



**Testimony to the House Economic Matters Committee**  
**HB903: Insurance - Maryland Automobile Insurance Fund - Assessments**  
**Position: Favorable with Amendment**

February 23, 2023

The Honorable C.T. Wilson, Chair  
House Economic Matters Committee  
Room 231, House Office Building  
Annapolis, Maryland 21401

cc: Members, House Economic Matters

Honorable Chair Wilson and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing in support of HB903 with a proposed amendment.

The Maryland Auto Insurance Fund (MAIF) was created in 1972 by the Maryland General Assembly to provide automobile liability insurance to Marylanders who are unable to obtain it privately.<sup>1</sup> To be eligible for insurance from the Fund, a driver must have been rejected by at least two private insurers or have had automobile insurance canceled or not renewed for any reason other than nonpayment of premiums. In providing insurance, the Fund acts as any private insurance company and is subject to regulation by the Maryland Insurance Commissioner. The Fund also processes and pays certain claims to Maryland residents who are involved in Maryland accidents with uninsured motorists or in hit-and-run incidents where no responsible party can be found.

MAIF is a unique residual market in that all policies are serviced and underwritten by a Maryland auto, a single quasi governmental company. Forty-two other states use an assigned risk approach, in which residual market policies are doled out to private insurers based on their market share in the voluntary auto insurance market. Maryland Auto's structure is unique in that no private insurers participate directly in MAIF, but are required by law to subsidize any losses from the operation, with the cost being charged back against their own policyholders. In years that the fund has a loss, all Maryland insured drivers help offset the deficit through an assessment mechanism.<sup>2</sup>

An assessment is triggered when Maryland Auto's surplus falls below a certain amount. Maryland Auto indicated in its hearing before the House Appropriations Committee that an assessment is predicted to be triggered by the end of the year.<sup>3</sup> It also indicated that, while an assessment has not been conducted in over 30 years, there is \$9.5 million booked as a liability from that last assessment that has been unused. HB903 proposes this liability be moved into MAIF's surplus when another assessment is triggered. Economic Action Maryland supports MAIF's access to this "overassessment account" and supports that future "overassessments" be returned to the private market to be returned to policyholders.

---

<sup>1</sup> <https://www.mymarylandauto.com/site/>

<sup>2</sup> [https://govt.westlaw.com/mdc/Browse/Home/Maryland/MarylandCodeCourtRules?guid=N77AD8FE09B6F11DB9BCF9DAC28345A2A&originationContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)](https://govt.westlaw.com/mdc/Browse/Home/Maryland/MarylandCodeCourtRules?guid=N77AD8FE09B6F11DB9BCF9DAC28345A2A&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default))

<sup>3</sup> [https://mgaleg.maryland.gov/mgawebsite/Committees/Media/false?cmte=t%26e&clip=TAE\\_2\\_2\\_2023\\_meeting\\_1&ys=2023rs](https://mgaleg.maryland.gov/mgawebsite/Committees/Media/false?cmte=t%26e&clip=TAE_2_2_2023_meeting_1&ys=2023rs)



However, Economic Action Maryland is concerned with the change in allocation of uninsured motorists fines proposed on pages 6-9 under the Transportation Article.

**Proposed Amendment**

**STRIKE ALL LINES UNDER THE TRANSPORTATION ARTICLE. LINES 25-31 ON PAGE 6, LINES 1-32 ON PAGE 7, LINES 1-34 ON PAGE 8, AND LINES 1-20 ON PAGE 9.**

The percentage of uninsured drivers in Maryland is 14.1% - which is far more than surrounding states including Pennsylvania (6%), Virginia (10%), New York (4.1%), and West Virginia (9.2%).<sup>4</sup> High premium costs and lack of affordable options is a leading cause for drivers to go without insurance. While Maryland has increased coverage and has passed a number of policies to enforce the law requiring drivers to purchase insurance, the state has done very little to make auto insurance more affordable to enable low-wage workers to comply with the law.

Furthermore, Maryland also has an atypical reliance on the residual insurance market compared to other states. Typically, a residual market customer has a bad driving record, but Maryland Auto serves a much broader base and a larger number of good drivers than most states. In 2018, Maryland Auto issued 61,303 policies, which included 30,509 applicants with clean driving records.<sup>5</sup> In 2022, Maryland Auto reported that 58% of their policyholders have not had an at-fault accident or a moving violation within the last three years and that the leading cause policyholders are enrolled through Maryland Auto is lack of a credit history or poor credit scores or no continuous automobile insurance coverage.<sup>6</sup> According to the National Association of Insurance Commissioners 2023 Auto Insurance Database Report, only two other states had more earned exposures in their residual market than Maryland in 2019 (the most recent year for which countrywide data are available).<sup>7</sup> While Maryland had 39,061 earned exposures in 2019, 70% of states had fewer than 100 earned exposures and 84% had fewer than 1,000 in their residual markets.

The high rate of uninsured motorists in the state and the unusual reliance on the residual market by good drivers, indicate that there is an auto insurance affordability crisis in our state. Funding the insurer of last resort on the fines charged to drivers the Fund has failed is bad policy. Not only would this create a funding mechanism drawn from the backs of poor Marylanders, it would create a reliance on a pool of uninsured motorists in order to maintain funding. If the committee considers this funding mechanism, Economic Action Maryland would recommend an uninsured motorist amnesty program be put in place to help low-income drivers pay their fines without falling into debt.

By law, MAIF is intended to be funded through an assessment process, and HB903 improves and clarifies this process. However, Economic Action Maryland highly recommends that this esteemed committee consider the implications of the change to the Transportation Article laid out in this bill.

For these reasons, we support HB903 with amendment.

Respectfully,

Isadora Stern  
Policy Manager

---

<sup>4</sup> <https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists>

<sup>5</sup> [https://abell.org/wp-content/uploads/2022/02/Auto20Insurance20Report2011\\_20\\_191.pdf](https://abell.org/wp-content/uploads/2022/02/Auto20Insurance20Report2011_20_191.pdf), pg.9

<sup>6</sup> <https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/63d93da4e516ab7b9d5e377f/1675181476962/FINAL+-+MAIF+Budget+Follow+up+%283%29.pdf>

<sup>7</sup> <https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf>, pg.147