

**D80Z01**  
**Maryland Insurance Administration**

**Program Description**

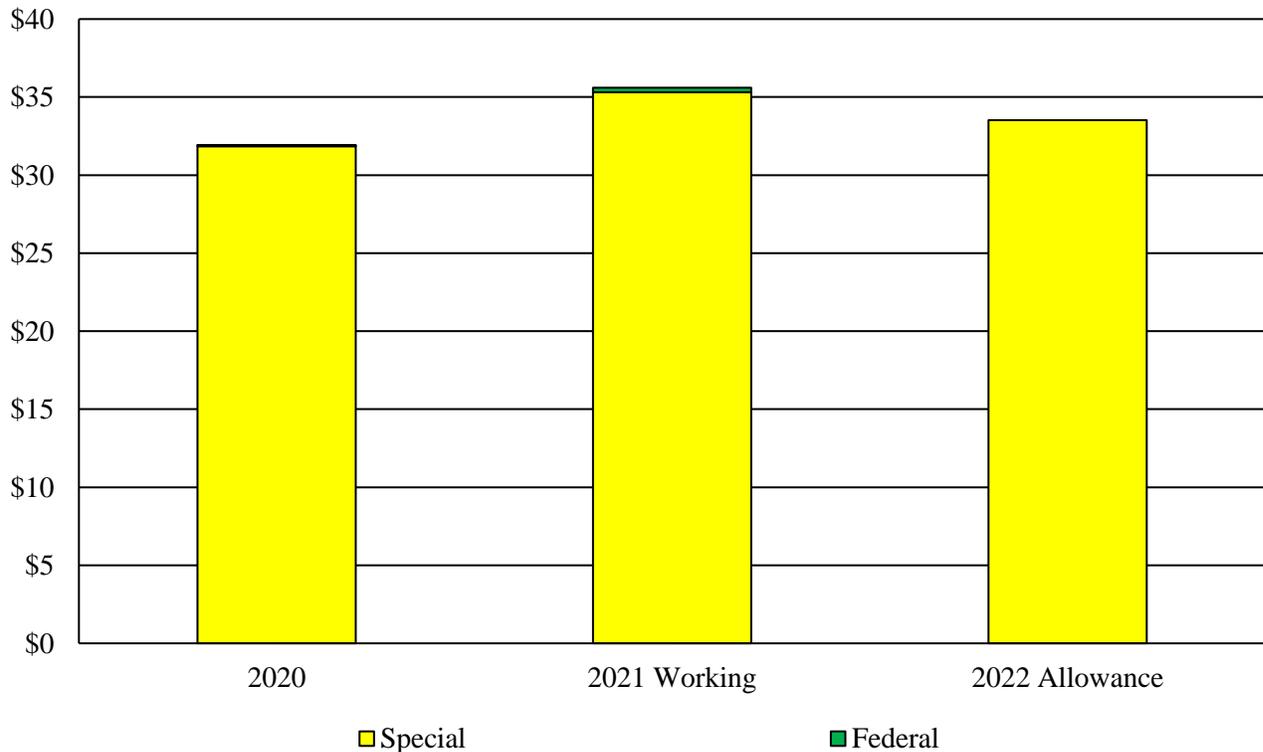
The Maryland Insurance Administration (MIA) implements laws and develops policies, procedures, and regulations that affect Maryland’s insurance industry. MIA performs rate and form review, financial audits, licensing examinations, market conduct examinations, and fraud investigations. It also resolves consumer complaints and issues licenses to companies and producers.

MIA is a special funded State agency supported entirely through fees and assessments on the insurance industry. Up to 60% of MIA’s annual appropriation may be funded by assessments on the insurance industry with the remainder coming from fees.

***Operating Budget Summary***

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**Fiscal 2022 Budget Decreases \$2.1 Million, or 5.8%, to \$33.5 Million  
(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increases.

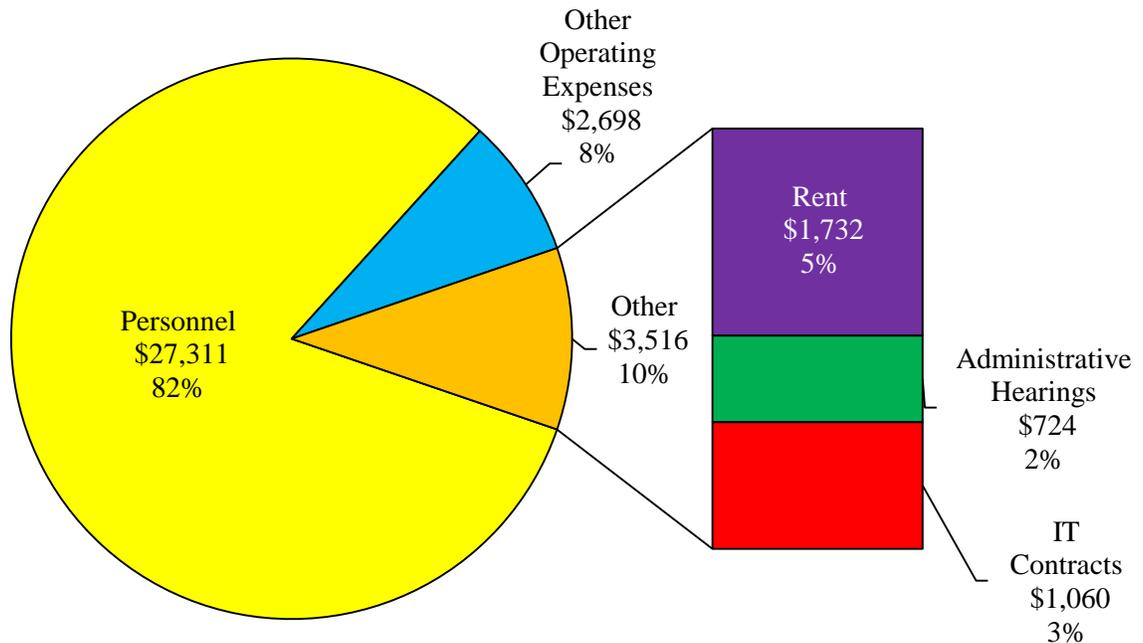
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## Fiscal 2022 Overview of Agency Spending

The fiscal 2022 allowance is approximately \$33.5 million. As shown in **Exhibit 1**, this is comprised of about \$27.3 million in personnel expenses and \$6.2 million in other operating expenses.

**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2022 Allowance**  
**(\$ in Thousands)**



IT: information technology

Source: Department of Budget and Management

## Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2022 allowance decreased by \$2.1 million over the fiscal 2021 working appropriation.

**Exhibit 2**  
**Proposed Budget**  
**Maryland Insurance Administration**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>         | <b><u>Special Fund</u></b> | <b><u>Federal Fund</u></b> | <b><u>Reimb. Fund</u></b> | <b><u>Total</u></b> |
|-----------------------------------|----------------------------|----------------------------|---------------------------|---------------------|
| Fiscal 2020 Actual                | \$31,840                   | \$80                       | \$17                      | \$31,937            |
| Fiscal 2021 Working Appropriation | 35,321                     | 283                        | 0                         | 35,604              |
| Fiscal 2022 Allowance             | <u>33,525</u>              | <u>0</u>                   | <u>0</u>                  | <u>33,525</u>       |
| Fiscal 2021-2022 Amount Change    | -\$1,796                   | -\$283                     | \$0                       | -\$2,079            |
| Fiscal 2021-2022 Percent Change   | -5.1%                      | -100.0%                    |                           | -5.8%               |

| <b>Where It Goes:</b>  | <b><u>Change</u></b> |
|--|----------------------|
| <b>Personnel Expenses</b>  |                      |
| Fiscal 2022 annualization of 2% cost-of-living adjustment.....             | \$233                |
| Reclassifications and salary increases.....                                | 87                   |
| Unemployment compensation.....   | 50                   |
| Health insurance.....  | 49                   |
| Fiscal 2022 salary adjustments.....  | 27                   |
| Retiree health insurance premiums .....                                    | 7                    |
| Social Security contributions .....  | 6                    |
| Turnover adjustments.....  | 2                    |
| Employees’ retirement system .....   | -15                  |
| Workers’ compensation .....  | -113                 |
| <b>Other Changes</b>   |                      |
| Laptop computer purchases to enable telework.....                          | 9                    |
| Decrease in motor vehicle purchases and leases.....                        | -27                  |
| Other adjustments .....  | -87                  |
| Decrease in administrative hearings due to COVID-19.....                   | -146                 |
| Completion of federally funded MIA Health Care Coverage Study.....         | -280                 |
| One-time fiscal 2021 spending on legacy system replacement IT project..... | -1,882               |
| <b>Total</b>   | <b>- \$2,079</b>     |

MIA: Maryland Insurance Administration

IT: Information Technology

Note: Numbers may not sum to total due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and annualization of the fiscal 2021 general salary increases.

## ***Personnel Data***

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|                        | <b><u>FY 20<br/>Actual</u></b> | <b><u>FY 21<br/>Working</u></b> | <b><u>FY 22<br/>Allowance</u></b> | <b><u>FY 21-22<br/>Change</u></b> |
|------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Regular Positions      | 259.00                         | 259.00                          | 259.00                            | 0.00                              |
| Contractual FTEs       | <u>37.00</u>                   | <u>19.60</u>                    | <u>19.60</u>                      | <u>0.00</u>                       |
| <b>Total Personnel</b> | <b>296.00</b>                  | <b>278.60</b>                   | <b>278.60</b>                     | <b>0.00</b>                       |

### ***Vacancy Data: Regular Positions***

|   |       |       |
|---|-------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 15.80 | 6.10% |
| Positions and Percentage Vacant as of 12/31/20            | 24.00 | 9.27% |
| Vacancies Above Turnover                                  | 8.20  | 3.17% |

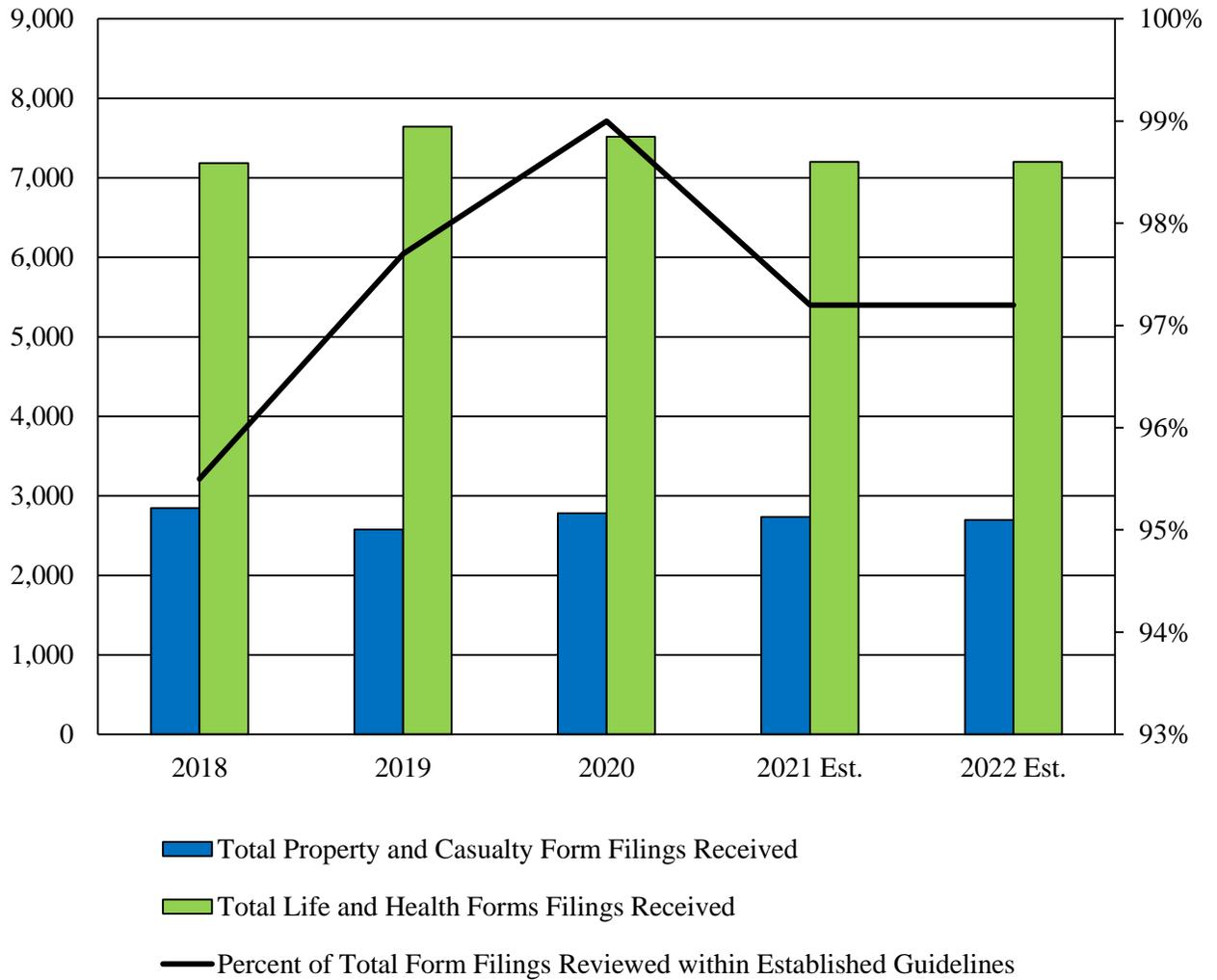
## ***Key Observations***

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### **1. Form Filings**

MIA conducts a review of every insurance policy and contract to ensure that all of the legal requirements for the policy and/or contract have been met. MIA also reviews and approves rates for most life and health and property and casualty insurance products. As shown in **Exhibit 3**, the number of form filings for property and casualty insurance increased slightly, while those for life and health insurance decreased in fiscal 2020. The agency continued to outperform previous years, when a significant backlog existed, by reviewing nearly 99% of form filings within established guidelines in fiscal 2020.

**Exhibit 3  
Form Filings Received and Reviewed  
Fiscal 2018-2022 Est.**



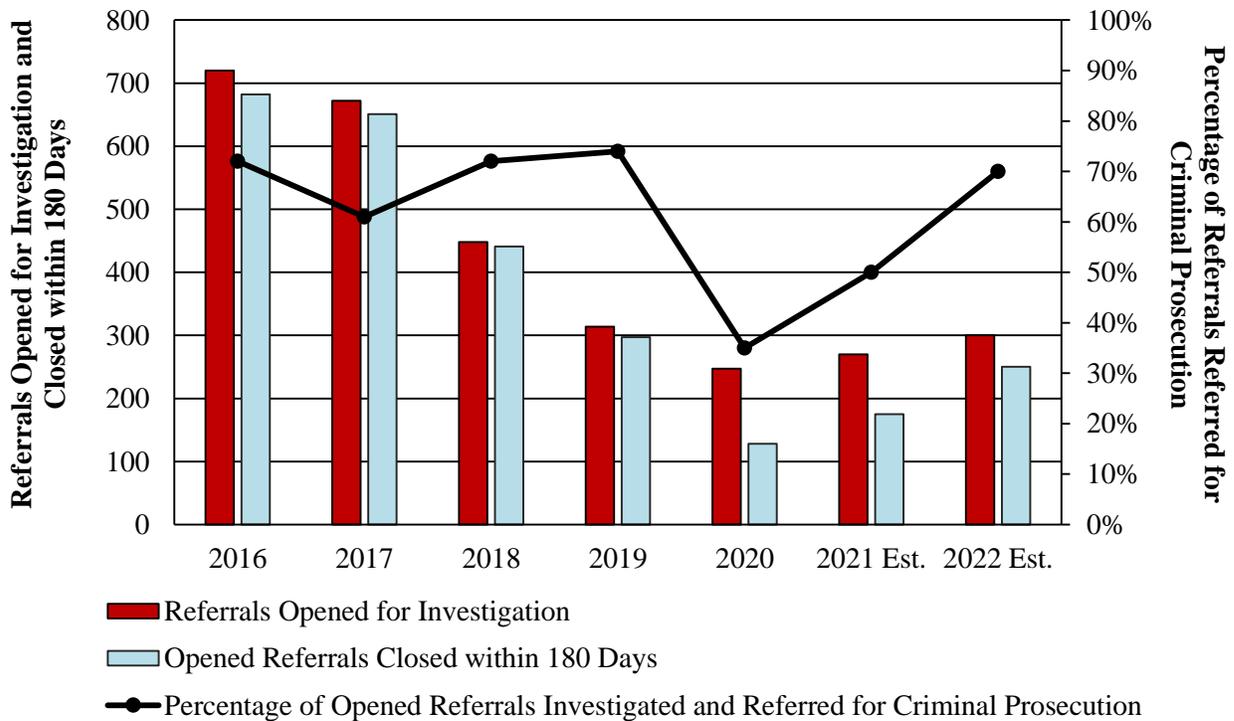
Source: Maryland Insurance Administration

**2. Fraud Division**

The Insurance Fraud Division is responsible for investigating complaints relating to alleged insurance fraud committed by insurance companies, insurance producers, or consumers. The division also operates a toll-free insurance hotline and, in cooperation with the Office of the Attorney General and the Department of State Police, conducts public outreach and awareness programs on the cost of

insurance fraud. **Exhibit 4** demonstrates the number of fraud cases opened, the number of cases closed within 180 days, and the percentage of cases referred for criminal prosecution. There was a decrease in the number of cases opened in fiscal 2020, but about half of the opened cases are closed within 180 days (52%). There has also been a dramatic decrease in the percentage of cases referred for criminal prosecution in fiscal 2020 (35%). MIA believes that there are a number of reasons for the dramatic decline in all three measures starting in fiscal 2017, which include a complex long-term investigation, encouraging law enforcement to pursue fraud cases, and the impact of COVID-19 on daily operations. During late 2018 and early 2019, MIA uncovered an organized staged accident ring. It partnered with other law enforcement agencies to undertake a complex long-term investigation. MIA understood that this would impact general assignment cases because only one criminal investigator would remain to handle general cases. MIA has also been conducting outreach to law enforcement, so it has seen increased pursuit of insurance fraud cases by law enforcement. As a result, those cases are no longer included in MIA statistics for the Fraud Division. In addition, MIA’s mandatory teleworking policy during the pandemic has hampered investigator efforts to locate and interview witnesses and/or suspects.

**Exhibit 4**  
**Fraud Cases Opened and Closed within 180 Days and**  
**Referred for Criminal Prosecution**  
**Fiscal 2016-2020 Est.**



Source: Maryland Insurance Administration

### **3. MIA’s Lease Extension with St. Paul Office Tower**

On January 8, 2020, the Board of Public Works approved a sole-source lease for MIA to continue to lease 68,771 square feet of office space at 200 St. Paul Place in Baltimore City. MIA has been at this location since 2009. The average annual cost of the lease is \$1.7 million. This is a 10-year lease with a standard six-month holdover. During the process of evaluating proposals for a new lease, the Department of General Services (DGS) selected Montgomery Park in Baltimore City. However, during the negotiation period, the DGS procurement officer became aware that MIA had concerns regarding the move to a new location. DGS determined MIA’s concerns were legitimate and canceled the award.

In response, Himmelrich Associates Inc., the owner of Montgomery Park, filed three protests with DGS. DGS denied all three protests, and Himmelrich appealed to the Maryland State Board of Contract Appeals (MSBCA). MSBCA concluded that the State did not investigate and determine whether the facts and relevant data supported MIA’s concerns, and the State did not weigh all the advantages and disadvantages to the State of canceling the award before making a determination that canceling it was in the State’s best interest. As of January 27, 2021, MIA has a new 10-year lease at 200 St. Paul Place. At this point, it is not clear whether the winning bidder will be awarded damages, and if so, which agency would fund the expense. **MIA should be prepared to brief the budget committees on any continuing ramifications for its operations or budget from this contract dispute.**

### **4. Office of Legislative Audits Review of Fiscal 2020 Budget Closeout**

In its January 2021 report on its *Statewide Review of the Budget Closeout Transactions for Fiscal Year 2020*, the Office of Legislative Audits (OLA) has two findings related to MIA. First, OLA found that MIA could not readily explain a deficit in the Health Care Regulatory Fund, which had increased from approximately \$250,000 as of June 30, 2017, to \$1.4 million as of June 30, 2020. The \$1.4 million deficit was improperly offset by unrelated surplus funds in the Insurance Regulation Fund. As a result, MIA did not report the deficit fund balance at the fiscal year-end to the General Accounting Division as required. **MIA should be prepared to brief the budget committees on the reason for this growing deficit and any corrective actions that are being taken.**

In a second finding, OLA reported that MIA did not transfer the balance of the Health Care Provider Rate Stabilization Fund (RSF) to the Maryland Department of Health (MDH) as required by State law. In the audit report, MIA failed to justify retention of the RSF fund balance of \$8.1 million as of June 30, 2020. According to State law, any funds in the RSF should be transferred to MDH for the purpose of retaining certain health care providers in the State. MIA management argued that a fund balance was necessary to cover any health maintenance organization (HMO) and managed care organization (MCO) premium tax refunds that were required to be paid. Refunds processed during fiscal 2019 and 2020 related to HMO and MCO premium taxes totaled \$17,000 and \$3 million, respectively. Both amounts are well below the \$8.1 million that was retained by MIA. State law requires that funds in the RSF must be periodically transferred by MIA to MDH.

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Chapter 538 of 2020 repealed the RSF effective July 1, 2021. At that point, all premium tax payments will be deposited to the General Fund. **MIA should brief the budget committees on the current balance being held in the RSF and provide further explanation as to why it believes that these funds had to be retained. DLS recommends adding a provision in the Budget Reconciliation and Financing Act of 2021 to transfer the improperly retained funds to the General Fund.**

***Operating Budget Recommended Actions***

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1. Concur with Governor’s allowance.

***Budget Reconciliation and Financing Act Recommended Actions***

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1. Add a provision to transfer \$5 million in improperly retained fund balance from the Health Care Provider Rate Stabilization Fund to the General Fund.

**Appendix 1**  
**Maryland Insurance Administration’s Insurance Tracking System**  
**Major Information Technology Project**  
**Maryland Insurance Administration**

|                                       |                   |             |             |             |  |             |                  |               |
|---------------------------------------|-------------------|-------------|-------------|-------------|--|-------------|------------------|---------------|
| <b>New/Ongoing:</b> Ongoing           |                   |             |             |             |  |             |                  |               |
| <b>Start Date:</b> 5/1/2020           |                   |             |             |             | <b>Est. Completion Date:</b> 4/11/2022 |             |                  |               |
| <b>Implementation Strategy:</b> Agile |                   |             |             |             |  |             |                  |               |
| <b>(\$ in Millions)</b>               | <b>Prior Year</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b>                            | <b>2025</b> | <b>Remainder</b> | <b>Total</b>  |
| <b>SF</b>                             | \$0.00            | \$2.00      | \$0.16      | \$0.16      | \$0.00                                 | \$0.00      | \$0.00           | <b>\$2.32</b> |
| <b>Total</b>                          | \$0.00            | \$2.00      | \$0.16      | \$0.16      | \$0.00                                 | \$0.00      | \$0.00           | <b>\$2.32</b> |

- Project Summary:** The Maryland Insurance Administration (MIA) has identified the need to replace the current enterprise system that was custom built for the agency in the 1990s for the following business functions: company licensing; market conduct case tracking; and case tracking for hearings and orders. The new system will also include a case tracking capability for MIA fraud investigations. The new system will leverage the following modern technologies: document management; workflow; collaboration; data analysis; and data reporting.
- Need:** The current system requires manual data entry of company demographic data by MIA rather than allowing insurance companies to maintain their contact and address information electronically. The current system does not provide the ability to store or manage documents submitted by insurance companies as part of the licensing process. Company documents are submitted to MIA in hard copy or via email and then scanned and stored electronically on MIA network file shares without a link or connection to the company data stored in the enterprise system. In addition, MIA currently prints hard copy licenses and mails them to insurance companies rather than issuing licenses electronically. As part of MIA’s regulatory responsibilities for the insurance industry, MIA also conducts market conduct exams, holds hearings, issues orders, and researches insurance fraud cases. The current enterprise system is used to store market conduct exams, hearings, and orders in a legacy Sybase database that is difficult to query. However, the current system does not provide any case tracking functionality to support fraud investigations, causing the Fraud Unit to rely on Excel spreadsheets to store all data associated with fraud cases.
- Project Update:** MIA is currently drafting a request for proposals (RFP) to obtain a contractor that will work with MIA to define detailed requirements, design, develop, test, configure and implement the Insurance Tracking System. Currently, the draft RFP is being reviewed by MIA’s Office of the Attorney General and Procurement Officer.

**Appendix 2  
Object/Fund Difference Report  
Maryland Insurance Administration**

| <u>Object/Fund</u>                      | <u>FY 20<br/>Actual</u> | <u>FY 21<br/>Working<br/>Appropriation</u> | <u>FY 22<br/>Allowance</u> | <u>FY 21 - FY 22<br/>Amount Change</u> | <u>Percent<br/>Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| <b>Positions</b>                        |                         |  |                            |  |                           |
| 01 Regular                              | 259.00                  | 259.00                                     | 259.00                     | 0.00                                   | 0%                        |
| 02 Contractual                          | 37.00                   | 19.60                                      | 19.60                      | 0.00                                   | 0%                        |
| <b>Total Positions</b>                  | <b>296.00</b>           | <b>278.60</b>                              | <b>278.60</b>              | <b>0.00</b>                            | <b>0%</b>                 |
| <b>Objects</b>                          |                         |  |                            |  |                           |
| 01 Salaries and Wages                   | \$ 24,832,638           | \$ 25,867,959                              | \$ 25,942,571              | \$ 74,612                              | 0.3%                      |
| 02 Technical and Special Fees           | 919,494                 | 1,008,124                                  | 899,513                    | -108,611                               | -10.8%                    |
| 03 Communication                        | 158,081                 | 264,951                                    | 264,951                    | 0                                      | 0%                        |
| 04 Travel                               | 141,888                 | 248,463                                    | 248,463                    | 0                                      | 0%                        |
| 07 Motor Vehicles                       | 148,943                 | 217,019                                    | 190,019                    | -27,000                                | -12.4%                    |
| 08 Contractual Services                 | 2,820,081               | 5,068,025                                  | 2,781,257                  | -2,286,768                             | -45.1%                    |
| 09 Supplies and Materials               | 206,667                 | 263,994                                    | 263,994                    | 0                                      | 0%                        |
| 10 Equipment – Replacement              | 10,471                  | 32,693                                     | 41,618                     | 8,925                                  | 27.3%                     |
| 11 Equipment – Additional               | 188,677                 | 1,650                                      | 1,650                      | 0                                      | 0%                        |
| 12 Grants, Subsidies, and Contributions | 751,045                 | 590,714                                    | 590,714                    | 0                                      | 0%                        |
| 13 Fixed Charges                        | 1,759,086               | 1,831,092                                  | 1,831,092                  | 0                                      | 0%                        |
| <b>Total Objects</b>                    | <b>\$ 31,937,071</b>    | <b>\$ 35,394,684</b>                       | <b>\$ 33,055,842</b>       | <b>-\$ 2,338,842</b>                   | <b>-6.6%</b>              |
| <b>Funds</b>                            |                         |  |                            |  |                           |
| 03 Special Fund                         | \$ 31,840,274           | \$ 35,112,294                              | \$ 33,055,842              | -\$ 2,056,452                          | -5.9%                     |
| 05 Federal Fund                         | 80,000                  | 282,390                                    | 0                          | -282,390                               | -100.0%                   |
| 09 Reimbursable Fund                    | 16,797                  | 0  | 0                          | 0                                      | 0.0%                      |
| <b>Total Funds</b>                      | <b>\$ 31,937,071</b>    | <b>\$ 35,394,684</b>                       | <b>\$ 33,055,842</b>       | <b>-\$ 2,338,842</b>                   | <b>-6.6%</b>              |

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.