

Senate Bill 469 Testimony- Senator Hayes.pdf

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Position: FAV

ANTONIO HAYES

Annapolis, Maryland 21401

Legislative District 40



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Bill: Senate Bill 469

Title: *Maryland Automobile Insurance Fund- Affordability- Purpose of Fund and Authorized Program*

Committee: Finance

Sponsor: Senator Antonio Hayes

Good afternoon, Chair, and members of the Finance Committee,

For the record, I am Senator Antonio Hayes, and I am here to present **Senate Bill 469**, a bill designed to ensure that the Maryland Automobile Insurance Fund (MAIF) can truly fulfill its mission of providing financial security to Maryland drivers.

The Maryland Automobile Insurance Fund serves as the insurer of last resort for those unable to obtain coverage from the private market. However, access to insurance is only meaningful if it is attainable. When premiums for the state's provider of last resort become prohibitively expensive, we unintentionally force drivers to choose between driving illegally or not driving at all—often hindering their ability to get to work or school.

This legislation makes two critical adjustments to the Insurance Article to prioritize affordability:

1. **Redefines the Purpose of the Fund:** Currently, the statutory purpose of the Fund is simply to provide financial security to eligible persons. SB 469 amends Section 20-301(a) to explicitly state that this financial security is to be provided "**at affordable rates**". This small but powerful language change codifies affordability as a central tenet of the Fund's mission.
2. **Authorizes an Affordability Program:** The bill empowers the Executive Director of the Fund to take concrete action. Specifically, it amends Section 20-507 to authorize the Executive Director to **establish an affordability program**.

Crucially, the bill grants the Executive Director the flexibility necessary to make this program work. It specifies that this program may be established even if it would otherwise be considered

inconsistent with Title 11, Subtitle 2 or Subtitle 3 of the Insurance Article. This provision removes statutory handcuffs that might otherwise prevent the Fund from implementing innovative pricing models or discounts designed to help low-income drivers.

By clarifying that MAIF's purpose includes affordability and by granting the legal authority to create specific programs to achieve that goal, we can reduce the number of uninsured motorists on our roads and ensure equitable access to transportation for all Marylanders.

This Act will take effect on October 1, 2026. I respectfully request a favorable report on Senate Bill 469.

Position: Favorable

MAIF Written Testimony - SB 469 - FWA.pdf

Uploaded by: Al Redmer, Jr.

Position: FWA



MARYLAND
AUTO INSURANCE

Testimony of Maryland Auto Insurance Fund

Date: February 18, 2026

Position: Favorable with Amendments

Bill Number: SB 469

Bill Title: Insurance – Automobile Insurance – Maryland Automobile Insurance Fund

The Maryland Automobile Insurance Fund (MAIF)

MAIF was created in 1973 as a quasi-State agency 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*. MAIF continues this mission and currently has approximately 29,000 private passenger auto policyholders throughout the State, concentrated in the State’s urban areas.

History Of Affordability In MAIF Rate-Making

Originally, the MAIF statute did not make any provision for ensuring that MAIF rates were affordable and rates were approved only if they were fully “adequate” to cover all losses and expenses. *Article 48A §243C (Chapter 73, 1973)*.

In 1984, the *Task Force on Maryland Auto Insurance* reviewed MAIF’s rates and recommended amending the statute so that “the adequacy of MAIF rates can be weighed against their affordability so that MAIF can reduce losses by the Fund through its policyholders while at the same time retaining those policyholders who would otherwise go uninsured.”

The General Assembly responded by adding the language, which is in the current law, *Insurance Article §20–507* that “In reviewing rates filed by the Fund, the Commissioner shall consider not only the rating principles under Title 11 [not excessive, inadequate, or unfairly discriminatory] . . . but also the statutory purpose of the Fund under § 20–301 of this title.” . In the Preamble to the bill (Ch. 610, 1985), the Legislature made its intention crystal clear:

“Rates charged by the Maryland Automobile Insurance Fund must adequately reflect the degree of risk involved but must also remain affordable to that segment of the population which is dependent on the Fund for automobile insurance.”

In 2002, the MIA reaffirmed this statutory view acknowledging that “the Fund’s statutory purpose...has been interpreted as adding an affordability component to Maryland Auto’s premiums which results in below adequate premiums or a subsidy for Baltimore City insureds” and that “Maryland Auto appears to be fulfilling the purpose for which it was created by the General Assembly; that is to offer automobile insurance, at affordable prices, to Maryland citizens that might otherwise not be able to obtain insurance.” *The Maryland Automobile Insurance Fund and the Private Insurance Market, Report of the MIA, January 2004*.

For many years, Maryland Auto's affordability effort consisted of providing a 15% discount in Baltimore City where average relative income was low by Statewide standards and the cost of insurance was the highest in the State. This evolved over the years into a broader "Affordability Index" which applied anywhere in the State where premiums for the base rate with Maryland Auto cost more than 3.3% of the median household income in that zip code.

As currently applied, the 3.3% Affordability Index results in rates being affected in 47 ZIP Codes. In the other 430 ZIP Codes (90% of the State's 477 ZIP Codes) the Affordability Index has no effect as the rates in those ZIP Codes do not exceed 3.3% of median household income. Currently, 6,655 policyholders benefit from the Affordability Index. The Affordability Index only applies to rate increases and does not lower the premium even if it exceeds 3.3% of household income. For example, liability base rates in all ZIP Codes in Baltimore City exceed 3.3% of median household income.

The MIA Order

On December 18, 2024, the MIA issued an Order requiring MAIF to raise rates to an "adequate" level and eliminate the Affordability Index within two years. Adequate rates are rates that cover all losses and expenses and are not discounted for affordability. Charging adequate rates will result in significant rate increases, up to 50%, in all the zip codes where the Affordability Index applies, primarily in, and immediately surrounding, Baltimore City.

At Maryland Auto's request, the Order was revised in March 2025 allowing additional time to comply with the order by the end of 2027. The basic premise of the Order is that the MAIF statute currently requires Maryland Auto to charge adequate rates and does not allow discounted rates, lower than adequate to support affordability during years in which Maryland Auto certifies an assessment.

Senate Bill 469

Senate Bill 469 would allow Maryland Auto to continue to consider affordability even though the rates would not otherwise meet the rating laws that require adequate rates. The Bill would maintain the status quo that existed before the MIA Order and would resolve a conflict between codified rating rules and the General Assembly's longstanding intent by allowing Maryland Auto to continue considering affordability in its ratemaking. This would allow Maryland Auto to limit rate increases in low-income communities, especially in Baltimore City where the insurance rates are exceptionally high.

Amendments

In an effort to address some of the MIA concerns we are offering several amendments. The general purpose of these amendments is to establish clear guardrails and limits for Maryland Auto's use and consideration of affordability in its ratemaking.

First, Maryland Auto's amendments reduce the maximum assessment allocation percentage to 1%. This would enact a much lower maximum assessment. The limit of the assessment allocation percentage was reduced from 4% to 3% in 1985 following the recommendations of the 1985 Task Force on Maryland Automobile Insurance and the amendments lower this to 1%

Second, Maryland Auto's amendments limit affordable rates that would result in overall rate inadequacy to 20%. This would ensure that there was a limit to the discounts that could be offered under any Affordability Program.

Third, the amendments establish eligibility requirements and shift the mechanism from a geographic application to an individual determination. These amendments together address some criticism of Maryland Auto's current Affordability Index by allowing all eligible low-income Maryland residents access to more affordable rates even if they reside in a higher-income ZIP code.

Finally, Maryland Auto's amendments provide the Commissioner with authority to both approve the Affordability Program and to require modification if, on review, the proposed Program would violate any of the established guardrails.

For all the above reason, Maryland Auto requests a Favorable Report on SB 469, with amendments.

Please let us know if we can answer any questions.

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

SB 469_MAMIC_UNF.pdf

Uploaded by: Bryson Popham

Position: UNF



191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

February 16, 2026

The Honorable Pam Beidle, Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 469 -*Maryland Automobile Insurance Fund-Affordability-Purpose of Fund and Authorized Program*
UNFAVORABLE

Dear Chair Beidle and Members of the Committee,

On behalf of the Maryland Association of Mutual Insurance Companies (MAMIC), we respectfully oppose Senate Bill 469.

As you may recall, MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland, and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

Senate Bill 469 addresses two very different subjects: one is familiar, the Maryland Automobile Insurance Fund (MAIF) and the other is affordability. Addressing the latter issue first, legislation introduced during 2025 (House Bill 1098) created a task force to address affordability in automobile insurance. That task force report has been delivered to the legislative committees with subject matter authority, and at least one legislative initiative (Senate Bill 865) has been introduced this year in response.

MAMIC acknowledges that affordability is an appropriate subject for legislative study. Its members have participated in the study under House Bill 1098, and they look forward to a continuing role in addressing this important topic.

The inclusion of affordability as a factor in MAIF's insurance rating formula (See, page 2, lines 22 through 24 of Senate Bill 469) would be a mistake with potentially serious consequences. Created in 1972 to replace the former assigned risk program, MAIF's express statutory authority is to provide automobile insurance to persons "that are unable to obtain it" from a private insurer in the State (Insurance Article, Section 20-301(a)). In Section 20-507 of the Insurance Article, MAIF rates are expressly subject to the authority of the Maryland Insurance Commissioner in determining whether they are "excessive, inadequate, or unfairly discriminatory." In other words, MAIF is required to follow the same basic rating principles that all other insurers must observe.

The new language on affordability in Senate Bill 469 expressly refutes that requirement. Longstanding provisions in the statute permit rates to be adjusted by standard industry factors such as points on an individual's drivers license, and prior claims experience of an insured or applicant. These factors are well-understood and universally employed in the business of rating automobile insurance policies. Senate Bill 469, however, requires MAIF to establish an affordability program "that may otherwise be inconsistent" with the statute in its requirement of the Commissioner to determine whether rates are excessive, inadequate or unfairly discriminatory.

In fact, MAIF has been violating these fundamental requirements for a number of years. Despite pressure from the Maryland Insurance Administration to charge adequate rates, MAIF has consistently failed to do so. As a result, MAIF's surplus has declined to a point where, by operation of statute, it has become necessary to assess private insurers in Maryland to subsidize MAIF operations. The price for that subsidy is nearly \$20 million this year, imposed upon every

vehicle owner who insures a car in Maryland with a private insurer. It will be millions more next year and the year after that, in all likelihood. In essence, this subsidy operates as a tax on ordinary Marylanders who are already struggling to deal with the high cost of automobile insurance. The passage of Senate Bill 469 would simply guarantee that MAIF's failure to price its product in accordance with the statutory requirements that have existed since MAIF was created will continue into the indefinite future. The new language in Senate Bill 469 acknowledges that the affordability program it creates may be "considered inconsistent" with these basic rating requirements.

Equally important, it is illogical to authorize the deliberate under pricing of insurance for only one entity in an entire insurance market. The subject of affordability is large, and if the Maryland General Assembly chooses to address it in the context of automobile insurance, it should be applied across the entire market, not simply to one small insuring entity that is supposed to serve only those who cannot obtain insurance in the larger market.

For these reasons, MAMIC respectfully requests an unfavorable report on Senate Bill 469.

Thank you for your consideration.

A handwritten signature in black ink that reads "Melissa Shelley". The signature is written in a cursive, flowing style.

Melissa Shelley
President, MAMIC

cc: Bryson Popham

SB469_IAB_UNF.pdf

Uploaded by: Bryson Popham

Position: UNF



February 16, 2026

The Honorable Pamela Beidle
Chair, Senate Finance Committee
Miller Senate Office Building, 3 East Wing
11 Bladen St., Annapolis, MD 21401

RE: **SB 469 –Maryland Automobile Insurance Fund - Affordability - Purpose of Fund and Authorized Program - UNFAVORABLE**

Chair Beidle and Members of the Committee:

The Insurance Agents and Brokers of Maryland (IA&B) respectfully submits this letter in opposition to SB 469. IA&B is a trade association of nearly 200 independent agencies employing approximately 1,800 Maryland insurance producers. Our member agencies serve Maryland drivers by placing private passenger automobile insurance in the voluntary market, while also assisting those drivers who are unable to find coverage and must turn to the Maryland Automobile Insurance Fund (MAIF) as Maryland's market of last resort.

MAIF serves a specific and necessary purpose. It provides access to the minimum financial security required by Maryland law for drivers who cannot obtain legally required auto insurance in the private market. These drivers are typically high-risk applicants that the voluntary market will not insure at any price. **A residual market is not intended to be a price alternative for drivers who are able to obtain coverage in the voluntary market but simply dislike the premium.**

It is important to note that the health of a residual market is measured not by how many policies it writes, but by how few. MAIF's share of the total private passenger auto market is significantly larger than typical for a residual market, standing at just over \$93.2 million in net written premium in 2025¹. For comparison, Pennsylvania's residual market reported a net written premium of \$8.3 million in 2024, despite Pennsylvania having more than twice Maryland's population².

Between 2018 and 2024, **MAIF paid out \$1.20 in claims for every \$1.00 of premium collected**, not including MAIF's operating expense³. It is plain to see how this chronic under-pricing depleted MAIF's reserve funds, which at one time stood at \$184 million. In 2023, this General Assembly authorized MAIF to access approximately \$9.6 million in additional funds³. Those too have since been exhausted. In 2025, MAIF's remaining funds became low enough to trigger an assessment on every automobile insurance policy in the state.

The Maryland Insurance Administration was correct in forcing MAIF to address its rate inadequacy. As a result, MAIF's performance has somewhat improved, though further improvement is necessary, with MAIF paying approximately \$1.06 in claims for every \$1.00 in premium collected in 2025.





Residual markets do not exist to offer lower rates than what is available in the voluntary market. On the contrary, because residual markets exist to insure the most irresponsible, high-risk drivers on the road, it is expected that premiums under MAIF should be *higher* than what can be found in the private market.

By exempting MAIF from long-standing rate adequacy laws, SB 469 invites MAIF to return to the unsustainable pricing model that the MIA forced it to abandon. This effectively turns the assessment mechanism into a competitive tool. MAIF can underprice policies to attract business it was never intended to compete for, then rely on regular assessments to make all other Maryland drivers pick up the tab.

In prior years, MAIF's substantial reserve surplus helped shield drivers from the impact of its persistent underwriting losses. That surplus once stood at \$184 million. It no longer exists.

IA&B supports the goal of improving auto insurance affordability for Maryland families. But the solution is not to redefine Maryland's residual market into a quasi-competitor, and Maryland drivers in the voluntary market should not be forced to subsidize MAIF's marketing strategy.

Sincerely,

John Savant
Government Affairs Director

1. MAIF presentation to the Senate Finance Committee, January 22, 2026:
https://mgaleg.maryland.gov/meeting_material/2026/fin%20-%20134135033962649181%20-%20Briefing%20Materials%20-%20MAIF%20and%20MIA%2001-22-26%202PM.pdf
2. Automobile Insurance Plans Service Office (AIPSO): *Ranking of States by Residual and Total Market Premium*,
www.aipso.com/Industry-Data
3. SB 530 of 2023: <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/SB0530?ys=2023rs>



NAMIC Letter - SB 469.pdf

Uploaded by: Gina Rotunno

Position: UNF



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February 16, 2026

The Honorable Pamela Beidle, Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

Re: NAMIC Opposition to SB 469 - Maryland Automobile Insurance Fund - Affordability - Purpose of Fund and Authorized Program

Chair Beidle and Members of the Committee,

Thank you for the opportunity to provide written testimony on Senate Bill 469 - Maryland Automobile Insurance Fund - Affordability - Purpose of Fund and Authorized Program by Sen. Antonio Hayes. On behalf of the National Association of Mutual Insurance Companies (NAMIC), we must respectfully oppose SB 469 and request an unfavorable report.

The National Association of Mutual Insurance Companies (NAMIC) is the foremost trade association representing the property/casualty insurance industry. Serving more than 1,300 member companies—including local and regional insurers as well as some of the nation’s largest carriers—NAMIC members collectively write \$467 billion in annual premiums, representing 61% of the homeowners and 53% of the automobile insurance markets. For more than 130 years, NAMIC has been the leading voice advancing public policy solutions and regulatory frameworks that promote a strong, competitive market and protect our members and their policyholders.

SB 469 would give MAIF special permission to offer auto insurance at “affordable rates” and to run an affordability program that can bypass the normal rate-setting rules every private insurer must follow. This means MAIF could lower premiums in ways that other companies statutorily cannot, allowing a state-backed plan to undercut the private market using tools unavailable to private carriers.

The bill also creates uncertainty about how MAIF will set prices going forward, because the Executive Director could use rating methods that do not follow the usual oversight and actuarial standards applied to all insurers. If MAIF uses this flexibility to keep rates artificially low, private insurers may need to raise their premiums as higher-risk drivers shift away from the voluntary market. In the end, this could reduce market stability, weaken competition, and make insurance more expensive for the consumers who rely on private carriers.

For these reasons, we respectfully request an unfavorable report for Senate Bill 469.

Gina Rotunno

Sincerely,
Gina Rotunno
Regional Vice President, Mid-Atlantic

SB469_Allstate_UNF

Uploaded by: Lauren Pachman

Position: UNF



February 16, 2026

The Honorable Pamela Beidle, Chair
The Honorable Antonio Hayes, Vice Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

Re: Opposition to Senate Bill 469: Maryland Automobile Insurance Fund
Affordability

Dear Chair Beidle, Vice Chair Hayes, and members of the Senate Finance Committee:

Thank you for the opportunity to submit written testimony in opposition to Senate Bill (SB) 469, which would revise the purpose of the Maryland Automobile Insurance Fund (MAIF) to require that it provide auto insurance at affordable rates, empower MAIF's executive director to create an affordability program, and direct the Insurance Commissioner to, when reviewing rates, weigh MAIF's amended "affordability" purpose while reviewing MAIF rate filings for excessiveness, inadequacy, and unfair discrimination. On behalf of the Allstate Insurance Company enterprise, I respectfully urge the members of this Committee to issue an unfavorable report on SB 469.

While SB 469 would not change rating rules for auto insurance carriers in the voluntary market, the bill would permit MAIF to deploy targeted discounts or other affordability measures. Such measures have the potential to increase competition in population segments served by MAIF. In hard markets especially, sustained affordability efforts that reduce MAIF's rate adequacy will likely increase the long-term risk that assessments are imposed on voluntary-market carriers to bolster MAIF's surplus.

The Maryland Insurance Administration (MIA) is already free to evaluate MAIF's rate filings based on MAIF's public policy purpose, which is to provide private passenger automobile insurance to drivers unable to obtain it on the voluntary market. As a result, MAIF is already populated by the highest risk element in Maryland's driving population, and it levies assessments on Maryland voluntary market carriers to maintain its own solvency. Shifting MAIF rates toward greater affordability will likely compromise that solvency, leading to more frequent and higher assessments to carriers in the voluntary market. Those more frequent and higher assessments will increase costs to voluntary market carriers, and those carriers will be forced to pass those higher costs on to their Maryland insureds.

This change to MAIF's purpose will all but assure the imposition of assessments on voluntary-market auto carriers indefinitely into the future, raising costs for policyholders and inhibiting market expansion.

Allstate appreciates the opportunity to provide written comments in opposition to the bill, and we respectfully urge Committee members to issue an unfavorable report on SB 469. Thank you for your time and consideration of this important issue.

Sincerely,

A handwritten signature in cursive script that reads "Lauren G. Pachman".

Lauren G. Pachman
Legislative & Regulatory Senior Counsel

Government & Industry Relations
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SB 469 MAIF Affordability UNF 021826.pdf

Uploaded by: Nancy Egan

Position: UNF



**Testimony of
American Property Casualty Insurance Association (APCIA)**

Senate Finance Committee

Senate Bill 469 - Maryland Automobile Insurance Fund - Affordability - Purpose of Fund and Authorized Program

February 18, 2026

Unfavorable

The American Property Casualty Insurance Association (APCIA) is the primary national trade organization representing nearly 67.4 percent of the Maryland private passenger auto insurance market. APCIA appreciates the opportunity to provide written testimony regarding Senate Bill 469 - Maryland Automobile Insurance Fund - Affordability - Purpose of Fund and Authorized Program. Because the bill would expand the role of the Maryland Automobile Insurance Fund (MAIF) beyond that of a market of last resort and promote the subsidization of rates, APCIA opposes the bill.

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. As such, its role is not dissimilar from that of other states' automobile residual market mechanisms that regularly file for rates that meet traditional rating standards to not be excessive, inadequate, or unfairly discriminatory.

SB 469 would add the phrase "at affordable rates" to Section 20-301 (a) of the Maryland Insurance Article which currently states that "the purpose" of MAIF is "to provide the financial security required under § 3 17-103 of the Transportation Article to those eligible persons that are unable to obtain it from an Association member."

It would also amend Section 20-507 to authorize MAIF's executive director to "establish an affordability program" that would otherwise be inconsistent with statutory standards for insurance rates.

To consider the affordability of coverage for consumers seeking coverage from MAIF, affordability is relative, shifting, and policyholder specific – and it must be balanced against other factors, such as prudent financial oversight, responsible fiscal management, and solvency. No other state has adopted MAIF's approach to rating and its current practice of rating affordability.

HB 467 would result in significant changes that would significantly shift the role of MAIF and further promote subsidization of rates through assessments on private passenger insurance carriers. MAIF in 2025 issued an assessment of private passenger insurers of \$19,449,718 based on 2024 calendar year results, and an additional assessment is anticipated for 2026 based on 2025 data. The assessments result in the voluntary market subsidizing MAIF. These assessments are then passed on to Maryland consumers who are not insured with MAIF and in the end are subsidizing MAIF's actions and paying more for their coverage.

These assessments demonstrate that MAIF rates are currently inadequate to account for the risk it is assuming. The Maryland Insurance Administration has taken steps to have MAIF achieve rate adequacy over time. We believe that this approach represents an appropriate development and that SB 469 would be a step in the wrong

direction. Passing this legislation would further contribute “to the erosion of its surplus and the need to assessments – which will impact costs for all Maryland private passenger auto policyholders, including policyholders in the private market who are also economically challenged, but happen to have good driving records. This while MAIF insures less than 1% of the Maryland drivers and only a subset of MAIF insurers are economically challenge, all Maryland PPA policyholders pay for MAIF’s shortfalls.”¹

Notably, there are other means of pursuing affordable auto insurance rates. APCIA was pleased to participate along with MAIF in the work of the Affordability of Private Passenger Automobile Insurance Workgroup, which submitted its report to the legislature on December 22, 2025². The report compiles a great deal of information regarding the issue of auto insurance rates and reviews a number of policy options.

APCIA appreciates the opportunity to provide written testimony regarding Senate Bill 469 and urges the Committee to provide an unfavorable report.

Nancy J. Egan,
State Government Relations Counsel, DC, DE, MD, VA, WV
Nancy.egan@APCIA.org Cell: 443-841-4174

¹ [Joint Chairmen’s Report Maryland Automobile Insurance Fund and the Private Insurance Market, December 1, 2023.](#)

² <https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Affordability-of-Private-Passenger-Automobile-Insurance-2025-Workgroup-Report.pdf>

SB 469- MIA - LOI.pdf

Uploaded by: Marie Grant

Position: INFO

WES MOORE
Governor

ARUNA MILLER
Lt. Governor



MARIE GRANT
Commissioner

JOY Y. HATCHETTE
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Acting Associate Commissioner,
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Date: February 18, 2026

Bill # / Title: Senate Bill 469 - Maryland Automobile Insurance Fund - Affordability - Purpose of Fund and Authorized Program

Committee: Senate Finance Committee

Position: Letter of Information

The Maryland Insurance Administration (MIA) appreciates the opportunity to share this Letter of Information relating to Senate Bill 469.

Senate Bill 469 would amend § 20-301 of the Insurance Article to state that offering “affordable rates” to all persons eligible for coverage through the Maryland Automobile Insurance Fund (“Maryland Auto”) is part of Maryland Auto’s statutory purpose. The bill would also amend § 20-507 of the Insurance Article to authorize Maryland Auto to implement an affordability program that is inconsistent with the provisions of Title 11, Subtitle 2 or 3 of the Insurance Article (including provisions which provide that premium rates may not be inadequate, excessive, or unfairly discriminatory). As explained in detail below, Senate Bill 469, in its current posture, could adversely impact Marylanders who purchase auto insurance on the standard market if Maryland Auto’s affordability program does not include adequate rates across Maryland Auto’s book of business. The MIA remains committed to working with Maryland Auto and the bill sponsor in an effort to identify mutually agreement on amendments.

Maryland Auto was established by statute to act as the State’s insurer of last resort by making auto insurance available to high risk drivers who are unable to obtain it on the standard insurance market. Pursuant to § 20-502(a)(3) of the Insurance Article, in order to be eligible for a Maryland Auto policy, a person must: (i) have attempted in good faith to obtain and been refused a policy that provides the minimum coverage required under State law from at least two private insurers for any reason other than nonpayment of premiums; (ii) had a policy that provides the minimum coverage required under State law canceled or nonrenewed by a private insurer for any reason other than nonpayment of premiums; or (iii) been uninsured for a continuous period of 12 months or more immediately preceding the effective date of the Maryland Auto policy.

Maryland Auto is regulated by the MIA, and the MIA reviews Maryland Auto's premium rates pursuant to the same statutory standards that apply to any other auto insurer's premium rates. Specifically, the MIA reviews Maryland Auto's premium rates pursuant to Title 11, Subtitle 2 or 3 of the Insurance Article to ensure that they are not inadequate, excessive, or unfairly discriminatory. In the event that Maryland Auto's surplus falls below a certain level, Maryland Auto accesses funding through an insufficiency assessment that is paid by all insurers that do business on Maryland's standard auto insurance market (proportionate to market share). Standard insurers are authorized to, and typically do, recoup their share of an assessment from their policyholders via an insufficiency assessment surcharge. As a result of rate inadequacies in its private passenger auto line of business, Maryland Auto's surplus level eroded over the past several years to the extent that it issued an assessment of more than \$19.4 million against the standard private passenger auto insurance market in 2025 (based on 2024 operating losses), will definitely assess that market again in 2026 for about \$14.9 million (based on 2025 operating losses), and is currently expected to assess that market in 2027 as well (based on 2026 operating losses).

Senate Bill 469 would limit the MIA's authority to review Maryland Auto's private passenger auto insurance rates and explicitly permit Maryland Auto to implement insufficient rates. In turn, the bill as introduced would bring into question MIA's ability to require Maryland Auto to steadily bring its rates back up to adequate levels in order to avoid perpetual assessments on the standard private passenger auto market. Additionally, to the extent that Maryland Auto utilizes inadequate rates pursuant to this bill, it will not be possible for Maryland Auto to meet the minimum surplus requirements that the General Assembly enacted just last year (codified at § 20-306 of the Insurance Article). As a result, consumers insured through the State's standard private passenger auto market will continue to be charged insufficiency assessment surcharges that subsidize rates for Maryland Auto policyholders. Additionally, the MIA expects that this bill will cause the amount of annual insufficiency assessments to increase, depending on action taken by Maryland Auto under the authority granted by the bill.

In its current posture, Senate Bill 469 is not limited to Maryland Auto's private passenger auto line of business. While the MIA does not have any concerns with the adequacy of premium rates that Maryland Auto currently charges for commercial auto policies, this bill would explicitly authorize Maryland Auto to implement inadequate rates for commercial policies as well. Thus, there is a risk that this bill will result in insufficiency assessments that are ultimately passed onto small businesses that purchase commercial auto insurance policies on the standard market.

The MIA thanks the Committee for the opportunity to share this information concerning Senate Bill 469.