

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1483
Economic Matters

(Delegate Fraser-Hidalgo)

Insurance - Maryland Automobile Insurance Fund - Assessments

This bill requires the Insurance Commissioner to approve of any Maryland Automobile Insurance Fund (MAIF) assessment on Industry Automobile Insurance Association (IAIA) members and their policyholders prior to the implementation of the assessment. Within 30 days after receiving notice of an assessment, the Commissioner must approve, approve with modification, or deny the assessment and notify the IAIA Board of Directors and all IAIA members of the decision. The assessment billing document that is sent to each policyholder that pays the assessment must include the statement “Recoupment of MAIF assessment as authorized by the Maryland Insurance Commissioner.” **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

MAIF Effect: The bill is not anticipated to materially affect MAIF operations or finances.

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: None.

Analysis

Current Law:

Maryland Automobile Insurance Fund

Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance to residents of the State who are unable to obtain policies in the private insurance market. As the insurer of last resort, MAIF is not in direct competition with the private insurance industry because a customer must generally have been turned down by other insurers (and meet other requirements) in order to obtain a policy with MAIF.

Like other insurers, MAIF is primarily funded through premiums on the insurance policies it issues; however, MAIF is authorized to issue an assessment paid by other motor vehicle insurers in the State if it experiences a significant operating loss (as defined by State law) and meets other specified conditions. This is to ensure MAIF's continued viability as the insurer of last resort. The assessment is grouped and paid separately by private passenger auto insurers and commercial auto insurers. Once an insurer pays the assessment, they are authorized to recoup the cost from their policyholders. MAIF has not issued an assessment since 1989.

Industry Automobile Insurance Association and Assessment Processes

IAIA is an association that consists of all insurers in the State (except for MAIF) that are licensed to issue motor vehicle liability insurance or motor vehicle physical damage insurance. Any such insurer must join IAIA as a condition of its authority to sell insurance. IAIA is governed by its Board of Directors, and it is responsible for, among other things, working with the Insurance Commissioner and MAIF to calculate, assess, and collect the MAIF assessment.

Chapter 535 of 2023 modified the assessment process, much of which is statutorily required. The process generally takes place in the following manner:

- When notified that an assessment is necessary by MAIF, the IAIA Board of Directors must calculate the assessment in the manner specified by State law.
- IAIA first obtains from the Commissioner the net direct written premium for all association members.
- Using the information from the Commissioner, IAIA calculates the assessment allocation percentages and gives notice of the assessment allocation percentages to MAIF, the Commissioner, and all IAIA members.

- The Commissioner must promptly review the assessment allocation percentages and, unless the Commissioner finds them to be inaccurate, authorize each IAIA member to impose the assessment on its policyholders, as specified.
- The IAIA Board of Directors must promptly assess and collect the assessment from its members in the manner specified by State law.
- MAIF must also assess its own policyholders in the manner specified by State law.
- Funds collected from the assessment must be deposited in the Insufficiency Assessment Reserve Fund and then paid to MAIF in one sum, as specified.
- Any money in the Insufficiency Assessment Reserve Fund from a previous year must be paid to MAIF on December 31 of each year.

Prior to the enactment of Chapter 535, there were additional processes to handle overassessment payments from IAIA members; however, Chapter 535 repealed these processes and instead requires IAIA members to immediately be reimbursed for any overassessment.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Insurance Administration; Maryland Automobile Insurance Fund; Department of Legislative Services

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km/jc

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