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February 21, 2023

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

RE: Amendments to House Bill 903
Insurance – Maryland Automobile Insurance Fund – Assessments

Dear Chairman Wilson and Members of the House Economic Matters Committee,

Please accept the attached amendments on House Bill 903 on behalf of our clients, Agency Insurance Company (AIC), the Insurance Agents and Brokers of Maryland (IA&B), and the Maryland Association of Mutual Insurance Companies (MAMIC).

Bryson Popham from our office will be delivering oral testimony at the hearing on behalf of these same clients.

Very truly yours,



Sarah Joan Smith

Very truly yours,



Bryson F. Popham

By:

AMENDMENTS TO HOUSE BILL 903
(First Reading File Copy)

Amendment No. 1:

On page 7, in line 25 strike “50%” and strike the brackets in lines 25 and 26, and strike beginning with “AND” in line 30 through line 32.

Amendment No. 2:

On page 8, strike the brackets in lines 3 and 4, and strike beginning with “AND” in line 6 through “4” in line 12.

Rationale:

Amendments 1 and 2 return MAIF payments from uninsured motorist penalties to the status quo. New language in the bill that would substantially increase the recovery of uninsured motorist penalties by MAIF is removed, and the current formula of the allocation of uninsured motorist penalties to MAIF is retained.

Amendment No. 3

On page 6, after line 24, add:

Section 20-507(d) In reviewing rates filed by the Fund, the Commissioner shall consider not only the rating principles under Title 11, Subtitle 3 of this article but also the statutory purpose of the Fund under Section 20-301 of this title.

“(E) THE FUND SHALL FILE A RATING PLAN NOT LESS THAN ANNUALLY, AND APPROVAL OF ANY RATING PLAN BY THE COMMISSIONER SHALL BE REQUIRED BEFORE THE PLAN IS EFFECTIVE. A RATING PLAN FILED UNDER THIS SUBSECTION SHALL:

- (1) USE ACTUARIALLY JUSTIFIED RATES; AND**
- (2) STATE WHETHER RATES USED IN THE FILING ARE ADEQUATE OR INADEQUATE, TOGETHER WITH THE PERCENTAGE, IF ANY, OF RATE INADEQUACY.**
- (3) THE COMMISSIONER MAY DETERMINE THAT A RATE LESS THAN 15% INADEQUATE UNDER ACTUARIALLY JUSTIFIED RATES MAY COMPLY WITH THE STATUTORY PURPOSE OF THE FUND UNDER THIS SECTION.**
- (4) FOR ANY RATE INADEQUACY EXCEEDING 15% OF ACTUARIALLY JUSTIFIED RATES, THE FUND SHALL, AS PART OF ITS FILING, PROVIDE A REPORT TO THE COMMISSIONER JUSTIFYING THE RATE INADEQUACY, INCLUDING A PLAN TO ACHIEVE RATE ADEQUACY ON A SCHEDULE APPROVED BY THE COMMISSIONER.”**

Rationale:

The intent of this language is to apply reasonable conditions (“guardrails”) for the Commissioner in reviewing and approving a MAIF rate filing. The 15% threshold in the language is taken from a January 2004 report prepared by the MIA as a requirement under House Bill 521 (2002) to “study the impact of premium rates on policies issued by the Maryland Automobile Insurance Fund on the private insurance market.”