

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 highways¹.

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.**

¹In 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 media³ 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.

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 departments⁵ including Arkansas as noted in the Report and the Federal Trade Commission⁶.

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 costs⁸.

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.

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 816⁹ 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/1Eps12qdNcY0DKx13olW2hP3gnyQVYvhO.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 be 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 survey¹¹ 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

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,

A handwritten signature in cursive script, appearing to read "Nancy J. Egan".

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