Consumer Federation of America

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# Testimony of the Consumer Federation of America Before the Maryland House Economic Matters Committee—Support HB 148—Prohibiting Auto Insurance Premium Increases After Not-At-Fault Accidents

January 20th, 2025

Chair Wilson, Vice Chair Crosby, members of the House Economic Matters Committee:

The Consumer Federation of America (CFA) urges your support for HB 148, which prohibits auto insurance companies from increasing consumers' premiums after not-at-fault accidents. This bill will provide much needed premium relief to safe Maryland drivers who are currently being subjected to unfair premium hikes.

CFA is an association of over two hundred consumer organizations that works to advance the consumer interest through research, advocacy, and education. Our Director of Insurance Douglas Heller is a member of the Federal Advisory Committee on Insurance (FACI) and a member of the Board overseeing California's low-cost auto insurance program. Our Research and Advocacy Associate Michael DeLong is a funded Consumer Representative with the National Association of Insurance Commissioners (NAIC) and a member of the Nevada Property and Casualty Insurance Advisory Committee. CFA's testimony is based on years of experience and work to make insurance more affordable and accessible, combat unfair discrimination, and protect consumers' rights.

Maryland, along with every other state except New Hampshire, requires drivers to purchase and maintain auto insurance. The state therefore has a responsibility to make sure this product is affordable and fairly priced for consumers, and that they do not suffer unfair rate increases. However, insurance premiums have increased dramatically in recent years, significantly above the rate of inflation. This has occurred as, according to Auto Insurance Report, from 2013 to 2022 the Maryland combined personal and commercial auto insurance market saw an

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average total profit of 11.9%. Additionally a recent CFA report found that in 2023, the CEOs of America's ten largest insurance companies collected massive salaries, bonuses, and other payments—earning over $119 million.[1] Meanwhile drivers across Maryland are struggling to pay their premiums or are even driving without insurance, which puts themselves at grave risk and increases costs for all drivers.

As CFA has testified in prior sessions, insurers use non-driving factors such as consumer credit information, job or occupation, education level, homeownership status, marital status, gender, and ZIP code to charge drivers higher premiums. These practices exacerbate the burden of high rates for low and moderate income Marylanders, even when they have perfect driving records.

HB 148, sponsored by Delegate Natalie Ziegler, targets an especially unfair pricing practice and if enacted will lower rates for many safe Maryland drivers. The bill prohibits insurance companies from increasing auto insurance premiums on the basis of crashes caused by other drivers. Under this proposal, companies could not raise rates on a policyholder after a crash in which they were not at fault if there were no more than two such claims in the prior three years.

Drivers simply should not be penalized for accidents for which they are not responsible. But our past research found that safe drivers who are in accidents caused by others often see significant auto insurance rate hikes.[2] In 2017, CFA tested premium quotes for drivers in ten cities, from America's largest auto insurers. Our research found that:

- Allstate, Farmers, GEICO, and Progressive all imposed substantial premium hikes for drivers after they were in not-at-fault accidents. Allstate imposed a 4.8% increase, Farmers imposed an

[1] "While Consumers Struggle to Afford Insurance Coverage, Insurance CEOs Rake in Millions." Consumer Federation of America. December 19, 2024. Available at https://consumerfed.org/press_release/while-consumers-struggle-to-afford-insurance-coverage-insurance-ceos-rake-in-millions/.
[2] "Major Insurance Companies Raise Premiums After Not-At-Fault Accidents." Consumer Federation of America. February 13, 2017. Available at https://consumerfed.org/press_release/major-insurance-companies-raise-premiums-not-fault-accidents/.

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11.1% increase, GEICO imposed a 14.1% increase, and Progressive imposed the largest increase of all—16.6%.

- On average, Baltimore drivers experienced a $258 premium hike after not-at-fault accidents. This was the second highest premium hike in all the cities tested—the only city experiencing larger premium hikes was Queens in New York.
- When combining the not-at-fault penalty with other socioeconomic pricing variables, CFA found that moderate-income drivers paid $208 more, or 9.6% more, after not-at-fault accidents. By contrast, higher-income drivers paid $78 more, or 6.6.% more.

Charging higher premiums after not-at-fault accidents is extremely unfair and largely unknown to the public. Drivers know that if they cause a crash or get a ticket they could face premium increases, but they do not expect to be punished if they are hit by a reckless driver. In Maryland, a driver rear-ended while lawfully stopped at a red light can face a premium hike from their insurer in the wake of that crash. These practices should not be allowed.

Penalizing safe drivers hit by another car also discourages drivers from filing legitimate claims. If a driver sees their insurance premium increase after an accident, regardless of whether they are responsible, they are less likely to fill a claim and get the money they deserve.

Insurance companies have suggested that this consumer protection would increase rates for policyholders across the board. But there is no basis for this assertion. Fifteen states already protect consumers by prohibiting premium increases not-at-fault accidents, including the neighboring state of Virginia. Legislators need to protect Maryland drivers from premium hikes after accidents when they have done nothing wrong.

CFA urges the House Economic Matters Committee and the Maryland Legislature to support HB 148. Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

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