Consumer
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Comments from the Consumer Federation of America to the Private Passenger Automobile Insurance Affordability Workgroup on Reducing Auto Insurance Costs

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Re: Making Maryland Auto Insurance More Affordable and Accessible for Consumers

The Consumer Federation of America[1] (CFA) submits these comments to the Private Passenger Automobile Insurance Affordability Workgroup on lowering auto insurance costs and making coverage more accessible for consumers. We urge the Workgroup to make the following recommendations:

1) Adopt prior approval regulation of auto insurance rates;
2) Restrict the use of socioeconomic rating factors in auto insurance underwriting and rating and require insurers to demonstrate that their underwriting, rating, claims handling, and anti-fraud algorithms do not disproportionately penalize consumers on the basis of a protected class status, and
3) Establish a low-cost auto insurance program for safe drivers with low incomes.

[1] CFA is an association of over 200 state and local members that works to advance consumer interests through research, advocacy, and education. Our Director of Insurance Douglas Heller is a member of the Federal Advisory Committee on Insurance and an appointee to the California Automobile Assigned Risk Plan Advisory Committee which oversees California's low-cost auto insurance program. Our Research and Advocacy Associate Michael DeLong is a member of the Nevada Advisory Committee on Property and Casualty Insurance and a funded Consumer Representative with the National Association of Insurance Commissioners (NAIC). CFA possesses decades of experience on auto insurance costs and the best ways to lower them.

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Rising premiums and auto insurers' use of socioeconomic factors have made auto insurance expensive and even unaffordable for many Marylanders. This unaffordability has intensified while – and perhaps in part because – auto insurers in Maryland have earned above average profit returns over the ten most recent years for which the NAIC has published data (2014-2023)[2] and, using the NAIC data available for 2024, a below average loss ratio compared with the country.[3] As the Maryland insurance market proves better than average for companies, Maryland consumers suffer, facing the eighth highest average expenditure on auto insurance in the country, according to NAIC data.[4]

The use of non-driving rating factors – including credit-based insurance scores, job title and occupation, education level, age, gender, marital status, homeownership status, ZIP code or territory, and prior insurance coverage – further exacerbates the high prices for lower-income Marylanders who would struggle to comply with the state's insurance mandate even without being targeted for socioeconomic status penalties by insurance companies. A 2021 joint policy brief by CFA and Economic Action Maryland, for example, found that Maryland drivers pay dramatically different rates for auto insurance based on their ZIP code, and residents of ZIP codes with majority African American populations pay far higher premiums compared to ZIP codes with majority white populations. For Maryland ZIP codes where less than 10% of residents were African American, the average premium at the time of the study was $988. By contrast, for ZIP codes where 70-80% of residents were African American, the average premium was $1,962.[5]

Insurers' use of credit information is especially harmful to consumers. Our 2023 report on credit scores and auto insurance found that Maryland drivers with excellent credit paid an average annual premium of $805. By

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[2] National Association of Insurance Commissioners, April 2025. *Report on Profitability by Line by State in* 2023.
[3] National Association of Insurance Commissioners, June 2025. *2024 Market Share Reports for Property/Casualty Groups and Companies by State and Countrywide*
[4] National Association of Insurance Commissioners, June 2025. *2023 Auto Insurance Database Average Premium Supplement*.
[5] "How ZIP Codes Affect Auto Insurance Premiums in Maryland." Consumer Federation of America and Economic Action Maryland. March 2nd, 2021. Available at https://econaction.org/wp-content/uploads/2022/11/PolicyBrief-HowZipCodesImpactMarylandAutoInsurancePremiums.docx3_.pdf.

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contrast, Maryland drivers with fair credit paid an average premium of $1,116, and drivers with poor credit paid an average premium of $1,422--a 77% premium hike compared to drivers with excellent credit.[6] Other reports have found similar penalties paid by consumers with poor credit. A 2015 study by Consumer Reports found that Maryland drivers with poor credit and a perfect driving record paid an average annual premium of $2,904, while Maryland drivers with excellent credit and a drunk driving conviction paid an average premium of $1,268. In other words, safe Maryland drivers with poor credit paid $1,636 more than convicted drunk drivers with a high credit score.[7]

The use of socioeconomic characteristics is not limited to rating, as many drivers in Maryland, even those with clean driving records, have trouble finding coverage in the voluntary market if they have a low credit score or had a lapse in insurance coverage in the past. According to the FAQ on the website for Maryland Auto, the state's auto insurer of last resort:

> In fact, 60 percent of the drivers we insure have "clean" driving records with one or no points on their licenses. While we do provide coverage for drivers who have been cancelled or denied based on their driving record, many of our policyholders have been cancelled or denied because of lapses in coverage or credit issues. Whatever the reason, we provide a transitional solution to keep you covered until you are eligible for the standard market.[8]

The high rates and above average profits in the Maryland market and the severe penalties for drivers due to their socioeconomic status lead us to the three recommendations we identified above.

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[6] "The One Hundred Percent Penalty: How Auto Insurers' Use of Credit Information Increases Premiums for Safe Drivers and Perpetuates Racial Inequality." By Douglas Heller and Michael DeLong. Consumer Federation of America. July 31st, 2023. Available at https://consumerfed.org/wp-content/uploads/2023/07/Official-CFA-Credit-Score_2023-FINAL-REPORT.pdf.

[7] "The Secret Score Behind Your Rates." Consumer Reports. July 30th, 2015. Available at https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm.

[8] "Maryland Auto Insurance Claims Q&A." Retrieved on November 24th, 2025. Available at https://www.mymarylandauto.com/site/claims/claims-qa/.

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1. **Require insurers to justify their rates and pricing models.** The Workgroup should recommend legislation that will shift market oversight of rates and rating rules to a prior approval system that requires insurers to justify their rates and pricing models to MIA before going to market with them.
2. **Stop unfair discrimination in the insurance market that leaves lower-income Marylanders and people of color paying more for insurance.** MIA should restrict the use of socioeconomic rating factors pursuant to its authority to prohibit unfair discrimination and seek legislative reforms that will further ensure that insurance companies demonstrate that the models they use throughout the insurance lifecycle – from marketing, underwriting, and rating to claims handling and fraud fighting – do not perpetuate or create discrimination in the Maryland market.
3. **Provide an auto insurance lifeline to low-income, safe drivers who cannot afford private market prices.** The Workgroup should look to the success of California's low-cost auto insurance program for safe, low-income drivers and recommend the adoption of a similar program to provide bare bones coverage for good drivers.[9] This low-cost program would allow qualifying drivers to buy coverage below the minimum required limits as a way to avoid becoming (or remaining) completely uninsured; it would be self-sustaining and funded by the premiums of participating drivers. California's version of the program allows participants to drive legally for about $400 per year and currently serves over 63,000 drivers. We urge the Workgroup and the Maryland Insurance Administration (MIA) to consult with the California Department of Insurance, which has worked for years to improve the efficacy of this program.

At a time when the insurance industry has returned to huge profits, Maryland drivers need relief and real reform so they can obtain the coverage they need. We urge the Workgroup to adopt these recommendations and would be happy to provide additional information.

Please contact us at mdelong@consumerfed.org with any questions.

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[9] "California's Low-Cost Auto Insurance." Retrieved on November 19th, 2025. Available at https://www.mylowcostauto.com.

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Sincerely,

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