



## PPA Insurance Affordability (HB 1098) Workgroup

September 16, 2025

**Marie Grant**

Insurance Commissioner

[marie.grant1@maryland.gov](mailto:marie.grant1@maryland.gov)



# PPA Insurance Affordability (HB 1098) Workgroup

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### Agenda:

- Review work plan
- Presentation by Commissioner Grant (Maryland Insurance Administration)
- Presentation by Nancy Egan (American Property Casualty Insurance Association) - *Rising Costs of Auto Insurance*
- Presentation by Gina Rotunno (National Association of Mutual Insurance Companies) - *The Road Ahead: Key Factors Shaping Maryland Auto Insurance Costs*
- Presentation by Marceline White (Economic Action Maryland) - *Factors Affecting Affordability in Maryland*
- Workgroup discussion
- *If time permits, questions/comments from the public*



# Tentative Workgroup Work Plan Pursuant to HB 1098

- **Meeting 1 - Presentation/Discussion Topics:**
  - Factors that contribute to premium rate increases and trends in rate increases
  - Ways in which “affordability” has been or may be defined in the context of the establishment of PPA insurance premium rates
- **Meeting 2 - Presentation/Discussion Topics:**
  - Methodologies by which affordability can be considered in establishing PPA insurance premium rates consistent with ratemaking principles codified in the Insurance Article
  - Maryland Auto and affordability index options
  - Policy options to provide greater transparency regarding PPA insurance premiums and to increase the affordability of PPA insurance in the State

# Tentative Workgroup Work Plan Pursuant to HB 1098

- **Meeting 3 - Presentation/Discussion Topics:**
  - The financial status of PPA insurers in the State
  - How to define “excess profits”
  - Potential options to address excess profits
- **Meeting 4 - Presentation/Discussion Topics:**
  - Any previously discussed topics requiring further consideration
  - Any shareholder feedback requiring further consideration
  - Finalization of workgroup report

# Trends in PPA Premium Rate Increases in Maryland

2023 Auto Insurance Database Average Premium Supplement, NAIC (Jun. 2025): [https://content.naic.org/sites/default/files/aut-db\\_1.pdf](https://content.naic.org/sites/default/files/aut-db_1.pdf)

- Background Information
  - “Written Car Years” means the number of vehicles insured for a full year
    - E.g., 2 cars each written for 6 months equates to 1 written car year
  - Average Premium = Total Written Premium ÷ Written Car Years
- Liability Average Premium (includes minimum bodily injury, property damage, and uninsured/underinsured motorist coverage required under State law)
  - 2021: \$717 (COVID-19 State of Emergency in MD ended on July 1, 2021)
  - 2022: \$755 (+ 5.23% from 2021)
  - 2023: \$869 (+ 15.1% from 2022)
- Combined Average Premium (Liability Average Premium + Collision Average Premium + Comprehensive Average Premium)
  - 2021: \$1,304.04
  - 2022: \$1,389.11 (+ 6.52% from 2021)
  - 2023: \$1,602.31 (+ 15.34% from 2022)





# Primary Factors Contributing to Premium Rate Increases

*Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, IRC (Mar. 2025):

[https://insurance-research.org/sites/default/files/news\\_releases/IRC%20Auto%20Affordability%20Brief.pdf](https://insurance-research.org/sites/default/files/news_releases/IRC%20Auto%20Affordability%20Brief.pdf).

*Commuting in the U.S. Facts and Statistics*, Autoinsurance.com (Apr. 2025): <https://www.autoinsurance.com/research/us-commuting-statistics/>.

*Highest Density*, U.S. Census: <https://www.census.gov/popclock/embed.php?component=density>.

*Maryland Transportation by the Numbers*, National Transportation Research Nonprofit (Mar. 2025):

[https://tripnet.org/wp-content/uploads/2025/03/TRIP\\_Maryland\\_Transportation\\_by\\_the\\_Numbers\\_Report\\_March\\_2025.pdf](https://tripnet.org/wp-content/uploads/2025/03/TRIP_Maryland_Transportation_by_the_Numbers_Report_March_2025.pdf).

According to the Insurance Research Council, primary cost drivers of PPA rates in MD in 2023 included:

- **Accident frequency** - Relative to other states, MD has a high number of property damage liability claims filed per 100 earned car years. The following contribute to high accident frequency:
  - **High traffic density** - Per the U.S. Census:
    - MD was the 6th most densely populated state in 2024
    - MD had 2nd longest one-way commute time in 2022 at 31 minutes (national average was 26 minutes; NY had the longest at 33 minutes)
  - **Poor road conditions** - In March 2025, the National Transportation Research Nonprofit reported that 49% of major locally and state-maintained roads and highways in MD are in poor or mediocre condition, and 5% of MD's bridges (250) are in poor/structurally deficient condition.



# Primary Factors Contributing to Premium Rate Increases

*Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, IRC (Mar. 2025):  
[https://insurance-research.org/sites/default/files/news\\_releases/IRC%20Auto%20Affordability%20Brief.pdf](https://insurance-research.org/sites/default/files/news_releases/IRC%20Auto%20Affordability%20Brief.pdf).

According to the Insurance Research Council, primary cost drivers of PPA rates in MD in 2023 included:

- **Uninsured motorists** - A high uninsured motorist rate can drive up uninsured motorist coverage rates. MD and VA recently enacted laws expected to decrease the uninsured motorist rate in MD.
  - On July 1, 2024, MD's uninsured driver penalty increased for the first time in over 30 years [2024 Maryland Laws Ch. 857 (H.B. 1482)]. The average annual premium for a policy offering the minimum required coverage is now less than the maximum annual uninsured driver penalty.
  - As of July 1, 2024, VA registrants can no longer pay an "uninsured motor vehicle fee" instead of obtaining insurance. [2023 Virginia Laws Ch. 538 (S.B. 951)]. Anecdotal evidence suggests that some MD residents registered their vehicles in VA because the \$500 fee cost less than insurance.

# Primary Factors Contributing to Premium Rate Increases

*Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, IRC (Mar. 2025): [https://insurance-research.org/sites/default/files/news\\_releases/IRC%20Auto%20Affordability%20Brief.pdf](https://insurance-research.org/sites/default/files/news_releases/IRC%20Auto%20Affordability%20Brief.pdf).

According to the Insurance Research Council, primary cost drivers of PPA rates in MD in 2023 included:

- **Tendency to file injury claims** - Relative to other states, MD has a high ratio of bodily injury liability claims to property damage liability claims. The greater tendency to file injury claims, coupled with increasing medical costs, impacts costs for the following coverages:
  - Bodily injury liability (required) - covers medical bills, rehabilitation costs, lost income, and potentially pain and suffering for other injured persons if the policyholder was at fault
  - Medical payments (optional) - covers medical expenses for the policyholder and their passengers, regardless of who was at fault
  - Personal injury protection (optional) - covers medical expenses, rehabilitation costs, lost income, and funeral expenses for the policyholder and their passengers, regardless of who was at fault
- **Expense Index** - Relative to PPA insurers in other states, PPA insurers in MD spent more to process, investigate, and litigate claims (higher loss adjustment expenses as a percent of incurred losses).





# Primary Factors Contributing to Premium Rate Increases

*Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, IRC (Mar. 2025): [https://insurance-research.org/sites/default/files/news\\_releases/IRC%20Auto%20Affordability%20Brief.pdf](https://insurance-research.org/sites/default/files/news_releases/IRC%20Auto%20Affordability%20Brief.pdf).

According to the Insurance Research Council, primary cost drivers of PPA rates in MD in 2023 included:

- **Tendency to litigate claims** - Relative to other states, MD has a high percentage of personal auto claims with litigation. More frequent claim litigation leads to higher litigation costs for insurers.
- The prevalence of **third-party litigation financing** is a nationwide concern. Proposed federal legislation ([S. 1821](#)) would impose a flat 40.8% tax on the profits of third party financiers and close loopholes that enable foreign third party financiers to evade tax liability. Legislation was introduced during MD's 2025 session ([HB 1274](#)) to require certain provisions/disclosures be included in a litigation financing contract, require a copy of a litigation financing contract be provided to other parties in a financed civil action and each insurer with a duty to defend another party, and otherwise regulate certain conduct by third party litigation financiers.
- Legislation was introduced during MD's 2025 session ([HB 113](#) / [SB 584](#)) to eliminate any limitation on **noneconomic damages** in civil actions for personal injury or wrongful death.



# Other Factors That May Affect Premium Rates

*Vehicle Thefts Surge Nationwide in 2023*, NICB (Apr. 2024): <https://www.nicb.org/news/news-releases/vehicle-thefts-surge-nationwide-2023>.

*Vehicle Thefts in United States Fell 17% in 2024*, NICB (Mar. 2025): <https://www.nicb.org/news/news-releases/vehicle-thefts-united-states-fell-17-2024>.

*Vehicle Theft Prevention*, NHTSA: <https://www.trafficsafetymarketing.gov/safety-topics/vehicle-safety/vehicle-theft-prevention>.

*10 States With the Highest Auto Repair Costs*, Marketwatch (Oct. 2024): <https://www.marketwatch.com/insurance-services/car-warranty/where-do-car-repairs-cost-the-most/>.

Other factors to consider:

- **Vehicle theft rates** reported by the National Insurance Crime Bureau and National Highway Traffic Safety Administration:
  - In 2023, MD had the 8th highest per capita auto theft rate, at 427.99 thefts per 100,000 residents.
  - Vehicle thefts decreased nationwide by 17% from 2023 to 2024 (from 1,020,729 to 850,708), marking the largest annual decrease in stolen vehicles in the last 40 years.
  - MD was no longer ranked among the 10 states with the highest auto theft rates in 2024. DC topped the list, with 842.40 per 100,000 residents (down from 1,149.71 per 100,000 residents in 2023).
- **Auto repair costs**
  - In October 2024, Marketwatch ranked MD the 3rd most expensive state for car repairs, primarily due to high mechanic salaries (in line with MD's high median income and cost of living), rough roads, and inflation.



# Other Factors That May Affect Premium Rates

*Insurance Topics - Electric Vehicle Insurance Rates, NAIC (Feb. 2024):*

<https://content.naic.org/insurance-topics/electric-vehicle-insurance-rates>.

*As heavy EVs proliferate, their weight may be a drag on safety, IIHS-HLDI (Mar. 2023):*

<https://www.iihs.org/news/detail/as-heavy-evs-proliferate-their-weight-may-be-a-drag-on-safety>.

Other factors to consider:

- **Electric vehicles**
  - Electric vehicle (EV) uptake continues to increase. EVs cost more to insure than gas-powered vehicles for various reasons, such as:
    - EVs tend to have a higher purchase (replacement) cost
    - EV batteries can be dangerous to repair, due to their complexity and the risk of battery fires
    - In many cases, replacing an EV battery is cheaper than repairing one, despite the battery representing up to 50% of an EV's price
    - The availability of replacement parts and specialized labor have not kept pace with EV growth
    - EVs may pose unique safety risks to pedestrians because they are so quiet
  - As EVs become more common, their replacement parts should become more accessible and they will gain more claim history. EV insurance rates may eventually drop because EVs have lower claim frequencies than gas-powered vehicles of the same make and model.



# Other Factors That May Affect Premium Rates

*Severe Weather Spurs Rising Auto Insurance Costs*, Insurify (Mar. 2025): <https://insurify.com/car-insurance/news/severe-weather-impact-on-car-insurance-costs/>.  
*Impacts of Climate Change*, Maryland Department of Natural Resources: <https://dnr.maryland.gov/climateresilience/Pages/Climate-Change-Impact.aspx>.

Other factors to consider:

- **Electric vehicles (continued)**
  - An increased number of EVs on the road may increase risks for all drivers.
    - Due to the weight of their batteries, EVs tend to be heavier than gas-powered vehicles.
    - There is a trend toward more powerful (higher-acceleration) EVs, which require even larger (heavier) batteries.
    - As EV uptake increases and EVs get heavier, the likelihood of collisions involving vehicles with significant weight disparities becomes more likely.
    - The larger the weight disparity between two colliding vehicles, the greater the force of impact (and extent of damage) to the lighter vehicle.
- **Increased frequency/severity of weather events may increase costs under comprehensive coverage**
  - Comprehensive coverage covers physical vehicle damage from weather events, such as hail, flooding, fire, or a tree falling during a windstorm.



# Other Factors That May Affect Premium Rates

Telematics Survey Report - Auto Insurance Market in Maryland, MIA (Jul. 2025):

<https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Telematics-Survey-Report-2025.pdf>.

Other factors to consider:

- **Increased frequency/severity of weather events (continued)**
  - According to the Maryland Department of Natural Resources:
    - Over the next 25 years, sea level rise will drastically impact coastal areas and the Eastern Shore
    - Annapolis has seen a 1,300% increase in days of flooding since 1950
    - Precipitation from heavy storms in the eastern U.S. has increased by over 25% since 1958
    - Scientists expect a greater frequency and intensity of storms due to climate change
- **Risky driving behaviors** may be somewhat mitigated by telematics
  - Telematics programs enable insurers to analyze risk profiles and tailor rates based on individual driving habits. They incentivize enrollees to drive safer (e.g., avoid texting and speeding).
  - Enrollment may result in lower rates *for drivers with good telematics scores*. A MIA survey of the top 18 insurers representing 80.9% of the auto insurance market indicated that, in 2023, there was roughly *only* a 31.16% chance that enrollment in a telematics program would result in a premium decrease.





# Other Factors That May Affect Premium Rates

Other factors to consider:

- **Reinsurance** is not a major cost driver for PPA insurance
  - The Reinsurance Association of America reported to the MIA that reinsurance utilization by PPA insurers is minimal, due to the nature of PPA risks and high market concentration.
  - The reinsurance industry predominantly covers property risks (e.g., homeowners insurance), where exposures tend to be low-frequency but high-severity. PPA insurance, on the other hand, is characterized by high-frequency but low-severity claims.
  - A few large, national carriers account for most of the PPA market. They have low risk concentration (geographical diversification) and are able to retain nearly all of their risk for PPA lines.
- Reinsurance is more commonly purchased by *commercial* auto insurers to protect against: (1) low frequency, high severity events, such as an accident involving a commercial truck and multiple other vehicles that results in Bodily Injury and Property Damage claims totalling tens of millions of dollars; and/or (2) situations in which catastrophes, such as severe hail or flooding, damages fleets of commercial vehicles and results in very costly Physical Damage claims.
  - The primary insurer often builds into its premium rates a charge to cover its reinsurance premiums.



# Federal Insurance Office's Definition of "Affordability"

*Study on the Affordability of Personal Automobile Insurance*, FIO (Jan. 2017): [https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study\\_web.pdf](https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study_web.pdf).

*Report on Personal Auto Insurance Markets and Technological Change*, FIO (Jan. 2025):

<https://home.treasury.gov/system/files/311/Report%20on%20Personal%20Auto%20Insurance%20Markets%20and%20Technological%20Change.pdf>.

- FIO measures affordability in Affected ZIP Codes based on the average annual written personal automobile liability premium on the voluntary market relative to median income.
- Minimum financial responsibility limits in MD
  - Bodily Injury: \$30,000 per person, and \$60,000 for 2 or more people per accident
  - Property Damage: \$15,000 per accident
  - Uninsured/Underinsured motorist coverage in the amounts above
- An Affected ZIP Code has: (1) a majority-minority population; or (2) median family income less than 80% of the median family income in its Metropolitan Statistical Area ("low or moderate income").
- **FIO Affordability Index Ratio = Average Annual Written PPA Liability Premium on the Voluntary Market ÷ Median Household Income for the Affected ZIP Code**
  - FIO deems insurance unaffordable in an Affected ZIP Code with an Affordability Index Ratio > 2% (approximate percentage of average income consumers spend on auto insurance).
- **2022 FIO metrics: 34.8% of MD ZIP codes were Affected (162); 52.6% of the MD population lived in Affected Zip Codes (3,242,055); insurance deemed unaffordable for 6.1% of MD population (196,272).**



# Insurance Research Council's (IRC) Definition of "Affordability"

*Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons*, IRC (Mar. 2025):  
[https://insurance-research.org/sites/default/files/news\\_releases/IRC%20Auto%20Affordability%20Brief.pdf](https://insurance-research.org/sites/default/files/news_releases/IRC%20Auto%20Affordability%20Brief.pdf).

- IRC measures affordability based on the average cost of PPA insurance for all consumers in the State relative to statewide median income (considers affordability for the overall population).
- "Liability Written Car Years" means the number of vehicles insured under liability coverage for a full year.
- "Total Written Premium" includes written premium for liability, collision, and comprehensive coverages on both the voluntary and residual markets
- Average PPA Expenditure = Total Written Premium ÷ Liability Written Car Years
  - IRC assumes that all insured vehicles carry liability coverage, but not necessarily physical damage coverages (collision and/or comprehensive)
- **IRC Affordability Index Ratio = Average Annual PPA Expenditure ÷ Statewide Median Household Income**
- The IRC designed its Affordability Index to measure and compare insurance affordability over time and across jurisdictions, and not to establish a particular (subjective) threshold level for affordability.
- **The IRC ranked MD the 18th most affordable state in 2022, with a 1.18% affordability index ratio.**



# Sources

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# Contact Information

## Maryland Insurance Administration

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

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# Questions?

