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Private Passenger Automobile Insurance Affordability Workgroup
Meeting #3
Tuesday, November 18, 2025
2:00 p.m. - 4:00 p.m.

This meeting is virtual through the Zoom platform.
ZoomGov Link: <https://maryland-insurance.zoomgov.com/j/1605347592>
Dial-In: (646) 828-7666
Webinar ID: 160 534 7592

Topics of Discussion

- The current financial status of private passenger automobile insurers in the State
- Potential options to address excess profits
- Recommendations to include in the workgroup report

Agenda

1. Welcome – Commissioner Grant, Chair
2. Presentation by Commissioner Grant – *The Financial Status of PPA Insurers in the State and Options to Address Excess Profits*
3. Workgroup Discussion (Evaluation Criteria for Policy Options & Discussion Guide attached hereto)
4. Comments from Public Stakeholders (as time allows)
5. Closing Remarks – Commissioner Grant

Evaluation Criteria for Policy Options

- **Relevance and Effectiveness:** Does the policy achieve its intended goals and solve the problem it was designed to address?
- **Efficiency (cost-benefit analysis):** Does the policy achieve its objectives at an acceptable cost?
- **Equity:** Is the policy fair and just? Does it distribute benefits and burdens equitably across different groups?
- **Feasibility:** Can the policy be implemented?
 - **Political feasibility:** Will the policy be acceptable to political actors and survive the political process?
 - **Administrative feasibility:** Does the necessary bureaucratic infrastructure exist to implement the policy?
 - **Technical feasibility:** Is the policy possible from a technical standpoint?
- **Impact:** What are the broader, long-term effects of the policy on Maryland consumers and Maryland's PPA insurance market?
- **Legality and Constitutionality:** Does the policy comply with all relevant laws and constitutional principles?
- **Social Acceptability:** Is the policy likely to be accepted by the public?

Discussion Guide

Topic 1: Ways in which the term “affordability” has been or may be defined in the context of the establishment of PPA insurance premium rates

- The workgroup identified two possible definitions of “affordability.” The first was set forth by the Federal Insurance Office (“FIO”) in its *Study on the Affordability of Personal Automobile Insurance*, published in January of 2017. The second was set forth by the Insurance Research Council (“IRC”) in its brief, *Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, published in March of 2025.
 - FIO applies a premium-to-income ratio to gauge whether the average cost of legally mandated PPA liability insurance is affordable for persons residing in affected ZIP codes. FIO defines an “affected ZIP code” as one with: (1) a majority-minority population; or (2) median family income that is less than 80% of the median family income for the relevant Metropolitan Statistical Area. **FIO’s affordability index is calculated as: average annual written premium for PPA liability coverage on the voluntary market ÷ median household income of the affected ZIP code.** FIO’s 2017 study “presumes” that PPA liability insurance is unaffordable for persons residing in an affected ZIP code with an affordability index ratio greater than 2%, which is the approximate percentage of average income that consumers in the U.S. spend on auto insurance.
 - IRC measures affordability based on the average cost of PPA insurance for all consumers in a state relative to statewide median income. **To arrive at the average PPA expenditure in a state, the IRC divides total written premium on both the**

voluntary and residual markets by the number of cars insured under liability coverage for a full year. Unlike FIO, the IRC does not consider only written premium for required liability coverages that all insureds carry, but also written premium for optional physical damage coverages (collision and comprehensive) that many insureds chose to carry. *The IRC affordability index is calculated as: average annual PPA insurance expenditure ÷ statewide median household income.* The IRC describes its affordability index as “a tool to measure and compare auto insurance affordability over time and across jurisdictions,” rather than a means of establishing a threshold for affordable insurance.

- **Does the workgroup want to endorse the FIO and/or IRC definition? Does the workgroup want to recommend that either or both of these definitions be viewed as a conceptual framework for monitoring and evaluating the affordability of PPA insurance, as opposed to a basis for establishing a literal affordability threshold in future legislation? Are there any alternative definitions that the workgroup wants to recommend?**

Topic 2: The affordability of PPA insurance in the State, including factors that contribute to premium rate increases and trends in rate increases

- NOTE: Mostly factual information previously considered by the workgroup (which does not require further discussion at this point) will be included in this section of the report. This section is not where the bulk of the workgroup’s policy recommendations will be set forth.
- In response to an inquiry from the workgroup, the Motor Vehicle Administration (“MVA”) confirmed that the Department of Public Safety and Correctional Services (“DPSCS”) does not currently have access to the MVA’s Online Insurance Verification Program. The MVA explained that the DPSCS system used by police officers during traffic stops would have to be modified in order to sync with the MVA’s Online Insurance Verification Program.
 - **Does the workgroup want to highlight, as a potential area of further study, whether modifications to the relevant DPSCS system should be implemented to enable officers to identify instances in which the subject of a traffic stop has been driving without insurance?** It seems appropriate that the MVA and DPSCS be involved in any such study.
- The workgroup considered the results of a Insurance Institute for Highway Safety-Highway Loss Data Institute (“IIHS-HLDI”) study examining the effects of various graduated driver licensing laws on the frequency of collision claims and fatal crashes involving licensed and insured teenage drivers.
 - **Does the workgroup want to highlight, as a potential area of further study, whether changes should be made to relevant graduated driver licensing laws in Maryland?** It seems appropriate that the MVA, and perhaps other stakeholders, be involved in any such study.
 - E.g., increasing the permit age from 15 years and 9 months to 16 years, increasing the number of practice driving hours required for licensure from 60 to 70, increasing the license age from 16 years and 6 months to 17

years, and changing the time at which provisional license driving restrictions go into effect from midnight to 8:00 PM

Topic 3: Policy options to provide greater transparency regarding PPA insurance premiums and to increase the affordability of PPA insurance in the State

- The workgroup discussed the fact that, relative to other states, Maryland has a high percentage of PPA insurance claims with litigation, which leads to higher litigation costs for insurers.
 - **Does the workgroup want to recommend any litigation reform? Or, should the workgroup report merely include a factual discussion of recent changes in law and legislative initiatives relating to this issue, in light of political tensions surrounding litigation reform (i.e., due to political feasibility considerations)?**
 - E.g., Maryland has an atypically high amount in controversy requirement for a civil jury trial (increased following ratification of a constitutional amendment pursuant to 2021 Maryland Laws Ch. 598), and bills were introduced during the 2023, 2024, and 2025 legislative sessions that proposed removing the cap on noneconomic damages in civil cases (which is currently \$965,000 and increases by \$15,000 each year)
- The workgroup considered alternatives to Maryland's competitive rating/file and use rate regulatory system (i.e., determined by the Commissioner, prior approval, modified prior approval, flex rating, use and file, and no file). The workgroup also considered the fact that, in recent years, insurance regulators in several states have increased their scrutiny of PPA rate filings through existing review processes.
 - **Does the workgroup want to offer a recommendation that Maryland maintain its competitive rating system, or that legislative action be taken to establish an alternative rate regulatory system? Does the workgroup want to recommend less drastic legislative action, such as requiring that insurers submit rate filings X days before implementation to give the MIA more lead time to review the rates before they take effect? Are there administrative/procedural changes the MIA can take (or has recently implemented) that address workgroup member concerns such that a change in law is not necessary?**
- Marceline's presentation to the workgroup on October 28th referenced laws enacted in at least two other states that limit expense loading by prohibiting insurers from considering certain expenses in ratemaking (e.g., political contributions and lobbying, executive compensation that exceeds a maximum reasonable amount, bad faith judgments and associated defense and cost containment expenses, costs attendant to the unsuccessful defense of discrimination claims, fines and penalties, institutional advertising expenses, and payments to affiliates for goods or services in excess of the fair market value of such goods or services).
 - **Does the workgroup want to recommend legislative action to prohibit insurers from considering any such expenses in ratemaking? Are there arguments against such legislative action that should be mentioned in the report?**

- The workgroup considered laws enacted in other states that restrict or prohibit the use of certain non-driving rating factors.
 - **Does the workgroup want to recommend legislative action to ban or further restrict the use of credit history as a rating factor (e.g., by prohibiting insurers from considering medical debt)? Or, is there a reason that the workgroup wants to advocate in favor of maintaining the status quo?**
 - **Does the workgroup want to offer any recommendations for or against legislative action to establish new requirements for or restrictions on territorial rating (e.g., requiring territories be of a certain minimum size or limiting the weight that can be assigned to territorial versus state-wide factors when calculating rates)?**
- The workgroup identified and discussed three state-sponsored low-cost or no-cost PPA insurance programs: the Hawaii No-Fault No-Cost Auto Insurance Program, the New Jersey Special Automobile Insurance Policy, and the California Lost Cost Auto Insurance Program. Each of these programs is administered by the state's assigned risk plan, which is composed of all private insurers authorized to write auto insurance in the state, and serviced by AIPSO.
 - **Does the workgroup want to recommend further study into how the legislature could feasibly design a low-cost auto program?** Potential areas of further study that the workgroup may wish to highlight in the report include: whether it would make sense for the program to be administered by the Industry Automobile Insurance Association or Maryland Auto; whether the program would be self-sustained via adequate rates and surcharges, or subsidized via some alternative funding mechanism; and which eligibility requirements individuals should meet to qualify for coverage through the program (e.g., income below a certain threshold, good driving record or new driver, vehicle valued below a certain amount, etc.).
- The workgroup considered requirements under current Maryland law pertaining to notices of premium increases, as well as various resources that the MIA has published to aid consumers in understanding how insurers rate PPA policies and engaging in effective comparison shopping. The workgroup also considered voluntary guidance issued by the National Association of Insurance Commissioners ("NAIC"), which recommends that states adopt certain premium notice requirements not codified in current Maryland law. More specifically, the NAIC recommends that states: require an insurer to issue a notice of premium increase to policyholders that explains factors leading to a *general* premium increase above a given threshold; and require that a notice of premium increase specify the dollar impact of each factor leading to the premium increase.
 - **Does the workgroup want to offer a recommendation for or against legislative action to implement enhanced notice of premium increase requirements suggested by the NAIC?**
- The workgroup considered the fact that consumer complaint and market survey data collected by the MIA indicates that many consumers who voluntarily enroll in a telematics program do not fully understand which types of data are collected through the program and how their insurer considers that data in underwriting and rating.
 - **Does the workgroup want to recommend legislative action to require that a PPA insurer that utilizes a telematics program: (1) disclose information to**

applicants and policyholders concerning the types of data collected through the program and how that data may be considered in rating and underwriting decisions; and/or (2) implement a process by which enrollees can contest the accuracy of data collected through the program?

Topic 4: Methodologies by which affordability can be considered in establishing PPA insurance rates consistent with rate making principles codified in the Insurance Article

- The workgroup considered potential alternatives to Maryland Auto’s current affordability index, which caps liability base rates (for minimum legally required coverage) at 3.3% of the median household income in ZIP codes with territorial base rates above this threshold. The MIA has determined that Maryland Auto’s current affordability index is not compliant with applicable rate making principles codified in the Insurance Article, and required that it be phased out.
 - **Does the workgroup want to recommend administrative action to adjust the length of Maryland Auto policy terms from twelve to six months?** Maryland Auto indicated that such action would lower down payments due from its policyholders, encourage participation in the voluntary market (by encouraging more frequent comparison shopping), and hasten its progress towards achieving rate adequacy by enabling it to realize rate adjustments in half the time.
 - **Does the workgroup want to highlight, as an area for potential further study, Maryland Auto’s proposal for legislative action to authorize an “economic relief credit” program?** Maryland Auto indicated that this program would achieve the same outcome as the Affordability Index, but only for policyholders who meet certain individualized income eligibility requirements. Maryland Auto did not propose a funding mechanism for the program. Without knowing what the funding mechanism for the economic relief credit program would be (e.g., increased rates for non-qualifying Maryland Auto policyholders, assessments on the private market, or a new vehicle registration surcharge), the workgroup is unable to fully examine potential draw-backs to the program or reach a consensus as to whether adoption of the program would be in the collective best interest of Maryland consumers.

Topic 5: The current financial status of PPA insurers in the State and potential options to address excess profits

- The workgroup considered data on the financial condition of PPA insurers active in Maryland in the ten year period from 2015 through 2024. The data indicates that, over the decade evaluated, PPA insurers earned very modest underwriting profits. The workgroup also considered laws enacted in other states that define what constitutes “excess profits” by PPA insurers and outlines the circumstances in which state insurance regulators may order the return of excess profits to policyholders.
 - **Does the workgroup want to recommend that Maryland adopt a law to address excess profits? Or, does the workgroup think that underwriting profitability trends over the past decade indicate there is not a pressing need for this type of legislation?**