



**Testimony of the Consumer Federation of America Before the
Senate Finance Committee in Support of SB 865—Workgroup
on the Affordability of Private Passenger Automobile
Insurance—Extension and Alteration of Membership and
Duties**

February 23rd, 2026

Senator Pamela Beidle
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, MD 21401

Cc: Vice Chair Antonio Hayes, Members of the Senate Finance Committee

The Consumer Federation of America (CFA) urges the Senate Finance Committee to support SB 865—Workgroup on the Affordability of Private Passenger Automobile Insurance—Extension and Alteration of Membership and Duties. At a time of rising auto insurance costs, this reformed workgroup would be structured to make recommendations on reducing auto insurance premiums, including recommendations regarding insurers' use of socioeconomic rating factors in pricing Marylanders, and it would include additional voices of consumer advocates.

Maryland requires every driver to purchase and maintain auto insurance. Therefore, the state has a responsibility to make sure coverage is affordable for safe drivers and that consumers do not experience unfair discrimination. But rising premiums and auto insurers' use of socioeconomic factors have made auto insurance expensive and often unaffordable for many Marylanders. Premiums have gone up while—and perhaps in part because—auto insurers in Maryland have earned above average profit returns from 2014 to 2023, the ten most recent years for which the National Association of Insurance Commissioners (NAIC) has published data.¹ Additionally, auto insurers have a below average loss ratio in Maryland compared to the rest of the country. And as the Maryland insurance market proves better than average for companies,

¹ National Association of Insurance Commissioners, June 2025. *2024 Market Share Reports for Property/Casualty Groups and Companies by State and Countrywide.*

Maryland consumers suffer, facing the eighth highest average expenditure on auto insurance in the country, according to NAIC data.²

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. These Marylanders 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 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 residents of ZIP codes with majority white populations. For Maryland ZIP codes where less than 10% of residents were African American, the average premium was \$988. For contrast, for ZIP codes where 70-80% of residents were African American, the average premium was \$1,962.³

Insurers’ use of credit information is especially harmful to consumers. CFA’s 2023 report on credit scores found that Maryland drivers with excellent credit paid an average annual premium of \$805. By 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.⁴ Other reports found that consumers with poor credit paid similar penalties. 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, but Maryland drivers with excellent credit and a drunk driving conviction

² National Association of Insurance Commissioners, June 2025. *2023 Auto Insurance Database Average Premium Supplement*.

³ “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](https://econaction.org/wp-content/uploads/2022/11/PolicyBrief-HowZipCodesImpactMarylandAutoInsurancePremiums.docx3.pdf).

⁴ “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.

paid an average premium of \$1,268. In this case, safe Maryland drivers with poor credit paid \$1,636 more than convicted drunk drivers with a high credit score.⁵

Auto insurers' use of socioeconomic characteristics is not limited to rating. Many Maryland drivers, even if they have clean driving records, have trouble getting coverage in the usual market if they have a low credit score or a past lapse in insurance coverage. The website for Maryland Auto, the state's insurer of last resort, notes that:

"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."⁶

The high rates and above average profits in the Maryland auto insurance market, combined with the severe penalties for drivers just because of their socioeconomic characteristics, show the need for major reforms. As we have noted in our past comments, we recommend the following reforms:

- 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 auto insurance market that leaves low-income Marylanders and people of color paying more for insurance.** The Maryland Insurance Administration (MIA) should restrict the use of socioeconomic rating factors pursuant to its authority to prohibit unfair discrimination and seek legislative reforms, requiring insurance companies to demonstrate that the

⁵ "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>.

⁶ "Maryland Auto Insurance Claims Q&A." Retrieved on February 20th, 2026. Available at <https://www.mymarylandauto.com/site/claims/claims-qa/>.

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) **Create a low-cost auto insurance program for low-income, safe drivers who cannot afford private market premiums.** 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.⁷ 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 understand that the MIA is interested in establishing similar program, and so we urge MIA and the Workgroup to consult with the California Department of Insurance, which has worked for years to improve the efficacy of this program.

SB 865 would encourage the Legislature to further consider these reforms. It would make several changes to Maryland’s current workgroup on the affordability of auto insurance, which has heard testimony and submitted a final report on auto insurance costs, but has not reached consensus or provided specific legislative recommendations on territorial rating in auto insurance, or on other major policy questions.

First, SB 865 requires the Workgroup to develop data-driven, concrete recommendations to lower auto insurance costs, including recommendations about the use of territorial rating and other rating factors that contribute to unfair discrimination. The Workgroup will accomplish this through recorded votes.

Second, the composition of the Workgroup will be changed. It will include one member of the House Judiciary Committee, appointed by the Speaker, and two representatives of consumer advocacy organizations

⁷ “California’s Low-Cost Auto Insurance.” Retrieved on February 20th, 2026. Available at <https://www.mylowcostauto.com>.

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with expertise in auto insurance rating and affordability. This will help ensure that consumer voices are heard and that the Workgroup is not solely dominated by members of the insurance industry.

Finally, the Workgroup will submit an updated report of its findings and recommendations to the Governor. This report will be delivered either on or before January 1st, 2027.

At a time when auto insurance costs across the nation have increased by 55% since February 2020, and the insurance industry is now earning record profits, Maryland drivers need relief and real reform so they can get the coverage they need. We thank Senator Washington for his sponsorship of SB 865 and urge a favorable report on this bill.

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

Sincerely,

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