



Maryland Automobile Insurance Fund

**PPA Insurance Affordability Workgroup
Meeting 2 – October 28, 2025**

MD Auto Affordability Index



- A 1985 amendment to §20-507(d) of the Insurance Article (Ch. 610, 1985), stated explicitly: *“Rates charged by the Maryland Automobile Insurance Fund must adequately reflect the degree of risk involved but must also remain affordable to that segment of the population which is dependent on the Fund for automobile insurance.”*
- Originally affordability was addressed by providing a 15% discount in Baltimore City where the rates of insurance are unusually high, and income levels are low.
- Currently, the MD Auto affordability index is 3.3% of the median household income in that zip code and effectively operates to alleviate the effects of high base rates in areas with low income.

MD Auto Affordability Index



The Affordability Index was MD Auto's effort to limit rate increases in low-income communities that have extremely high rates of insurance. At the beginning of 2025, the average median household income for the zip codes where the affordability index applies is \$64,724 vs. the state-wide median of \$91,373.

- Base rates are set for each MD Auto territory and apply to all policyholders in the territory. Base rates are based on **MD Auto's** loss experience in the territory and are higher in territories that have high losses due to accidents, thefts, vandalism, and fraud.
- Early 2025 Annual Liability Base Rates:
 - \$ 2,965 per vehicle in zip code 21217
 - \$1,004 in most of the Eastern Shore
 - \$1,500 - \$1,600 in most of Prince Georges County
- This means that drivers with good driving records (who are at MD Auto due to credit issues for example) would pay \$1,400-\$1,900 more for a MD Auto policy in Baltimore City than other areas of the State.
- High base rates in Baltimore, coupled with a high poverty rate, is the reason the Affordability Index is concentrated in Baltimore City.

MD Auto Affordability Index – MIA Order



- MD Auto is currently under an MIA Order requiring it to raise rates to an “adequate” level and eliminate the Affordability Index by the end of 2027.
- The Order will require MD Auto to raise rates substantially, especially in Baltimore City where rates are already much higher than the rest of the State.
- MD Auto intends to work with the MIA and this Workgroup to comply while we continue to look for alternative ways to include affordability in our rates, in accordance with our statutory mission.

Affordability Index Alternative - Economic Relief Credit (ERC)



Fixed credit applied to the annual policy premium for applicants that meet **individual** low-income eligibility requirements

- Eligibility for ERC:
 - Prequalification process - Individuals currently receiving public assistance from approved MD State agency programs participating in the Governor's One App initiative such as TANF/TCA, SNAP, or housing cash voucher could be eligible for the ERC
 - These individuals can be pre-qualified for the credit by the applicable agency (via an online referral process) or through other means.
 - Verification process – Individuals not currently receiving public assistance from a state agency may still be eligible for the ERC if their annual premium is at or above 3.3% of the applicant's annual income (subject to change and a maximum annual income cap)
 - These individuals would be required to complete an acknowledgement and upload proof or certification of their annual income at the time of issuance in order to verify eligibility for the ERC.

Economic Relief Credit Application – Continued...



Economic Relief Credit Application:

- Fixed Credit applied to the liability base rate for individually qualified, eligible applicants.
- All other rating factors are then applied to the adjusted base rate with the same factors as policies not subject to the ERC.

Affordability Index Alternative – Other Approaches



Duration of Policy

- Shift from 12-month policies to 6-month
 - Decreases down payment.
 - May encourage participation in voluntary market.
 - Enables realization of rate adjustments in half the time.

PPA Affordability Workgroup

- Eager to participate in this workgroup and identify alternatives to providing affordable rates, especially in low-income communities with high premiums.



Questions?