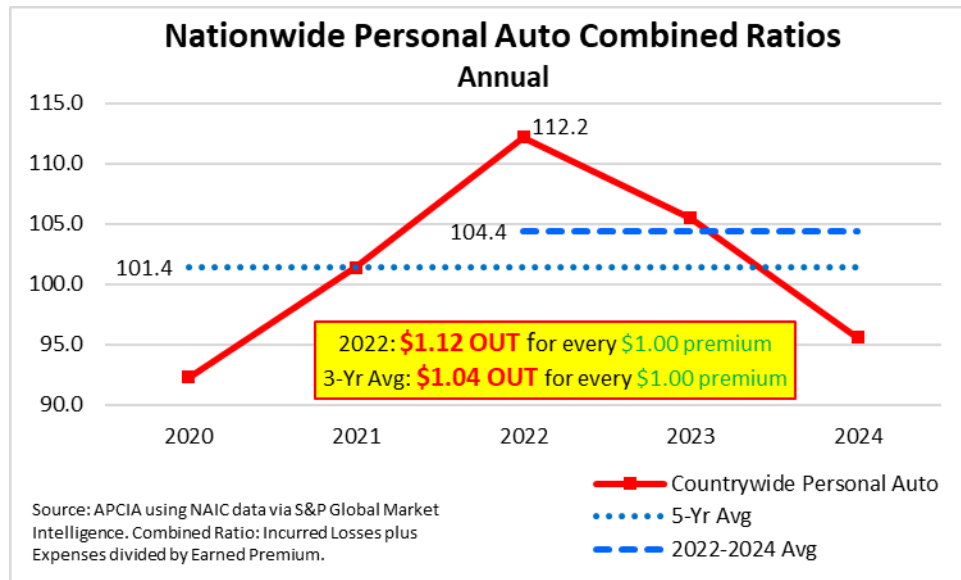


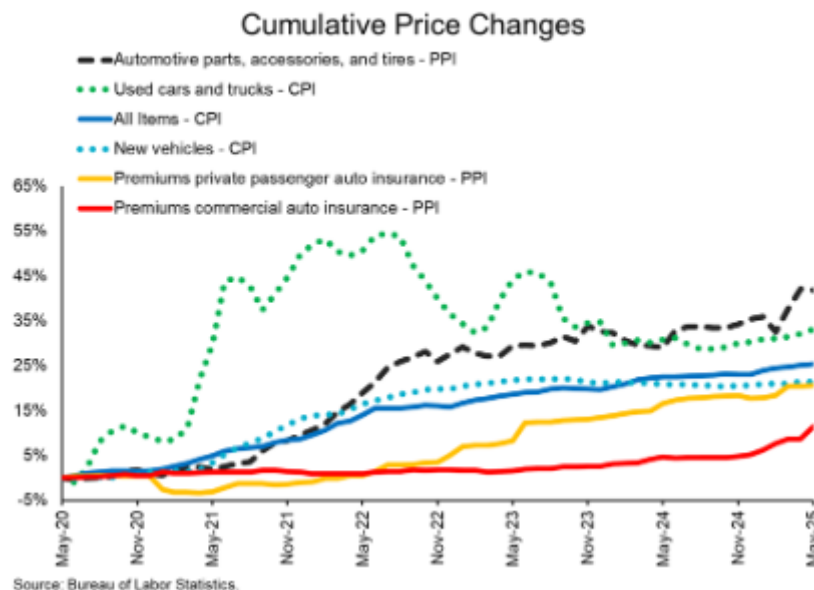
Overview of Personal Auto Market Pressures

Across the country, personal auto insurance premiums are on the rise for the simple reason that the cost of the things that auto insurance pays for has been rising faster than premiums. Despite the pandemic-related decrease in claim costs in 2020, the 3-year 2022-2024 insurer average cost for claims and expenses (\$1.04 for every \$1.00 in premium) was well above the 2019 pre-pandemic level of 98.5. In 2022, auto claim losses and expenses spiked to more than \$1.12 for every \$1 in premium.



Key Cost Drivers- Countrywide

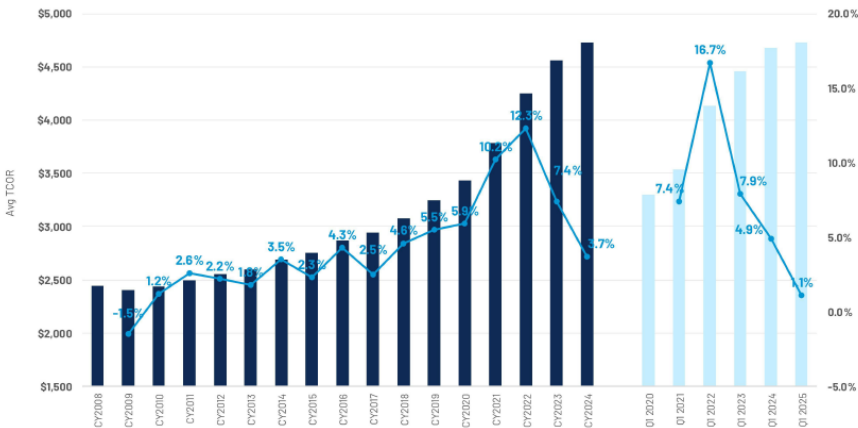
The overall rate of inflation continues to be between 2 and 4 percent year over year. As the chart below illustrates, key cost drivers for auto insurance rose much faster than auto insurance premiums over the last five years. While inflation is down from its highs in 2022, recently fluctuating around 3 percent, inflation trends are still well above historic averages. Specific categories of goods and services relevant for insurers, such as used car prices and building construction costs, have been increasing even more than overall consumer prices. This amplifies the recent sharp increase in prices experienced nationwide, while prices for personal and commercial auto insurance have not been keeping up.



The increasing sophistication of technology in today’s vehicles also contributes to rising costs. Vehicles with advanced technology require more parts to be replaced, higher labor costs, and additional operations for scanning and calibration of systems, which means that repair costs overall have risen, with repair costs experiencing their largest year-over-year increases recorded by CCC Information Services, the largest provider of estimating tools to repair shops and insurers. Those more complex and expensive repairs are taking longer, and that shows up in higher rental vehicle costs. According to data from Enterprise Rent-A-Car, the average insurance rental has increased from just over 13 days in 2021 to nearly 16.7 days in the first quarter of 2025, after reaching a peak of 18.7 days in 2023.

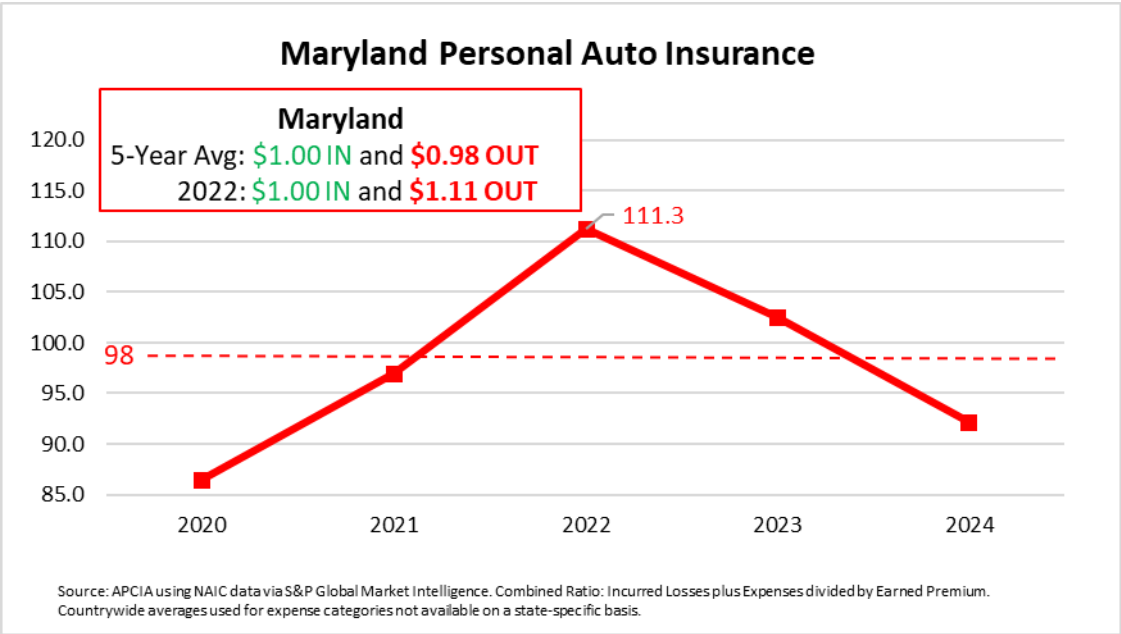
Figure 8: CCC National Industry, Average Total Cost of Repairs - All Loss Categories Repairable
Appraisal Statistics

SOURCE: CCC INTELLIGENT SOLUTIONS INC.



Maryland-Specific Considerations

Maryland has not been immune to the countrywide trends of skyrocketing claims costs and expenses, evidenced by 2022 and 2023 claims costs and expenses of \$1.11 and \$1.03 per dollar of premium collected, respectively, and a 5-year average of only slightly better than break even (\$0.98) due to the unusually low pandemic year of 2020.



A Challenging Road Ahead

All indicators suggest elevated auto repair and replacement costs will stretch well into 2025 and potentially beyond. Medical inflation is also accelerating. Insurers continue to monitor the situation closely, though as frequency and severity continue to rise impacting injury and vehicle costs, insurers may be forced to pass these loss costs along to policyholders. Given the trends, insurers are strongly encouraging drivers to minimize their risk by avoiding risky driving behaviors that may result in a loss. Insurers are also advocating for better infrastructure, including reliable supply chains for critical auto parts and safer roads, which should result in fewer accidents and lower claims costs that help keep insurance premiums affordable for consumers.

Other APCIA Resources Available:

- Factors Influencing Insurance Availability and Affordability for Consumers (December 2023): [Link](#)
- Electric Vehicle Adoption and Impacts for the Insurance Industry (September 2023): [Link](#)
- Auto Insurance: The Uncertain Road Ahead (July 2023): [Link](#)

The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association.

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