

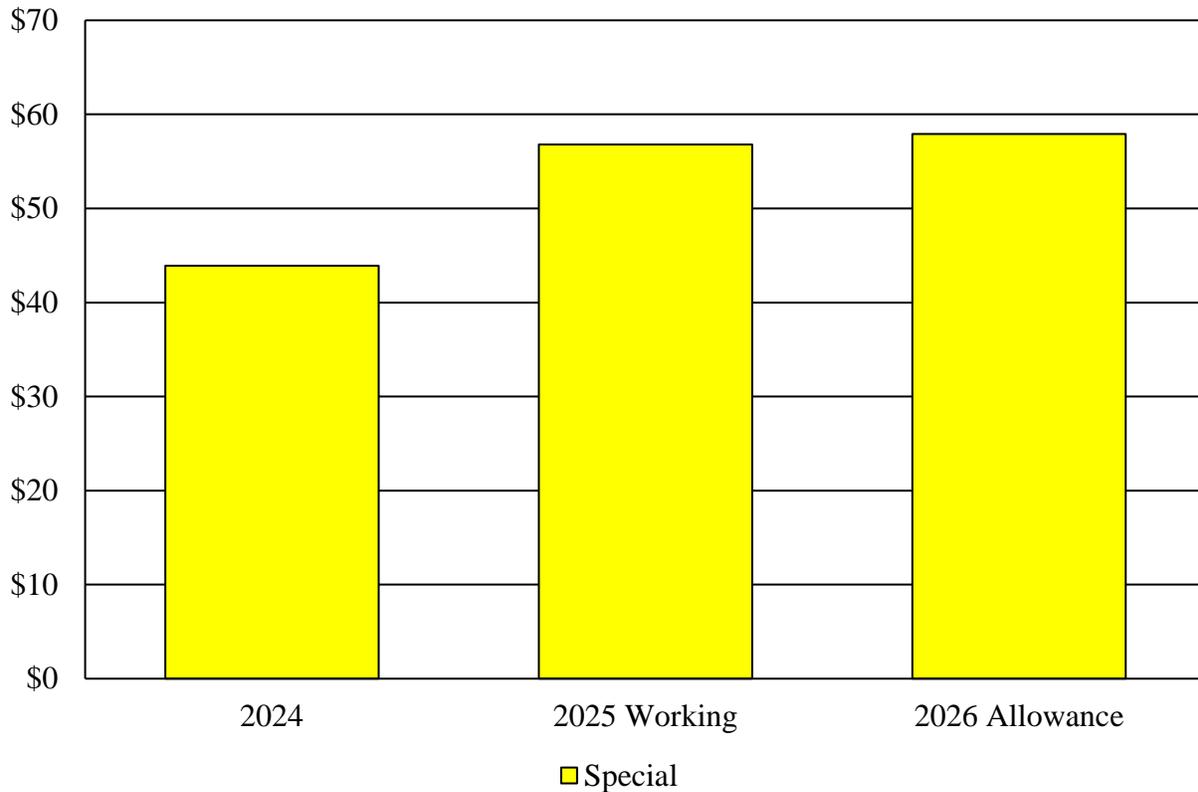
D80Z01
Maryland Insurance Administration

Program Description

The Maryland Insurance Administration (MIA) is responsible for licensing and regulating insurers, insurance agents, and brokers who conduct business in the State and for monitoring the financial solvency of licensed insurers. MIA is also responsible for collecting taxes levied on all premiums collected by insurance companies within the State. It operates under the authority of the Insurance Article, Title 2, of the Annotated Code of Maryland. MIA is a special-funded State agency supported entirely through fees and assessments on the insurance industry.

Operating Budget Summary

Fiscal 2026 Budget Increases \$1.1 Million, or 1.9%, to \$57.9 Million
(\$ in Millions)



Note: The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

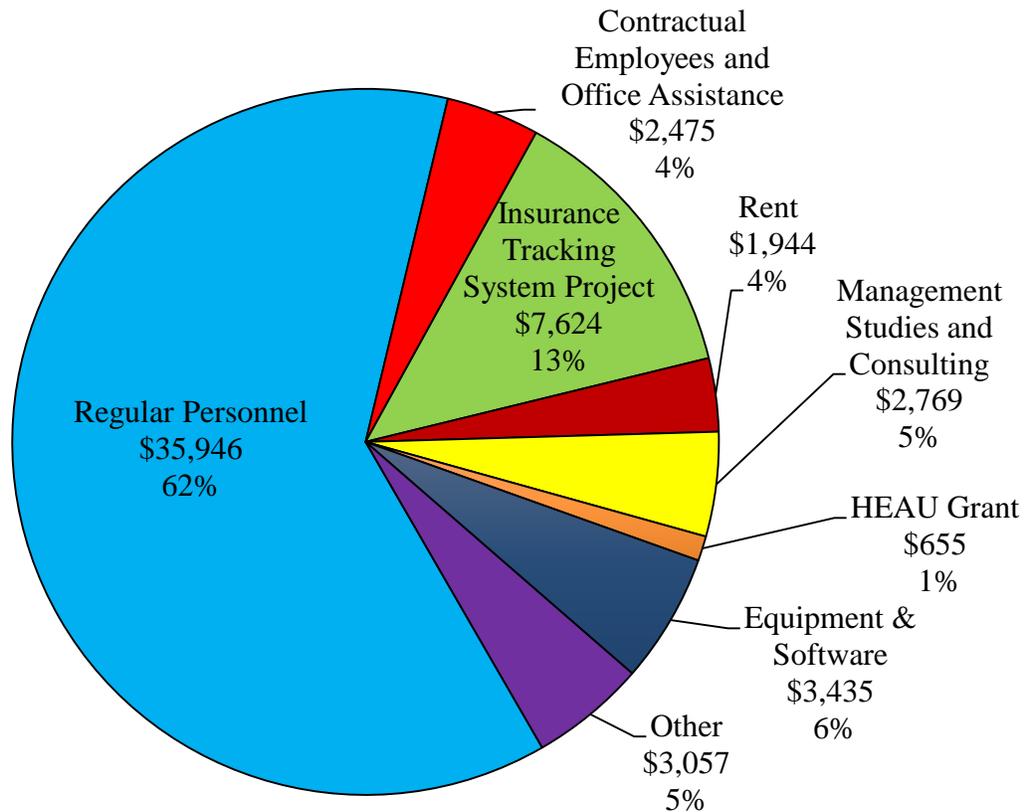
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Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for MIA totals approximately \$57.9 million. As shown in **Exhibit 1**, the largest portion of the allowance is dedicated to regular personnel at \$36 million, or 62%. The Insurance Tracking System Major Information Technology Development Project accounts for the next largest share at \$7.6 million, or 13%, of the budget. The remaining 25% of operating costs include management studies and consulting, contractual personnel, rent, and other contractual services.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Thousands)



HEAU: Health and Education and Advocacy Unit

Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Department of Budget and Management

Proposed Budget Change

As shown in **Exhibit 2**, the fiscal 2026 allowance increases by approximately \$1.1 million, or 1.9%, over the fiscal 2025 working appropriation. Regular personnel expenses account for the largest increase in spending as salaries and fringe benefits for existing employees and 13 new positions, including 7 contractual conversions, increase by \$4.2 million. This increase is partially offset by a reduction of \$1.4 million in health insurance expenses. Outside of personnel, spending for management studies and consultants shows the largest increase with an additional \$1 million over the fiscal 2025 appropriation. The largest decrease in fiscal 2026 is a \$2.6 million reduction for information technology (IT), driven by the Insurance Tracking System Project as it enters the testing phase.

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

How Much It Grows:	<u>Special Fund</u>	<u>Total</u>
Fiscal 2024 Actual	\$43,908	\$43,908
Fiscal 2025 Working Appropriation	56,814	56,814
Fiscal 2026 Allowance	<u>57,906</u>	<u>57,906</u>
Fiscal 2025-2026 Amount Change	\$1,092	\$1,092
Fiscal 2025-2026 Percent Change	1.9%	1.9%
Where It Goes:		<u>Change</u>
Personnel Expenses		
Salary increases and associated fringe benefits including fiscal 2025 COLA and increments		\$3,076
Salary and fringe benefits for 13 new regular positions, including 7 contractual conversions.....		1,103
Reclassification		330
Turnover adjustments (decrease from 7.37% to 6.89%).....		157
Workers’ compensation.....		59
Employee and retiree health insurance.....		-1,353
Other Changes		
Management studies and consultants		1,000
Rent		134
Contractual personnel costs, driven by a net decrease of 7 full-time equivalent positions		-444
Computer Services		-1,054
Implementation of Insurance Tracking System MITDP.....		-1,508

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Where It Goes:	<u>Change</u>
Other	26
Total	\$1,092

COLA: cost-of-living adjustments

MITDP: major information technology development project

Note: Numbers may not sum to total due to rounding. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Personal Data

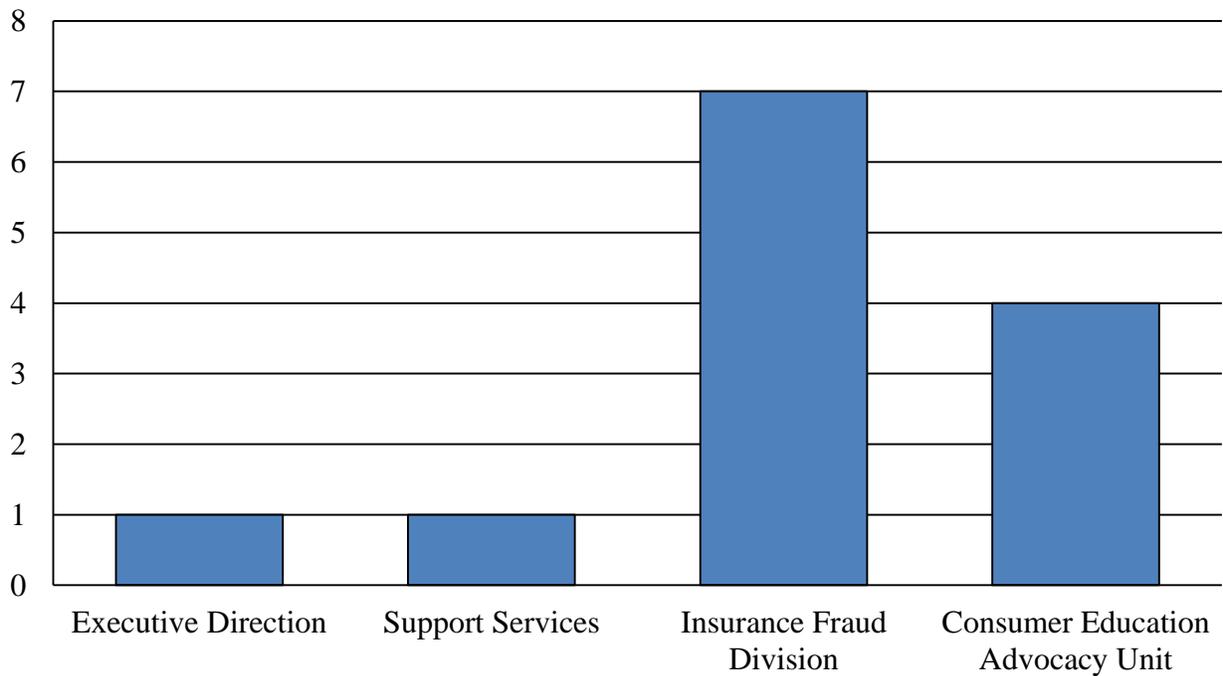
	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25-26</u> <u>Change</u>
Regular Positions	259.00	274.00	287.00	13.00
Contractual FTEs	<u>36.00</u>	<u>30.70</u>	<u>23.70</u>	<u>-7.00</u>
Total Personnel	295.00	304.70	310.70	6.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	18.88	6.89%
Positions and Percentage Vacant as of 12/31/24	33.00	12.04%
Vacancies Above Turnover	14.12	

The fiscal 2026 allowance includes 13 new regular positions and a net decrease of 7 contractual full-time equivalent positions. MIA indicates the new positions are needed due to expanded regulatory and enforcement authority over areas such as pharmacy benefit managers as well as a desire to resolve cases more efficiently. **Exhibit 3** shows the distribution of the new regular positions across MIA units, with new positions supporting Executive Direction, Support Services (Operations), the Insurance Fraud Division, and Consumer Education Advocacy Unit.

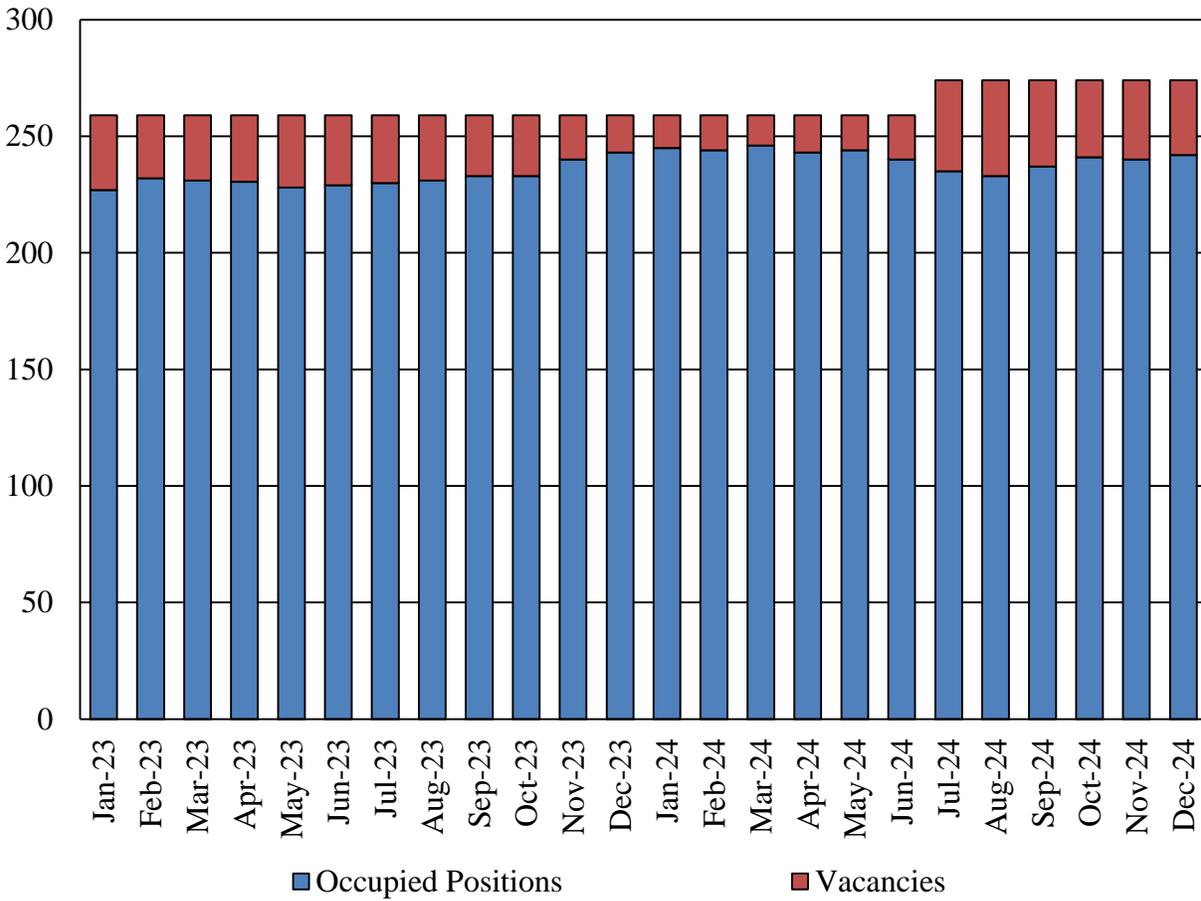
Exhibit 3
New Positions by Unit
Fiscal 2026 Allowance



Source: Department of Budget and Management

In order to compete with the private market for job seekers with education or experience in the insurance industry, MIA has made an effort to convert contractual positions and increase salaries. **Exhibit 4** shows that vacancies generally decreased toward the end of calendar 2023 into calendar 2024, in line with these efforts. In July 2024, the number of vacancies increased significantly due to the increase in authorized positions from 259 in fiscal 2024 to 274 in fiscal 2025. The number of filled positions decreased slightly at that time but has since increased above the June 2024 level of 240 filled positions as the fiscal year progressed. At the beginning of December 2024, there were 32 vacancies and 242 filled positions across MIA.

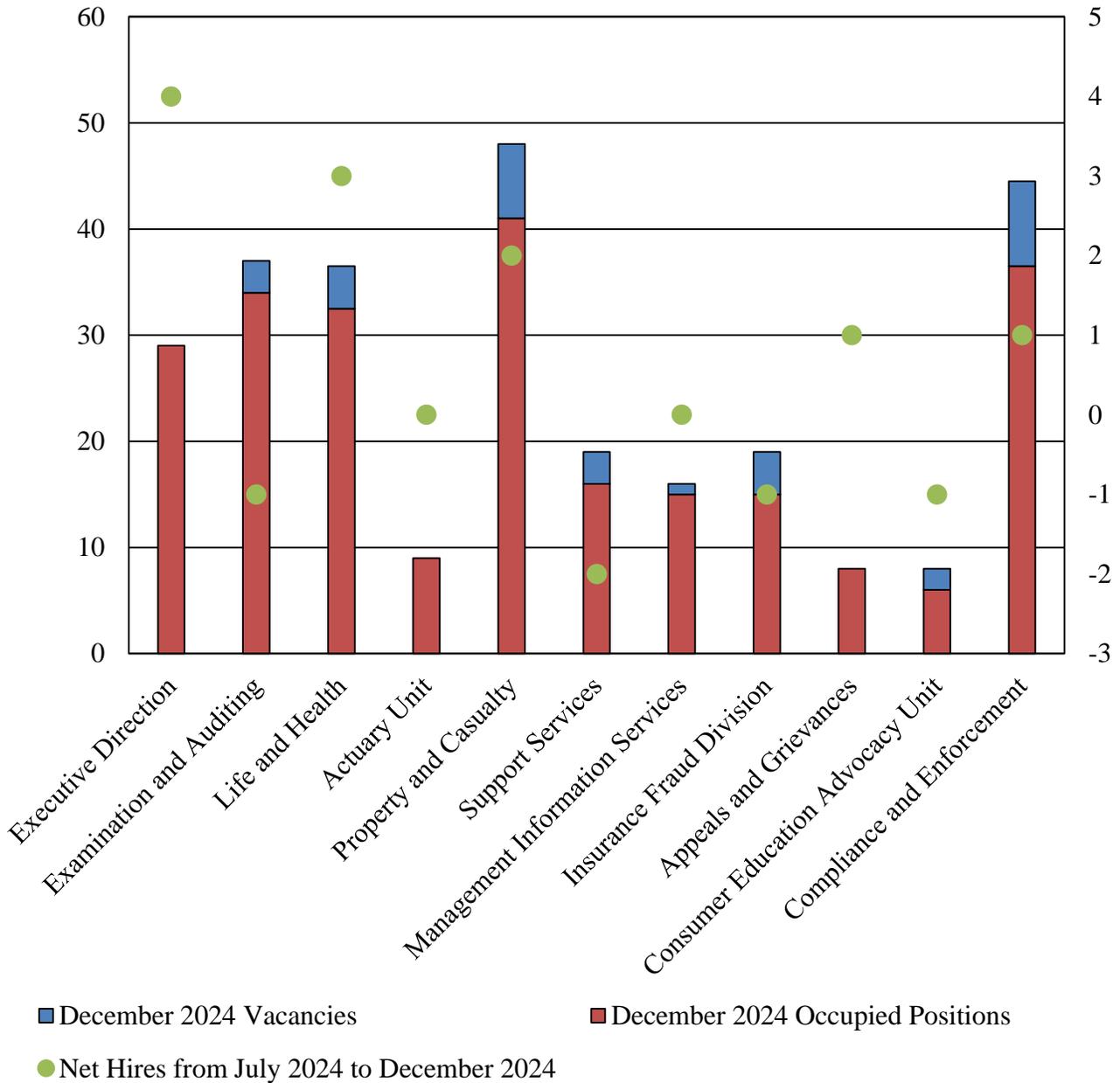
Exhibit 4
Total Vacancies per Month
Calendar 2023-2024



Source: Department of Budget and Management

While the number of vacancies across MIA generally decreased from July 2024 to December 2024, staffing and vacancies varied across MIA’s units. **Exhibit 5** shows filled and vacant positions per unit as of December 31, 2024, along with the change in filled positions since July 2024. Units with the most net improvement in the number of hires include Executive Direction, Appeals and Grievances, and Life and Health. Property and Casualty and Compliance and Enforcement were the units with the highest vacancies in July, despite both units reporting a net increase in hires between July 2024 and December 2024. By December 2024, Property and Casualty was able to reduce the number of vacancies to 7 while Compliance and Enforcement was able to reduce vacancies to 8. MIA was able to reduce the average number of vacancies from 35 to 29 between July and December 2024.

**Exhibit 5
December Vacancies and Fiscal 2025 Year-to-date Hiring by Unit
July to December 2024**



Note: Filled and vacant positions are shown as of the start of December 2024.

Source: Department of Budget and Management

Key Observations

1. Insurance Tracking System Major Information Technology Development Project

MIA identified the need to replace its current enterprise system and began planning for a new system in summer 2019. The current legacy system was custom built for the agency in the 1990s to manage company licensing, market conduct case tracking, and case tracking for hearings and orders. The legacy system limits efficiency and security in the following ways: company documents are received in paper form or email, and data is manually entered and updated by MIA personnel; licenses are printed and mailed; Excel spreadsheets are used to store all data associated with fraud cases; and there are functional challenges in database querying for market conduct exams, orders, and hearings. The new system is expected to increase efficiency in existing functions and introduce a case tracking system for MIA fraud investigations. It will include new features in document management, workflow, collaboration, data analysis, and data reporting. Additional information about this major IT project can be found in **Appendix 2**.

MIA has faced a number of project management challenges related to budgeting and procurement. In October 2021, a contract was awarded to MERP Systems, Inc. and approved by the Board of Public Works (BPW). However, in March 2022, this vendor subsequently defaulted on the contract after rejecting the original cost estimate. Project development was then stalled until spring 2023 while MIA worked more closely with the Department of Information Technology (DoIT) to either secure a new vendor through the State’s One Stop contract or begin design services under the State’s Salesforce Master Contract with approval through the Department of General Services (DGS).

The Office of State Procurement under DGS authorized the cost and scope of design services for MIA’s use of the Salesforce Master Contract, and new design work for this project began in July 2023. A project blueprint was delivered to MIA and approved by the commissioner in September 2023. In mid-January 2024, MIA reported that it received a detailed Design and Requirements proposal and new cost quotes. With the completion of the design phase in early calendar 2024, the project moved into development and testing with the intent to complete the first of two phases in fiscal 2025. Within Phase 1, there would be four releases planned. The first release was completed in June 2024, with the second pushed back from November 2024 to coincide with the third release in May 2025 to test certain aspects of the new system. Further Phase 1 releases are planned in calendar 2025, with Phase 2 of the project set to begin in fiscal 2026.

Original Insurance Tracking System Project cost estimates ranged between \$2 million and \$3 million for total project development and implementation. MIA subsequently received increasing and wide-ranging cost estimates during the initial procurement process. This uncertainty contributed significantly to delays leading up to and following the first vendor’s default at the start of calendar 2022. **Exhibit 6** shows the funds spent or budgeted between fiscal 2021 and fiscal 2026 for the project, according to the Highlights Volume of the Governor’s fiscal 2026 Budget Books. However, when comparing those figures and MIA’s reported fiscal 2025

appropriation, there is a discrepancy as the appropriation includes budget amendments processed in fiscal 2025 as well as other additions. For example, there was a budget amendment for fiscal 2025 that increased the project’s funding by \$5.2 million that was not included in the Highlights Volume. Based on figures provided in the Highlights Volume, the total project costs are estimated to be approximately \$18.1 million. MIA’s fiscal 2026 allowance includes \$7.7 million to continue implementation, which includes \$50,000 that is listed in supporting documents for this project as being covered with funding in DoIT’s budget.

Exhibit 6
Insurance Tracking System Project Budget and Planned Spending
Fiscal 2021-2026

	<u>2021-2023</u> <u>Actual</u>	<u>2024</u> <u>Actual</u>	<u>2025</u> <u>Approp.</u>	<u>2026</u> <u>Allowance</u>	<u>Total</u>
IT Investment				\$50,000	\$50,000
MIA Special Funds	\$2,278,000	\$4,138,252	\$4,000,000	7,623,877	18,040,129
Total	\$2,278,000	\$4,138,252	\$4,000,000	\$7,673,877	\$18,090,129

IT: information technology
MIA: Maryland Insurance Administration

Source: Department of Budget and Management

MIA should clarify the total Insurance System Tracker development expenses in fiscal 2026 that will be paid for with special funds from the MIA budget and if the total funds for fiscal 2026 are enough to complete the project or if additional funds will be required in fiscal 2027 and beyond.

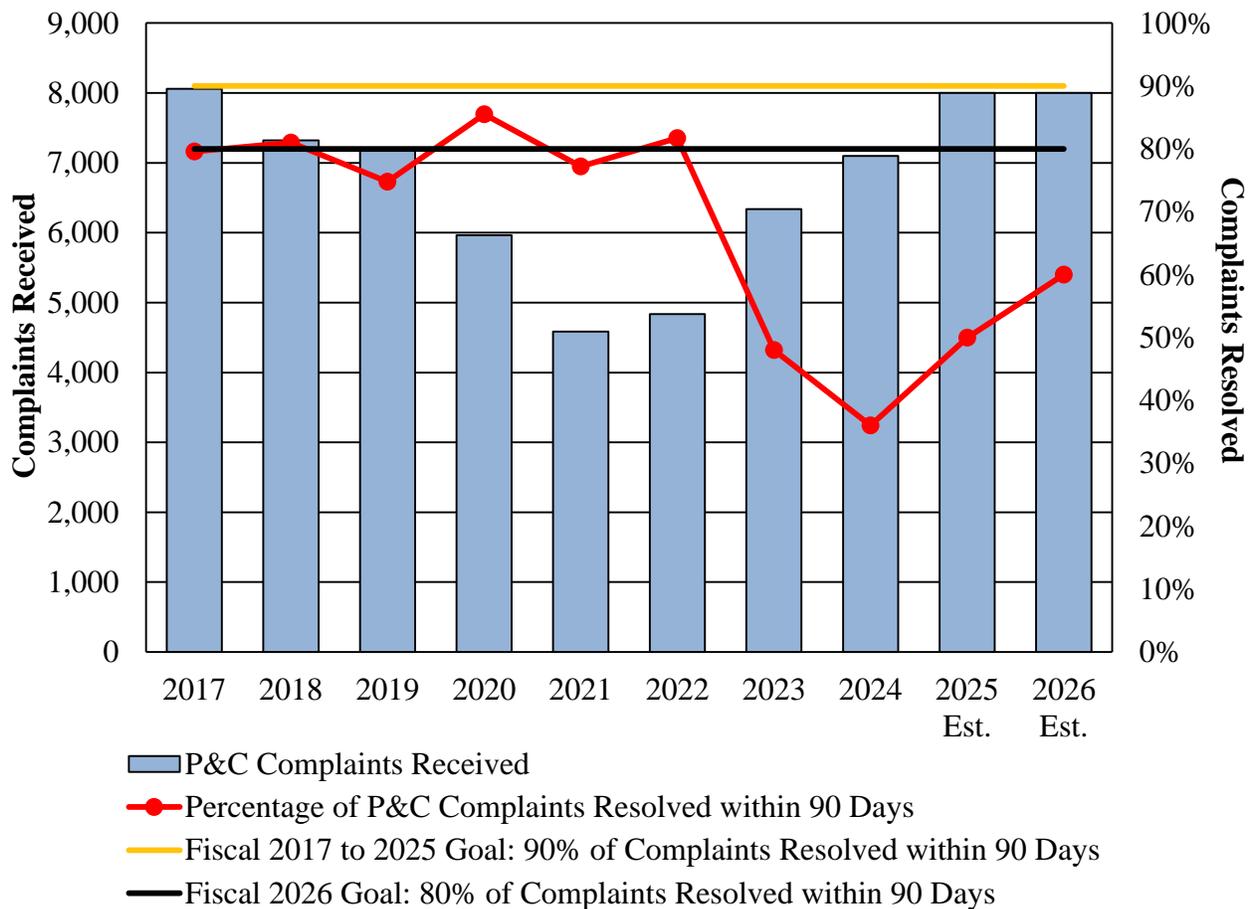
2. Property and Casualty Complaints

MIA receives and processes complaints from consumers seeking review of insurance policies for compliance with State insurance laws. MIA’s objective in Managing for Results (MFR) submissions from fiscal 2017 to 2025 was to resolve 90% of complaints within 90 days. Beginning with the fiscal 2026 MFR submission, the objective was lowered to 80% of complaints resolved within 90 days.

Exhibit 7 shows that from fiscal 2017 to fiscal 2024, MIA never met the 90% objective but met the new 80% objective three times. Although MIA reduced its timeliness goal, the agency still does not anticipate that it would meet the goal in fiscal 2025 and 2026. Since fiscal 2017, the

number of Property and Casualty complaints received gradually decreased from 8,059 to 4,584 in fiscal 2021. Over this same period, the percentage of Property and Casualty complaints resolved within 90 days fluctuated between 74% to 86% from fiscal 2017 to fiscal 2022. Between fiscal 2023 and 2024, the percentage of Property and Casualty complaints resolved within 90 days fell to 36%, down from 48% in fiscal 2023. As the number of Property and Casualty complaints has increased, the percentage of complaints resolved within 90 days decreased. In fiscal 2025, it is estimated that this trend will reverse, and the percentage of complaints resolved within 90 days will increase.

Exhibit 7
Property and Casualty Complaints Received
and Percentage Resolved within 90 Days
Fiscal 2017-2026 Estimated



P&C: Property & Casualty
 MFR: Managing for Results

Source: Department of Budget and Management; Maryland Insurance Administration

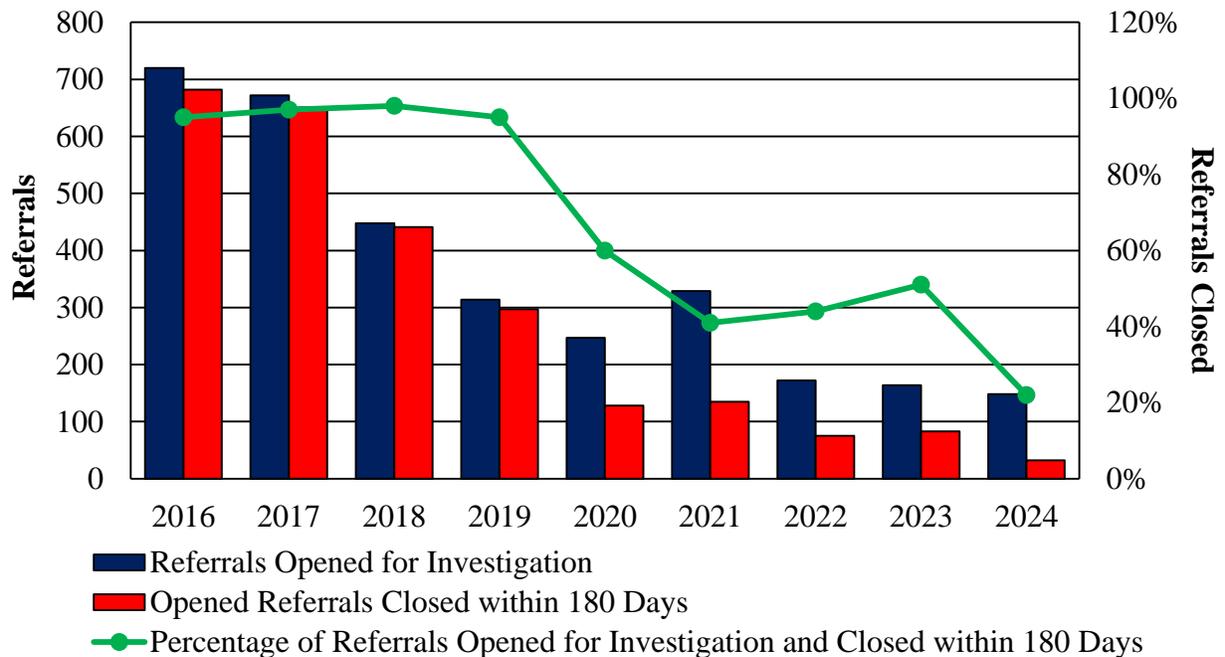
MIA should discuss the reasons for the fiscal 2023 to 2024 decrease in the share of complaints with timely resolutions. MIA should also discuss efforts it has taken to improve the timeliness of complaint processing to reach the objective.

3. 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.

As shown in **Exhibit 8**, since fiscal 2016, the number of referrals opened for investigation decreased from 720 to an estimated 148 in fiscal 2024. Despite the decrease in the number of referrals, the percentage of referrals opened for investigation and closed within 180 days decreased as well, declining from 95% in fiscal 2016 to 22% in fiscal 2024, after a slight increase between fiscal 2022 and 2023.

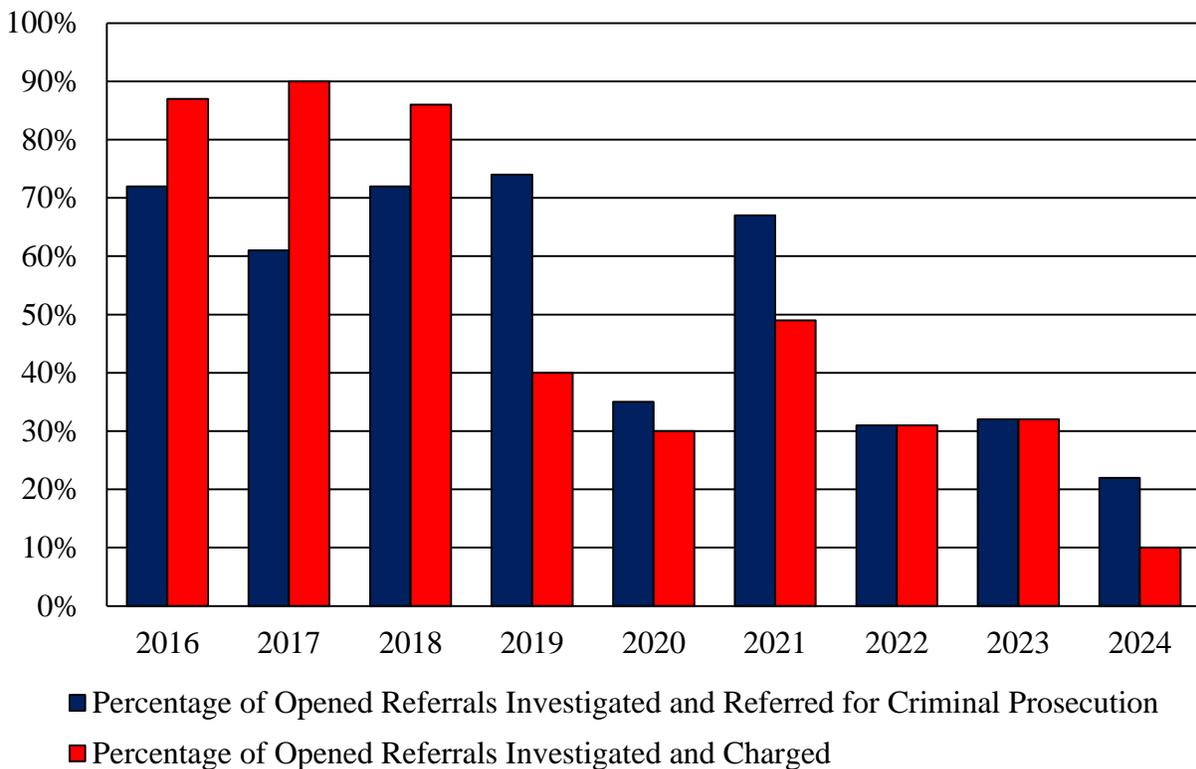
Exhibit 8
Fraud Cases Opened and Closed within 180 Days
Fiscal 2016-2024



Source: Department of Budget and Management; Maryland Insurance Administration

In addition to the decrease in cases closed in 180 days, the number of opened referrals investigated and referred for criminal prosecution, shown in **Exhibit 9**, also decreased from 74% in fiscal 2019 to 22% in fiscal 2024. Referrals investigated and charged follow a similar downward trend, decreasing from 87% in fiscal 2016 to 10% in fiscal 2024. It should be noted that these measures for fiscal 2025 were not included in MIA’s fiscal 2026 MFR submission but were provided to the Department of Legislative Services (DLS). The metrics have since been updated by MIA in order to better understand the complexity of different cases for cases referred and charged in criminal as well as civil court.

Exhibit 9
Fraud Cases Investigated, Referred for Prosecution, and Charged
Fiscal 2016-2024



Source: Department of Budget and Management; Maryland Insurance Administration

MIA should clarify why updated data for referrals opened for investigation and closed within 180 days were not reported in the fiscal 2026 MFR submission. MIA should also explain the new metrics that will be submitted in the fiscal 2027 MFR submission as well as which current metrics will be updated.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Insurance Tracking System Project Status: After significant delays beginning in calendar 2020, active development of the Insurance Tracking System project is underway. The Maryland Insurance Administration (MIA) has begun Phase 1 of development in which there are four releases planned, with two releases anticipated to be completed as of January 2025. The fiscal 2026 allowance includes \$7.7 million for continued Insurance Tracking System Project development. In order to continue monitoring this project and to be informed of any further delays or cost increases, the committees request that MIA submit initial and follow-up reports to update the committees, including:

- a summary of progress made on the project in the previous two quarters and projected tasks to be completed in the following two quarters, including a list of all identified project development benchmarks and target dates and actual completion dates for each major benchmark;
- actual project spending over the previous two quarters; and
- any updates to the estimated total project cost or anticipated project timeline.

Information Request	Author	Due Date
Insurance Tracking System Major Information	MIA	July 10, 2025
Technology Development Project status		January 10, 2026

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 *Joint Chairmen’s Report* (JCR) requested that MIA prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Maryland Automobile Insurance Fund (Maryland Auto) Rate Filing Decisions in Calendar 2024:*** MIA’s response to committee narrative in the 2024 JCR provided an overview of the three rate filings made by Maryland Auto throughout calendar 2024. The report found that Maryland Auto’s current use of the application index to limit rates based on median income by ZIP code is not permitted under Maryland law. As of January 2025, MIA reported that going forward, it will retain an actuarial consultant to review Maryland Auto’s pricing and reserving methodologies.
- ***Methods for Determining Auto Insurance Rate Affordability:*** This report contains responses from both MIA and Maryland Auto to the seven information requests that the 2024 JCR included. The information requests are as follows: reference to and interpretation of the term “affordability” used in statute, as employed by MIA and Maryland Auto; how Maryland Auto selected the affordability index currently in use; the current method utilized, including how Maryland Auto selects ZIP codes to apply the affordability index; auto insurance affordability measures and methodologies used in other states for residual market rate setting or for residual market eligibility criteria, including how they compare to the method used by Maryland Auto; advantages and disadvantages of including ratepayers’ credit reports to measure affordability; affordability measures from elsewhere in insurance practice or otherwise that may fit the purpose of determining auto insurance affordability for the purpose of Maryland Auto rate setting; and proposed recommendations for modifying the affordability index and methodology used for Maryland Auto rate setting. While both agencies indicated a goal to help Maryland consumers, the agencies’ different viewpoints are reflected in the individual responses.
- ***Insurance Tracking System Project Status:*** Two reports were requested to provide updates on the Insurance Tracking System Major Information Technology Development Project. The first report was submitted on July 10, 2024, and the second report was submitted on January 10, 2025. Further discussion of the Insurance Tracking System project can be found in Key Observation 1 of this analysis.

Appendix 2
MIA Legacy System Replacement
Major Information Technology Project
Maryland Insurance Administration

Additional discussion of this project can be found in Key Observation 1 of this analysis.

New/Ongoing: Ongoing								
Start Date: April 1, 2020					Est. Completion Date: May 1, 2026			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2025	2026	2027	2028	2029	Remainder	Total
GF	\$0.000	\$0.000	\$0.050	\$0.000	\$0.000	\$0.000	\$0.000	\$0.050
SF	2.280	4.140	7.620	0.000	0.000	0.000	0.000	18.040
Total	\$2.280	\$94.140	\$7.620	\$0.000	\$0.000	\$0.000	\$0.000	\$18.090

- **Project Summary:** 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 is significantly paper- and Excel-based and increases the likelihood of error and employees’ time spent completing data analysis and communications.
- **Observations and Milestones:** A contract was initially awarded to MERP Systems, Inc. and approved by BPW on October 6, 2021. The vendor defaulted in March 2022, stalling all progress on the project until MIA worked with DoIT and DGS to use the State’s Salesforce Master Contract. Design was completed in early calendar 2024, with Phase 1 beginning in June 2024 as release one of four planned releases was completed.
- **Changes:** As of January 2025, MIA reported that release two was intended for November 2024; however, staff levels were insufficient, and this release was pushed back to May 2025 to coincide with release three. Additionally, a budget amendment was processed for fiscal 2025 to provide an additional \$5.2 million for the project.

**Appendix 3
Object/Fund Difference Report
Maryland Insurance Administration**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	259.00	274.00	287.00	13.00	4.7%
02 Contractual	36.00	30.70	23.70	-7.00	-22.8%
Total Positions	295.00	304.70	310.70	6.00	2.0%
Objects					
01 Salaries and Wages	\$ 31,705,128	\$ 32,574,723	\$ 35,946,211	\$ 3,371,488	10.4%
02 Technical and Special Fees	1,672,702	2,386,295	1,942,440	-443,855	-18.6%
03 Communication	269,655	440,001	436,001	-4,000	-0.9%
04 Travel	168,108	440,846	459,846	19,000	4.3%
07 Motor Vehicles	83,780	199,222	203,482	4,260	2.1%
08 Contractual Services	6,772,882	16,987,944	14,976,192	-2,011,752	-11.8%
09 Supplies and Materials	388,266	334,698	351,573	16,875	5.0%
10 Equipment – Replacement	266,095	193,972	194,972	1,000	0.5%
11 Equipment – Additional	173,066	538,509	538,509	0	0%
12 Grants, Subsidies, and Contributions	644,314	650,323	655,323	5,000	0.8%
13 Fixed Charges	1,764,047	2,067,830	2,201,579	133,749	6.5%
Total Objects	\$ 43,908,043	\$ 56,814,363	\$ 57,906,128	\$ 1,091,765	1.9%
Funds					
03 Special Fund	\$ 43,908,043	\$ 56,814,363	\$ 57,906,128	\$ 1,091,765	1.9%
Total Funds	\$ 43,908,043	\$ 56,814,363	\$ 57,906,128	\$ 1,091,765	1.9%

Note: The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.