



Commissioner Marie Grant  
 Maryland Insurance Administration  
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 Cc: Kathryn Callahan, Director, Regulatory Policy

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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<sup>1</sup>. 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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<sup>1</sup> <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.<sup>2</sup> 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<sup>3</sup> 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.<sup>4</sup>

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<sup>2</sup> <https://insurify.com/report/auto-insurance/december-2022/>

<sup>3</sup> <https://www.bankrate.com/insurance/car/states/>

<sup>4</sup> <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*.”<sup>5</sup>

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<sup>6</sup>.

According to a 2015 *Consumer Reports* study<sup>7</sup>, a Maryland driver with good credit will pay \$255 more

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<sup>5</sup> [Auto Insurance Guide http://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf](http://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf)

<sup>6</sup> <https://www.thezebra.com/resources/research/credit-insurance-rates/>

<sup>7</sup> <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<sup>8</sup>.

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.

## 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<sup>9</sup>. 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/](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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<sup>9</sup>[https://consumerfed.org/press\\_release/insurance-ceos-get-27-salary-and-bonus-bump-while-consumers-see-premium-hikes-and-non-renewals/](https://consumerfed.org/press_release/insurance-ceos-get-27-salary-and-bonus-bump-while-consumers-see-premium-hikes-and-non-renewals/)