



Confused by Increases in Your Auto Insurance Premiums?

As of July 11, 2023

The Maryland Insurance Administration (MIA) frequently hears from consumers that they feel their auto insurance rates increase at every renewal, even if they have been with their insurer for a long time and have not filed any claims. The consumers want to know why this has happened. They also asked, what can be done about this increase. We will try to answer these questions and other frequently asked questions (FAQs) that we receive from consumers about auto insurance premium rate increases.

Q. I have not received any tickets or filed any claim, but I just received my policy renewal offer and my rates increased. How can they raise my rates if I haven't made a claim or gotten a ticket?

A. Your auto insurance rate can increase due to general rate increases even if you haven't made a claim or gotten a ticket. These are increases assessed to all policyholders. If your renewal notice shows your premiums are increasing and the notice does not indicate this increase is as a result of a surcharge for an accident or ticket, it is usually a general rate increase. If you have a question about the increase, you should speak with your insurance producer (agent or broker) or insurer. If you still have questions, you may contact the MIA.

Q. My insurance producer told me that the MIA required this rate increase. Is this correct?

A. This is incorrect. The law requires insurers to file their rates, and any rate increase requests with the MIA, which reviews the filings (which include the insurer's data justifying the amount of their premiums and any proposed increase) to be certain that the increases and rates are not excessive, inadequate or unfairly discriminatory. The law also requires the MIA to make certain that insurers remain financially stable in order to protect their policyholders so they have enough funds available to settle claims.

Q. I have been told that insurers are subsidized by the government?

A. Private commercial insurers do not receive any government subsidies. Maryland Automobile Insurance, which was created by the Maryland General Assembly to provide coverage to Marylanders who cannot obtain auto insurance from other insurers, also does not receive state funds, but is instead funded by premiums, revenues, and annual assessments on insurers imposed by state law.

Q. I still don't understand why my rates increased. It seems like price gouging to me. What exactly caused this?

A. General rate increases can be necessary for a number of reasons, and are not price gouging. For example, insurers are impacted by rising costs and inflation, just like other businesses and Maryland residents have been. The cost of repairs and parts have increased. The value of used cars has gone up so the cost to settle a total loss claim has increased. Business costs – from the cost electricity to wages to the cost to mail policy documents – have increased as well. If an insurer expends more money than they receive, they could become insolvent and unable to pay claims. The MIA's responsibility is to make sure these companies stay financially strong so they are able to pay claims.

Another factor that impacts rates are the requirement that insurers maintain a reserve, that is funds held in the event of a catastrophic loss, such as a hurricane. Generally, these funds are invested and the insurers earn money off these investments. If the stock market is down, the earnings from these investments are also down. Again, to remain solvent and financially strong, the insurers must increase their premium rates to offset this loss in revenue.

Q. My rate increased because of a claim, and not a general rate increase. I don't think I was at fault. Is there anything I can do?

A. If you think your rate is being improperly increased because, for example, you were not at fault for the accident, you can contact your insurance producer or insurer and ask them to review the rate increase to ensure it is correct. You may also file a complaint with the MIA within 30 days of receiving notice from your insurer that the premium is being increased due to a claim or change in the insureds driving record, such as a ticket. For information about how to file a complaint with the MIA, go to: <https://insurance.maryland.gov/Consumer/Pages/FileAComplaint.aspx>. The directions (called a "Right to Protest") will also be included in the notice of premium increase you should receive. Under state law, an insurer is required to mail a notice of renewal premium increase at least 45 days before the renewal

policy goes into effect. This notice may be sent with the renewal package or separately.

If you file your complaint with the MIA on time, the MIA will review the increase to make certain that the increase and notice comply with the law. A written determination will be issued once the MIA investigation is complete. You will be required to pay the premium amount being billed while this investigation is being completed. If it is later determined that the increase is improper, the MIA will require the insurer to reimburse you for any overpayment.

Q. If my premium increase is not due to a claim or change in driving history, but I still want to protest the increase, is there anything I can do?

A. Generally, no. If your policy rate increase is due to a general rate increase that has been properly filed with the MIA, there may be nothing we can do to require your insurer to remove the increase. However, you certainly may file a complaint, either on the MIA's website, www.insurance.maryland.gov or by writing to the MIA directly. The MIA will be glad to review the increase to make certain it complies with Maryland's insurance laws. You will receive a written determination following that investigation.

Q. What factors impact how much my insurer charges me for my auto policy?

A. There are many factors that go into how your premium is calculated. Some of the factors that insurers use to determine a policyholder's rate include age, gender, length of time as a licensed driver, where you live, type of car, and how it is used, as well as driving and claims history. For instance, a teenage driver will generally have rates much higher than an older driver because the crash rate for younger drivers is statistically higher than that for older drivers. Another factor that impacts a rate is where you live. A policyholder who lives in a densely populated area with a lot of traffic and who must park their car on the street is statistically more likely to present a claim. As of 2022, Baltimore City ranks as the city with the most automobile accidents in the United States, and drivers in Baltimore average one collision every 4.19 years compared to the national average of 10.57 years. (Source: DailyInfographic.com, "Which US Cities Have the Highest Rate of Car Accidents", by Dan Simms, 02-23-22.)

Q. So what can I do to lower my rates?

A. You may ask your insurance producer if you are getting all the discounts you qualify for. One way to lower your premium is to bundle multiple policies with the same insurer, called a multi-policy discount. This applies when you pair your

auto insurance along with your home or renters policy through the same insurer. Your insurer may also offer a discount for safe driver, good student, claims free and/or safety equipment your car may have.

You may also want to ask your insurance producer to review your policy to make sure it is based on your current driving habits and coverage needs. For example, are you retired or mainly telework? Let your insurance producer know that, and the approximate number of miles you put on your car in a year. You might also want to discuss the amount of your coverages and deductibles. While it is true that lower coverages may be less expensive, if you have a loss which you are liable for and don't have enough coverage to fully settle the claim, you could be held personally responsible for that additional amount. The purpose of insurance is to protect you in the event you have an at-fault loss.

A deductible is the amount you are willing to pay in the event you have a loss. Both comprehensive and collision coverage usually have a deductible. The higher the deductible, the lower your rate. When choosing the amount of your deductible, think about what you can afford to pay if your car is disabled by a covered peril. Comprehensive coverage is less costly than collision coverage so many people select a lower deductible for comprehensive than collision coverage.

Q. I spoke with my insurance producer and we reviewed my policy. I am still not happy with my rates. What else can I do?

A. Different insurers may offer more competitive rates for the same insurance coverages so you can shop around to see if you can get a better rate. When shopping, be sure you are comparing apples to apples. It is advisable to have the current copy of your policy available when speaking with other insurers so you obtain a quote with the same coverages that your current policy provides. The MIA provides a rate guide which may be viewed on our website, www.insurance.maryland.gov, or you may request to have one mailed to you. The rate guide has several scenarios broken down by geographic location. This allows you to compare the rates of approximately 50 different companies. There is also an interactive comparison guide on our website at: <https://insurance.maryland.gov/Consumer/Pages/Auto-Insurance-A-Comparison-Guide-To-Rates.aspx>.

If you still have questions about this topic, or even another insurance related questions, or need further assistance, please contact us at 410-468-2000 or toll free, 1-800-492-6116 or visit our website, www.insurance.maryland.gov.