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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

Delegate C. T. Wilson
Chairman, House Economic Matters Committee
House Office Building – Room 231
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Mr. Chairman,

I am writing in favor of HB 1483 – Insurance – Maryland Automobile Insurance Fund – Assessments.

The Maryland Automobile Insurance Fund (MAIF or “the 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.

When MAIF was created in the 1970s, it was funded by an initial assessment on the industry that was passed onto their insureds. In addition, an assessment mechanism was built into the MAIF statute to allow it to recoup annual operating losses.³ In its early years, assessments were made. However, by 1989, MAIF’s financial picture was sound, its rates were sufficient to meet its expenses, and it was able to accumulate a significant surplus.⁴

That financial picture has changed dramatically and MAIF is now in a position where it has no surplus and will require assessments and or the infusion of tax dollars to continue to operate. If MAIF were a commercial insurer, it would be considered insolvent and be in receivership.

¹ Maryland Automobile Insurance Fund (n.d.), “About Maryland Auto,” available at: https://www.mymarylandauto.com/site/about/?gad_source=1&gclid=CjwKCAiAxaCvBhBaEiwAvsLmWIpn8pZn-pqjimuUHhPLj2dhDup8IYVdTqKJsnSq979sEGP3mfnFrRoC1nMQAvD_BwE#

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

³ Md. Code Ann., Insurance § 11-307 (2017).

⁴ Maryland Insurance Administration (Mar. 2021), “Audit Report,” *Office of Legislative Audits*, Department of Legislative Services, Maryland General Assembly.

Available at: <https://www.ola.state.md.us/umbraco/Api/ReportFile/GetReport?fileId=606317d8a1ce580acce1854a>

The purpose of HB 1483 is to consider appropriate legislative action to stabilize MAIF's financial outlook. HB 1483 adds to existing law provisions to assure that MAIF operates in a manner that is designed to avoid assessments or cash infusions from other sources. HB 1483 requires the Fund to provide a report on the manner in which they provide affordability credit and develop alternatives to the current method (which is applied by zip code).

Last year the Maryland Insurance Administration was asked to conduct a study that considered, among other things, the reason for this change. The primary reason identified by the MIA is that as MAIF does not charge adequate rates, it loses millions of dollars every year and not all of its surplus is gone, and assessments are needed for continued operation. The MIA and MAIF agree that MAIF should consider the affordability of coverage when it sets rates, but the MIA's report concludes that MAIF has failed to balance a desire for affordability against the need for rate adequacy.

This bill is intended to require that MAIF develop a more effective method for assessments by making the role of the Maryland Insurance Commissioner more explicit, and by bringing more transparency to the assessment process.