Maryland
INSURANCE ADMINISTRATION

Marie Grant

Insurance Commissioner
marie.grant1@maryland.gov

insurance.maryland.gov

PPA Insurance Affordability (HB 1098) Workgroup

Meeting 3 - November 18, 2025

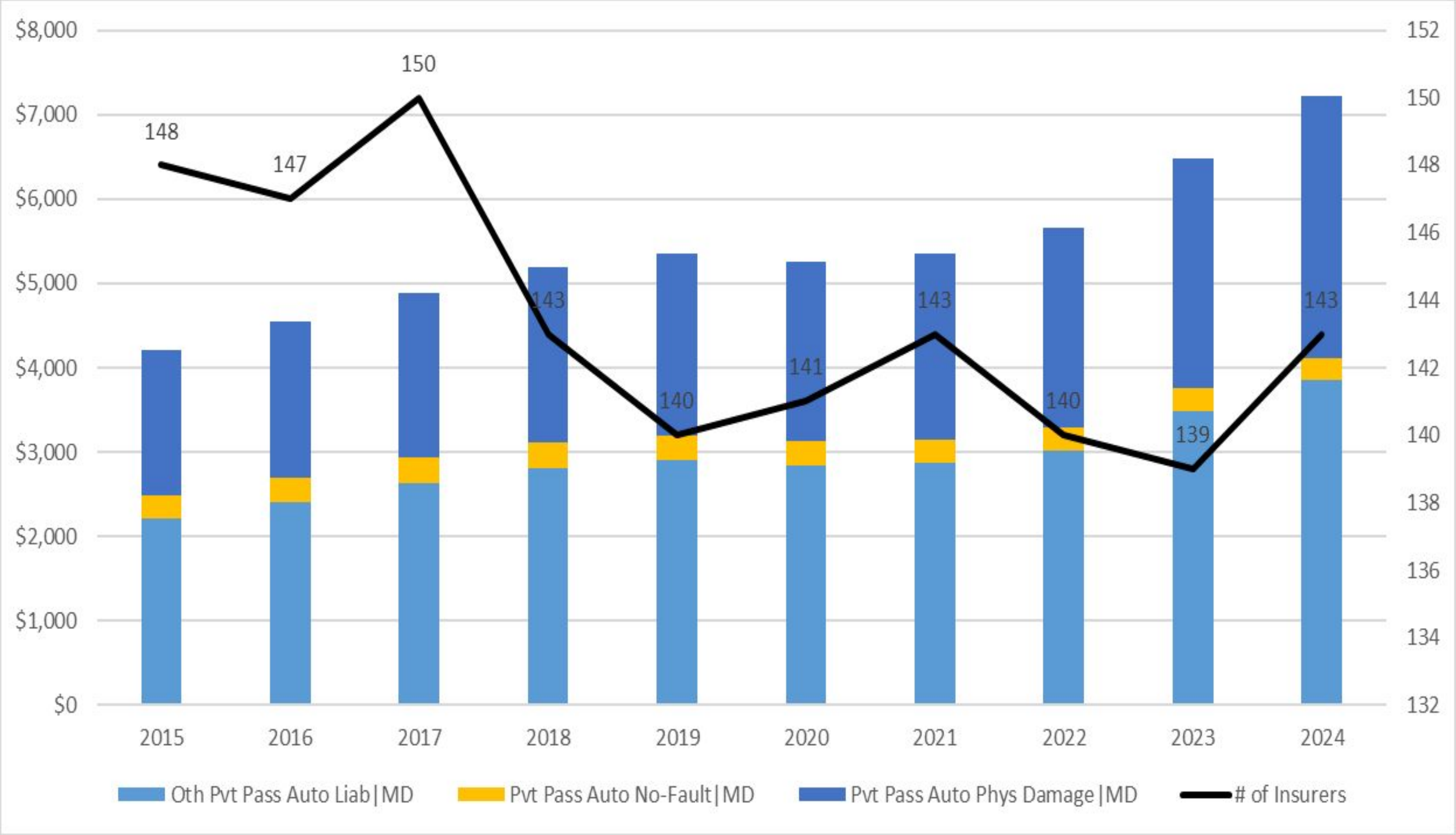
New Topics for Presentation and Discussion:

- The financial status of private passenger automobile insurers in the State
- Potential ways to address “excess profits” by private passenger automobile insurers

Meeting Agenda:

- Presentation by Commissioner Grant (Maryland Insurance Administration)
- Workgroup discussion to reach consensus on which policy recommendations to include in the workgroup report
- *If time permits*, questions/comments from the public

Aggregate PPA Premium by Line of Business & Number of PPA Insurers in Maryland (2015-2024)



- **143** insurance companies were writing PPA premium in Maryland at year-end 2024, which reflects an increase over the total number of companies in 2023.

- **$7.2 billion** total combined PPA direct written premium was reported in 2024, reflecting an upward trend from **$4.2 billion** in 2015.
  - **Direct written premium (DWP)** is the gross amount of premium an insurance company collects from policyholders before it accounts for any premiums paid to reinsurers (companies that assume some of the insurers' risk).

Source: Annual Statement - Exhibit of Premiums and Losses Page (i.e., "State Page") data accessed via S&P Capital IQ software.

Concentration of the Top 4 PPA Insurer Groups

National Context

- The top 4 PPA insurer groups nationally—**State Farm, Progressive, Berkshire Hathaway (GEICO), and Allstate**—accounted for **57% of the total U.S. industry market** by direct written premium in 2024, per the September 2025 AM Best Market Segment Report.

Maryland Context

- These same 4 groups accounted for **66% of the Maryland PPA market** by direct written premium in 2024, per data reported to the MIA.
- These 4 groups along with USAA, Erie, Nationwide, Travelers, and Liberty Mutual groups made up 92% of the Maryland PPA market in 2024.

Source (National Context): ***Market Segment Report: US Personal Auto's 2024 Underwriting Performance Markedly Improves*****, AM Best (Sep. 2025):**
https://www3.ambest.com/ambv/sales/bwpurchase.aspx?record_code=358184&AltSrc=108

Source (Maryland Context): NAIC Market Share data accessed via NAIC ISite.

AM Best Outlook for U.S. Personal Auto Segment

- AM Best revised its outlook for the U.S. Personal Auto Segment from Negative to **Stable** in November 2024.
- An AM Best Market Segment Report dated September 15, 2025, stated: "The primary headwinds faced by personal auto insurers include volatility in loss severity, driven by higher fatality rates, more drivers on the road compared to the immediate post-COVID period, increased repair costs for newer vehicles, higher used car prices, supply chain and labor market disruptions, and rising medical costs, in addition to the overall inflationary environment and macroeconomic uncertainty. For the past few years, these headwinds have led to significant underwriting losses. However, thanks to rate increases and adherence to underwriting discipline, the personal auto industry turned an underwriting profit for the first time in four years."
- The PPA line of business accounts for roughly 55% of Maryland PPA insurers' combined written premium nationwide. Thus, the AM Best quote above provides essential context for interpreting the results shown on the next slide.

Source: ***Market Segment Report: US Personal Auto's 2024 Underwriting Performance Markedly Improves*, AM Best (Sep. 2025):**
https://www3.ambest.com/ambv/sales/bwpurchase.aspx?record_code=358184&AltSrc=108

Nationwide Performance All Lines (Net of Reinsurance)

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

Key Financial Results (Aggregate Basis)

- The first underwriting gain in 4 years occurred in 2024.
- Net premiums increased, and the loss ratio decreased to 73.8% in 2024.
- In 2016, 2017, 2021, and 2023, investment gains were required to offset underwriting losses.
- Investment gains were *not* sufficient to offset significant underwriting loss in 2022.
- Dividends paid to policyholders was higher in 2020 than other years presented.

Maryland INSURANCE ADMINISTRATION

Source: NAIC Annual Statement data via S&P Capital IQ software

insurance.maryland.gov

Key Underwriting Metrics and Data Sourcing

The slides that follow show the aggregate underwriting profit reported by Maryland PPA insurers in the PPA line of business. The results are on a direct written premium basis.

The **Combined Ratio** is the key measure of an insurer's underwriting profitability. It does not include investment income. It is calculated by adding the **Loss and Loss Adjustment Expense Ratio** and the **Expense Ratio**.

- A combined ratio under 100% indicates an underwriting profit.
- A combined ratio over 100% indicates an underwriting loss (e.g., a ratio of 105% means the insurer loses $0.05 for every $1.00 of premium collected).

<u>Components of the Combined Ratio Defined</u>

- **Loss:** The financial obligation the insurance company expects to pay for a claim.
- **Loss Adjustment Expense (LAE):** The cost to investigate, manage, and settle a claim. LAE is separate from the claim payment. LAE consists of:
  - **DCC (Defense and Cost Containment):** Directly tied to a specific claim; and
  - **AO (Adjusting and Other):** General overhead for claims settlement.
- **Loss Ratio:** (Loss + LAE) ÷ Premium Earned
- **Expense Ratio:** Administrative Expenses ÷ Premium Written
  - Administrative expenses include sales and operating expenses.

Key Underwriting Metrics and Data Sourcing

Data Sourcing

- Data for the slides that follow are sourced from the Exhibit of Premiums and Losses page (i.e., “State Page”), which is part of the Annual Statement filed by insurance companies and provides premium and loss by line of business and by state.
- MIA staff accessed the State Page data via S&P Capital IQ software.

Necessary Data Adjustments

The State Page does not include all underwriting information and the following adjustments were made:

- Administrative Expense Adjustment: Since the State Page lacks administrative expense detail, we have allocated the total administrative expense based on the ratio of PPA premium to total premium.
- LAE Understated: The State Page does not include Adjusting and Other (AO) expenses, meaning the reported Loss Adjustment Expense (LAE) is lower than the actual amount incurred.
- The resulting Combined Ratio reflects these necessary adjustments and should be viewed as an estimate relative to the insurer's actual reported combined ratio.

Underwriting Results Reported by PPA Insurers in All States for All PPA Lines of Business (2015-2024)

Underwriting Gain (Loss) on Direct PPA Business in Maryland reported by PPA insurers (National Basis)

For the year ended December 31,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Results (in millions, except for percent)										
Premiums Written	$ 127,809	$ 137,238	$ 148,250	$ 156,725	$ 160,716	$ 158,874	$ 166,287	$ 176,650	$ 201,789	$ 226,026
PPA Prem Earned	125,768	134,292	144,915	154,759	159,586	159,269	164,015	172,658	194,131	220,913
PPA Losses Incurred	86,716	97,734	100,234	100,709	104,488	90,459	113,595	142,815	149,344	147,428
PPA Direct LAE Incurred	3,446	3,365	3,543	3,964	4,463	3,806	3,746	4,221	4,487	4,944
Administrative Expense	33,502	34,738	35,566	38,348	38,664	39,537	39,522	40,739	45,558	51,922
PPA UW Gain(Loss)	$ 2,105	$ (1,545)	$ 5,572	$ 11,738	$ 11,971	$ 25,468	$ 7,152	$ (15,117)	$ (5,258)	$ 16,618
Loss and LAE Ratio	71.7%	75.3%	71.6%	67.6%	68.3%	59.2%	71.5%	85.2%	79.2%	69.0%
Expense Ratio	26.2%	25.3%	24.0%	24.5%	24.1%	24.9%	23.8%	23.1%	22.6%	23.0%
Combined Ratio	**97.9%**	**100.6%**	**95.6%**	**92.1%**	**92.3%**	**84.1%**	**95.3%**	**108.2%**	**101.8%**	**91.9%**
Dividends Paid to Policyholders	$ 775	$ 629	$ 695	$ 817	$ 1,184	$ 4,275	$ 1,333	$ 809	$ 775	$ 1,132

Key Financial Results (Aggregate Basis)

- 2020 was an outlier, with a Combined Ratio of only 84.1% resulting in an underwriting gain of +15.9%. This anomaly was due to a sharp decline in vehicle use during the COVID-19 pandemic.
- PPA insurers reported an underwriting gain for the first time in 3 years in 2024, with a Combined Ratio of 92% resulting in an underwriting gain of 8%.
- Excluding the 2020 anomaly, the 10-year Combined Ratio trended near 100%, reflecting a mix of modest underwriting profits and underwriting losses (with a Combined Ratio above 100% in 2022 and 2023).
- Dividends paid to policyholders (not part of underwriting results) were much higher in 2020 than other years. This may be due in part to refunds that were mandated or recommended by state insurance regulators.

Underwriting Results Reported by PPA Insurers in Maryland Only for All PPA Lines of Business (2015-2024)

Trends in Direct Premiums and Expenses Reported by Maryland PPA Insurers on PPA Lines of Business

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

Key Financial Results (Aggregate Basis)

- PPA insurers reported an underwriting loss in 2016 and 2022.
- In 2024 the 89% Combined Ratio resulted in an 11% underwriting profit. This relatively low Combined Ratio was due to sharp rate increases taken in 2023 and 2024 in reaction to poor underwriting results in 2022 (106.1% Combined Ratio).
- Loss & LAE ratio results demonstrate losses (rather than expenses) were the primary determinant of underwriting profitability.
- Dividends paid to policyholders (not included in underwriting results) were higher in 2020 compared to other years.

PPA Underwriting Results for Maryland PPA Insurers

Direct Loss + LAE Ratio and Expense Ratio (2015-2024)

<u>Key Financial Results (Aggregate Basis)</u>

- 2020 was an outlier with a Combined Ratio of 78% resulting from sharply reduced driving due to COVID-19 pandemic.
- Excluding the 2020 anomaly, over the 10-year period, the Combined Ratio was near 100% (and over for 2022) indicating modest underwriting profits.
- 2024 was the most profitable underwriting year in a decade, other than 2020.

Recent Legislative Proposal to Address Excess Profits in Maryland

- The MIA enforces laws that establish minimum surplus requirements for property and casualty (P&C) insurers. However, P&C 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.

- HB 1159 (2025), which did not make it out of the House Economic Matters Committee, sought to address excess profits broadly. It 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 have focused on an insurer's premium revenue and incurred claim costs in a single year, without considering an 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, HB 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 that a P&C insurer issue rebates to its insureds if its loss ratio for the reporting year is less than 85%.
    - Provided 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).

Recent Legislative Proposal to Address Excess Profits in Maryland

- The MIA submitted a letter of information regarding HB 1159 to the House Economic Matters Committee ahead of its hearing on the bill. 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).

- Recognizing there may be benefit to targeted evaluation of some concerns that HB 1159 sought to address, the Committee amended the bill which ultimately established this workgroup (HB 1098) to include 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.

The letter of information regarding HB 1159 (2025) that the MIA submitted to the House Economic Matters Committee is available at: **https://mgaleg.maryland.gov/cmte_testimony/2025/ecm/1mYgncH989dkG0E_5YMR-tj4bCvZbsmsx.pdf.**

How Florida Defines and Addresses Excess Profits

Fla. Stat. Ann. § 627.066

- Each automobile insurer group shall file, prior to July 1 of each year on forms prescribed by the regulator, the following data for Florida private passenger automobile 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.

How Florida Defines and Addresses Excess Profits

Fla. Stat. Ann. § 627.066 (continued)

- Excessive profit has been realized if there has been an underwriting gain for the 3 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.

- 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.

How New Jersey Defines and Addresses Excess Profits

N.J. Stat. Ann. § 17:29A-5.7 and N.J. Admin. Code 11:3-20

- Each insurer shall file with the commissioner, on or before July 1 of each year, a profits report with respect to its New Jersey private passenger automobile insurance 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.
- The excess profit report shall contain the following information for the 9 most recent calendar-accident years:
    - 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.

How New Jersey Defines and Addresses Excess Profits

N.J. Stat. Ann. § 17:29A-5.7 and N.J. Admin. Code 11:3-20 (continued)

- The excess profit report shall include a calculation of each of the following items:
  - Underwriting income, actuarial gain, and actual investment income for each of the 7 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;
  - 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.

N.J. Stat. Ann. § 17:29A-5.8 and N.J. Admin. Code § 11:3-20.7

- The existence of an excess profit shall be determined based upon the prescribed calculations for the 7 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 private passenger automobile coverages combined exceeds 2.5% of earned premium, or 3.85% on a pre-tax basis, using the Federal corporate tax rate of 35%.

How New Jersey Defines and Addresses Excess Profits

N.J. Stat. Ann. § 17:29A-5.12

- 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.

N.J. Stat. Ann. § 17:29A-5.10

- 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.

How New York Defines and Addresses Excess Profits

N.Y. Ins. Law § 2329 and N.Y. Comp. Codes R. & Regs. tit. 11, §§ 166-1.1 - 166-1.7

- New York measures a motor vehicle insurer's profitability in the state relative to its net worth, averaged over a 6-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.
- Excess profits is the amount by which the 6-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.
- 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 6-year period, thus stating the excess profit as a percentage of premiums.
  - This percentage is then multiplied by the 6-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.

How South Carolina Defines and Addresses Excess Profits

<u>S.C. Code Ann. § 38-13-300</u>

- The regulator may require insurers licensed to write property or casualty insurance in the State to:
  - 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.

<u>S.C. Code Ann. § 38-73-1100</u>

- If annual statements filed by an insurer during the preceding 5 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:
  - 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.

<u>S.C. Code Ann. Regs. 69-45</u>

- Excessive or unreasonable profits are aggregate operating profits in excess of either:
  - 15% of earned premiums over a 5-year period; or
  - 25% of the average policyholder surplus over a 5-year period.

Questions?

Contact Information

Maryland Insurance Administration

800-492-6116 | 410-468-2000 | 800-735-2258 (TTY)

insurance.maryland.gov

Connect on Social Media

MDInsuranceAdmin

en Español: MDInsuranceAdminES

Maryland Insurance Administration

Maryland Insurance Administration

MarylandInsuranceAdmin

MD_Insurance

https://bit.ly/mdmiayoutube

Maryland Insurance Administration

SOCIAL MEDIA

https://qrco.de/miasocialmedia