

FINANCE COMMITTEE

MARYLAND SB 530: Insurance – Maryland Auto Insurance Fund – Assessments

FAVORABLE WITH AMENDMENT

February 22, 2023

Chairwoman Griffith and Members of the Senate Finance Committee:

On behalf of the National Association of Mutual Insurance Companies¹ (NAMIC) thank you for the opportunity to submit this statement favorable with amendment to Senate Bill 530.

NAMIC consists of more than 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

NAMIC joins the insurance industry MAMIC, APCIA, IA&B as Favorable with Amendment (FWA) on Senate Bill 530. Collectively, we have developed what we believe to be a prudent set of amendments (see attachment) that will address some of the funding challenges of the Maryland Auto Insurance Fund while providing reasonable guardrails around MAIF's rate making process for the Insurance Commissioner to review and approve rate filings.

Thank you for the time to consider our collective position on Senate Bill 530.

Sincerely,

Matthew Overturf

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¹ NAMIC member companies write \$357 billion in annual premiums and represent 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.



Attachment:

Amendment No. 1:

On page 7, in line 25 strike “50%” and strike the brackets in lines 25 and 26, and strike beginning with “AND” in line 30 through line 32.

Amendment No. 2:

On page 8, strike the brackets in lines 3 and 4, and strike beginning with “AND” in line 6 through “4” in line 12.

Rationale: Amendments 1 and 2 return MAIF payments from uninsured motorist penalties to the status quo. New language in the bill that would substantially increase the recovery of uninsured motorist penalties by MAIF is removed, and the current formula of the allocation of uninsured motorist penalties to MAIF is retained.

Amendment No. 3

On page 6, after line 24, add: **Section 20-507(d)** In reviewing rates filed by the Fund, the Commissioner shall consider not only the rating principles under Title 11, Subtitle 3 of this article but also the statutory purpose of the Fund under Section 20-301 of this title.

“(E) THE FUND SHALL FILE A RATING PLAN NOT LESS THAN ANNUALLY, AND APPROVAL OF ANY RATING PLAN BY THE COMMISSIONER SHALL BE REQUIRED BEFORE THE PLAN IS EFFECTIVE. A RATING PLAN FILED UNDER THIS SUBSECTION SHALL:

- (1) USE ACTUARIALLY JUSTIFIED RATES; AND**
- (2) STATE WHETHER RATES USED IN THE FILING ARE ADEQUATE OR INADEQUATE, TOGETHER WITH THE PERCENTAGE, IF ANY, OF RATE INADEQUACY.**
- (3) THE COMMISSIONER MAY DETERMINE THAT A RATE LESS THAN 15% INADEQUATE UNDER ACTUARIALLY JUSTIFIED RATES MAY COMPLY WITH THE STATUTORY PURPOSE OF THE FUND UNDER THIS SECTION.**
- (4) FOR ANY RATE INADEQUACY EXCEEDING 15% OF ACTUARIALLY JUSTIFIED RATES, THE FUND SHALL, AS PART OF ITS FILING, PROVIDE A REPORT TO THE COMMISSIONER JUSTIFYING THE RATE INADEQUACY, INCLUDING A PLAN TO ACHIEVE RATE ADEQUACY ON A SCHEDULE APPROVED BY THE COMMISSIONER.”**

Rationale:

The intent of this language is to apply reasonable conditions (“guardrails”) for the Commissioner in reviewing and approving a MAIF rate filing. The 15% threshold in the language is taken from a January 2004 report prepared by the MIA as a requirement under House Bill 521 (2002) to “study the impact of premium rates on policies issued by the Maryland Automobile Insurance Fund on the private insurance market.”