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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.