud.

Page 32 DISB Report on Market Conduct Examination Evaluating Unintentional Bias in Private Passenger Automobile Insurance

The discussion of the District of Columbia Department of Insurance, Security, and Banking (DISB) market conduct examination *" Evaluating Unintentional Bias in Private Passenger Automobile Insurance"* should include the departments explanation of its methodology to account for race in its report, as insurers do not collect information on race or ethnicity or use such information in any way, including to set insurance premiums:

"Since insurance carriers do not collect information about applicants' races or ethnicities, this information was inferred for the limited purpose of the testing in this review."[1]

While DISB created and used racial categories in its report, insurers base rates on risk, not race.

Page 38 Telematics

The telematics section of the report discusses number of complaints received regarding premium increases because of the use of driving behaviors measured in a telematics program. However, the report does not put the number of complaints into context by comparing it to the number of telematics policies in force.

As noted in our comment letter, dated December 10, 2025, between January 1, 2024, and June 30, 2025, over a year and half period, the MIA received 811 complaints concerning rate increases based on driving behaviors measured through telematics systems, or just .003 percent of telematics policies in force, and contradicts the reports assertion that consumers do not understand what data is being collected and how it's being used. We suggest that this important context be included in the report.

Thank you for the opportunity to share our suggestions and comments to the second draft report. Please do not hesitate to contact me if you have questions or need additional information.

Sincerely,

Nancy J. Egan,
Vice-President, State Government Relations- Mid-Atlantic
Nancy.egan@APCIA.org Cell: 443-841-4174

[1] Report on Market Conduct Examination Evaluating Unintentional Bias in Private Passenger Automobile Insurance – Final 2024 ***Page 8.***