



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=CjwKCAiAxaCvBhBaEiwAvsLmWlPn8pZn-pqjimuUHhPLj2dhDup8IYVdTqKJsnSq979sEGP3mfnErRoClnMQAvD_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", with a stylized flourish at the end.

Delegate David Fraser-Hidalgo