

HB 1098 MAIF Testimony (DFH, 2025) (Senate).pdf

Uploaded by: David Fraser-Hidalgo

Position: FAV

DAVID FRASER-HIDALGO
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Economic Matters Committee
Chair
Property and Casualty Insurance
Subcommittee



The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Senator Pamela Beidle
Chair, Senate Finance Committee
Senate East Miller Building - Room 3
Annapolis, MD 21401

Chair Beidle,

I am writing to express support of HB 1098, Insurance - Automobile Insurance - Maryland Automobile Insurance Fund and Affordability Study.

HB 1098, Maryland Automobile Insurance Fund and Affordability Study, will require the Maryland Auto Insurance Fund (MAIF or “the Fund”):

- To comply with financial performance standards; including required compliance with prior approval rather than file and use, and establish clear ratemaking standards.
- HB 1098 requires MAIF to calculate and report its risk based capital (RBC) level, and beginning on December 1, 2026, maintain total adjusted capital in an amount greater than or equal to its RBC.
- The Maryland Auto Insurance Commissioner will determine whether rates are excessive, inadequate, or unfairly discriminatory; and the Executive Director shall determine the premiums to be charged on policies issued by the Fund.
- HB 1098 requires the Maryland Insurance Administration to establish a workgroup to study auto insurance affordability and submit a report to the General Assembly on or before January 1, 2026.
 - The study will focus on the affordability of private passenger vehicle auto insurance premiums in Maryland, including factors that contribute to premium rate increases and trends in rate increases.
 - The workgroup will be chaired by the Commissioner or their designee, and will consist of the following members; the Executive Director of the Fund, a member of the House Economic Matters Committee, a member of the Senate Finance Committee, a representative of an auto insurer or auto insurer trade association, and a representative of a community advocacy organization.
- HB 1098 will also include policy options to increase transparency and affordability over auto insurance premiums in Maryland; and ways in which the term “affordability” has been or can be defined in this context.

- The Maryland Insurance Administration and MAIF presented consensus amendments to the committee and these amendments were adopted. They include;
 - Adding one representative of a private passenger automobile insurance producer in the State to the membership within the study.
 - Requires the Maryland Insurance Administration to study the current financial status of private passenger automobile insurers in the State and consider input from relevant stakeholders including the reinsurance industry.
 - Removes the requirement that the Maryland Automobile Insurance Fund prepare and submit an RBC plan.
 - Clarifies that if the Fund’s surplus amount is below a certain level then the Maryland Insurance Administration will be required to approve of the ratemaking standards through a prior approval process in place of the current file and use.
 - Authorizes the Board of Trustees of the Fund to certify an assessment in a certain manner on or before March 15, 2026.
- A second amendment strikes the \$20,000,000 surplus requirement.

The Maryland Automobile Insurance Fund was created in 1972 via statute in the State of Maryland, and has been in operation since 1973. MAIF’s purpose is to provide automobile liability insurance—which covers property damage and or injuries to another person caused by an accident—to Maryland residents who are unable to obtain auto insurance on the private market.¹ To be eligible for insurance from MAIF, a driver must have been rejected by at least two private insurers or have had their auto insurance canceled or not renewed for any reason other than nonpayment of premiums. To register a motor vehicle in Maryland, every owner must maintain primary insurance for \$20,000/\$40,000 bodily injury, \$15,000 property damage, and \$2,500 economic loss coverage.² MAIF is intended to reduce the number of uninsured motorists in Maryland, does not receive state funds, and is governed by a Board of Trustees consisting of members appointed by the Governor.

Car insurance rates have been rising, with costs rising by 80% between 2004 and 2022, and by 172% over the past twenty years.³ There is no single reason behind rising rates, although the rising costs of new vehicles, and rising repair costs are contributing factors. An increase in both the number and severity of vehicle accidents has led to rising insurance claims, and an increase in the number of uninsured drivers has been driving higher premiums.⁴ HB 1098 will ensure MAIF complies with financial performance standards, establishes clear ratemaking standards, and properly addresses the complexity of affordability in today’s context.

¹ Maryland Automobile Insurance Fund (n.d.), “About Maryland Auto,” available at: https://www.mymarylandauto.com/site/about/?gad_source=1&gclid=CjwKCAiAxaCvBhBaEiwAvsLmWIpn8pZn-pqjimuUHhPLj2dhDup8IYVdTqKJsnSq979sEGP3mfnErRoC1nMQAvD_BwE#

² Md. Code Ann., Insurance § 20-404, 20-405, 20-406, 20-407, and 20-408 (2017).

³ U.S. Bureau of Labor Statistics, “Consumer Price Index for all Urban Consumers (CPI-U),” available at: <https://data.bls.gov/dataViewer/view/timeseries/CUUR0000SETE>

⁴ Id., at 3.

I urge a favorable report on HB 1098, Insurance - Automobile Insurance - Maryland Automobile Insurance Fund and Affordability Study.

Respectfully,

A handwritten signature in black ink, appearing to read "David Fraser-Hidalgo". The signature is written in a cursive style with a large, stylized initial "D".

Delegate David Fraser-Hidalgo

HB 1098 - MIA - FAV - FIN.pdf

Uploaded by: Marie Grant

Position: FAV

WES MOORE
Governor

ARUNA MILLER
Lt. Governor



MARIE GRANT
Acting Commissioner

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Date: March 27, 2025

Bill # / Title: House Bill 1098 - Insurance - Automobile Insurance - Maryland Automobile Insurance Fund and Affordability Study

Committee: Senate Finance Committee

Position: Support

The Maryland Insurance Administration (“MIA”) appreciates the opportunity to share its support for House Bill 1098, as amended.

House Bill 1098 would require the Maryland Automobile Insurance Fund (“Maryland Auto”) to maintain a minimum level of financial surplus as of December 31, 2026.

House Bill 1098 would also make changes pertaining to Maryland Auto ratemaking standards. Since 2017, Maryland Auto rate filings have been subject to competitive rating standards under Title 11, Subtitle 3 - meaning that Maryland Auto’s rates can take effect once they have been filed with the MIA, without the Commissioner’s prior approval. This bill would subject Maryland Auto rate filings to prior approval standards under Title 11, Subtitle 2: (i) between July 1, 2025 and December 31, 2025; and (ii) beginning on January 1, 2026, *only if* the Maryland Auto’s surplus drops below the minimum threshold established under the bill.

Maryland Auto is a statutorily created “insurer of last resort.” Its purpose is to provide generally required motor vehicle liability insurance to drivers that are unable to obtain it through the voluntary market due to their high risk profile, typically evidenced by their driving records. If Maryland Auto’s year-end surplus drops below the assessment threshold calculated pursuant to § 20-404 of the Insurance Article, it accesses funding to ensure its solvency through an assessment on the other auto insurers writing business in the State. The cost of an assessment on the industry is ultimately passed onto policyholders.

Over the past several years, Maryland Auto has consistently implemented private passenger auto rates significantly below indicated rates (i.e., rates that actuaries project necessary to achieve a balance between projected premium income and projected losses and expenses). The Commissioner’s authority to intervene is limited under current law. As a result of inadequate premium income over several years, Maryland Auto’s surplus was depleted to the extent that an

assessment was triggered. Earlier this month, Maryland Auto certified an assessment on the industry for the first time since 1989. Based on Maryland Auto's financial projections for CY 2025, it is almost certain that another assessment will be certified next year.

By requiring Maryland Auto to achieve and maintain a minimum level of surplus and subjecting Maryland Auto to prior approval ratemaking standards when its surplus falls below an established threshold, HB 1098 would authorize the MIA to proactively regulate Maryland Auto's financial condition moving forward.

While the MIA supports the current bill language, it would also support an amendment to restore a provision that was struck from Section 3 of the bill via a floor amendment adopted by the House at second reading. The stricken provision would authorize Maryland Auto's Board of Trustees to certify an assessment in CY 2026, based on CY 2025 operating losses, in an amount equal to the greater of: (i) the calculation yielded under § 20-404(b) and (c) of the Insurance Article; or (ii) \$20,000,000. As indicated above, it is almost certain that Maryland Auto will certify an assessment for an amount calculated pursuant to § 20-404 in CY 2026. The stricken provision would enable Maryland Auto to increase the assessment amount up to \$20,000,000, and apply the difference between \$20,000,000 and the statutory figure to its surplus. This one-time only enhanced contribution to surplus should expedite the timeline for Maryland Auto to come into compliance with the minimum surplus requirements established by the bill, and lessen the likelihood and severity of future assessments on the industry. The MIA and Maryland Auto collaborated to provide the bill sponsor with suggested language for the stricken provision. The agencies agree that this provision would enhance Maryland Auto's financial condition, while mitigating the cumulative impact of future assessments on the industry.

HB 1098 would also require the MIA to establish and chair a workgroup tasked with studying the affordability of private passenger automobile insurance in the State and submitting a report on its findings to the Governor and General Assembly. The study and resultant report would consider factors contributing to affordability issues, potential policy interventions to increase affordability, and methodologies by which affordability can be considered in ratemaking consistent with the Insurance Article. The Executive Director of Maryland Auto or his designee would participate in the work group, along with a member of the Senate Finance Committee, a member of the House Economic Matters Committee, a representative of the auto insurance industry, a representative of insurance producers, and a representative of a consumer advocacy group.

The MIA is extremely concerned with recent general rate increases for private passenger auto insurance and the impact of these increases on Maryland consumers. The MIA intends to conduct an in-depth study of factors contributing to this issue and potential policy solutions. This bill would ensure that the MIA receives input and support from key stakeholders to enhance its efforts in this regard, as well as consider the role of Maryland Auto in the broader discussion around affordability of private passenger auto insurance.

For the reasons set forth above, the MIA urges a favorable committee report on House Bill 1098, as amended, and thanks the Committee for the opportunity to share its support.

HB1098_MAIF_Proposed Amendments_Redmer.pdf

Uploaded by: Al Redmer, Jr.

Position: FWA

MARYLAND AUTO PROPOSED AMENDMENTS TO HOUSE BILL 1098

AMENDMENT NO. 1

On page 1, in line 12, after “date;” insert “authorizing the Board of Trustees of the Fund to certify an assessment of a certain amount in 2026;”.

AMENDMENT NO. 2

On page 3, in line 28, after “title” insert “AND THE AFFORDABILITY OF THE RATES, EVEN IF THE AFFORDABLE RATES ARE INADEQUATE. ANY PREMIUM REDUCTION, DISCOUNT, OR SUBSIDY BASED ON AFFORDABILITY SHALL BE BASED ON THE INCOME OF THE INSURED.”.

AMENDMENT NO. 3

On page 6, after line 29, insert:

“SECTION 3. AND BE IT FURTHER ENACTED, That notwithstanding Insurance Article §20-404, on or before March 15, 2026, if the Fund’s total adjusted capital is below the company action level RBC the Board of Trustees of the Fund may certify an assessment up to but not exceeding \$20,000,000.”

HB1098_MAIF_Updated Written Testimony_Redmer FWA

Uploaded by: Al Redmer, Jr.

Position: FWA



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.

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. 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 assessment language, as adopted by the P&C subcommittee and the full Economic Matters Committee. Without this amendment we do not support the bill.

Please let us know if we can answer any questions.

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

HB1098_MAIF_UpdatedProposed Amendments_Redmer

Uploaded by: Al Redmer, Jr.

Position: FWA

MARYLAND AUTO PROPOSED AMENDMENTS TO HOUSE BILL 1098

AMENDMENT NO. 1

On page 1, in line 12, after "date;" insert "authorizing the Board of Trustees of the Fund to certify an assessment of a certain amount in 2026;".

AMENDMENT NO. 2

On page 6, after line 29, insert:

"SECTION 3. AND BE IT FURTHER ENACTED, That, on or before March 15, 2026, for calendar year 2025 operating results only, the Board of Trustees of the Maryland Automobile Insurance Fund may certify the greater of:

- (1) the calculation yielded under § 20-404(b) and (c) of the Insurance Article; and**
- (2) an amount not to exceed \$20,000,000."**

AMENDMENT NO. 6

On page 7, in line 4, strike "3" and substitute with "4".

HB1098_MAIF_Written Testimony_Redmer FWA.pdf

Uploaded by: Al Redmer, Jr.

Position: FWA



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
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