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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