



Testimony of Maryland Auto Insurance Fund

Date: March 27, 2025

Position: Favorable with Amendments

Bill Number: House Bill 1098

Bill Title: Insurance – Automobile Insurance – Maryland Automobile Insurance Fund and Affordability Study

The Maryland Automobile Insurance Fund

The Maryland Automobile Insurance Fund (MAIF) was created in 1973 to provide automobile insurance to Maryland residents that have been turned down by two insurance companies or canceled or non-renewed by one. *Insurance Article §20-301*. The Legislature has recognized that MAIF would at times require financial assistance, especially since affordable rates are not usually rates that are adequate to cover all claims and expenses. MAIF has balanced affordability with self-sufficiency over many years and has generally avoided assessments. This year is different and an assessment of \$19.5 million has been certified for 2025.

HB1098, as passed in the Economic Matters Committee, would reduce future assessments. At the same time, MAIF believes it is critical to continue considering affordability in MAIF ratemaking. MAIFs amendments address these two issues.

House Bill 1098

The bill has three elements. First, the bill requires MAIF to be subject to “prior approval” ratemaking, as opposed to “file and use”. MAIF has no objection to this aspect of HB 1098.

Second, HB 1098 creates a workgroup to study the affordability of motor vehicle insurance in Maryland. MAIF fully supports this workgroup and looks forward to participating as a member.

Third, the bill requires MAIF to meet RBC standards for the first time. This is an NAIC created financial standard of solvency, below which regulatory action by the MIA would be instituted. The RBC standard mandated in HB 1098 would require MAIF to have significantly more surplus than under current law. MAIF objects to this provision unless the bill is modified.

The RBC surplus required by HB 1098 is far more than the assessment surplus under current law. RBC would require a surplus of \$33 million while the assessment surplus, calculated per §20-404, is approximately \$23 million, leading to a \$19.5 million assessment.

With the higher surplus requirement, MAIF would be in a perpetual state of non-compliance because MAIF could never accumulate enough surplus. To address this, MAIF worked

collaboratively with the Insurance Commissioner to amend the bill in the House. MIA and MAIF agreed to leave most provisions of the bill untouched, including the study, the higher surplus requirement and prior approval, but allowed for a one-time increased assessment in 2026, up to \$20 million. This is basically the same assessment as 2025. This would allow MAIF to build surplus towards the higher RBC amount and reduce or eliminate future assessments.

The MAIF/MIA amendments passed both the Economic Matters Committee P&C subcommittee and the full Economic Matters Committee and were adopted by a floor vote in the House on March 15th. Immediately following adoption of the amendment, another amendment was introduced by the Economic Matters Committee Chair striking the increased 2026 assessment language.

The 2026 assessment language was an integral part of HB 1098. With this provision, we supported the bill as did the Insurance Commissioner. We continue to support the bill with amendments restoring the 2026 \$20 million assessment language, as adopted by the P&C subcommittee and the full Economic Matters Committee.

In addition, affordability should continue to be a consideration in ratemaking, especially as it pertains to low-income policyholders in the State subject to exceptionally high insurance costs. MAIF amendment number two would ensure that this factor is preserved and that MAIF would be able to explore the best way to provide affordable rates.

Therefore, we support HB 1098 with the attached MAIF amendments.

For Information: De'Von Brown – Government Relations
 DeVon.Brown@marylandauto.net / 667-210-5193