



Insurance Agents  
& Brokers

February 21, 2023

The Honorable C.T. Wilson  
Chairman, House Economic Matters Committee  
Room 231, House Office Building  
Annapolis, Maryland 21401

RE: Amendments to House Bill 903  
Insurance – Maryland Automobile Insurance Fund – Assessments

Dear Chairman Wilson and Members of the House Economic Matters Committee,

I am writing as Chair of the Legislative Committee for the Insurance Agents and Brokers of Maryland (IA&B). IA&B is a trade association comprised of nearly 200 independent agencies, employing between 1,000 and 2,000 licensed Maryland insurance producers, which are located in and doing business throughout the State of Maryland and surrounding states.

IA&B members have always utilized the Maryland Automobile Insurance Fund (MAIF) for the purpose that was intended by the creation of MAIF in 1972. That purpose was to create a residual automobile insurance market, a “market of last resort,” for automobile insurance applicants unable to obtain coverage in the private insurance market.

In other states, such as Pennsylvania and Virginia, residual markets such as MAIF have diminished in size because private insurers have stepped in with competitive products to provide the coverage required by law. By contrast, it is our understanding that MAIF has been growing in recent months. This is due in large part, we believe, to MAIF’s consistently inadequate rates. MAIF has not filed for a rate increase since 2019, while private insurers have responded to inflationary pressures with regular rate adjustments. Such adjustments are required under Maryland statutes governing insurance rates.

For those Committee members who are unfamiliar with insurance pricing, the law in Maryland and other states has long required that rates cannot be excessive, inadequate, or unfairly discriminatory. Each of these factors can trigger additional regulatory scrutiny and action. Inadequate rates, such as those employed by MAIF, can be just as dangerous as rates that are excessive. With House Bill 903, inadequate rates are the primary reason that MAIF is requesting additional funding from the General Assembly. Without coupling additional funding with more responsible rating practices by MAIF, the Agency will simply be back in front the General Assembly asking for even more money in the near future.





We are advised that MAIF rates in some areas are as much as 40% inadequate. No product or service that is so seriously underpriced can be offered on a sustainable basis. If the General Assembly simply gives MAIF millions more in subsidies, no problems will be solved, but some will be created. Small and medium sized automobile insurers in the State, on whom IA&B members depend, will be unable to compete with MAIF on price. Of course, MAIF is not supposed to be a competitor in any event.

The solution to MAIF's problems is to a) provide the funding they need from the prior assessment funds, which are approximately \$9.5 million, b) require the Maryland Insurance Administration to take additional steps in their supervision of MAIF rate making, and c) defer any additional subsidy consideration to the 2024 Legislative Session. These measures are included in the set of insurance industry amendments that has been provided to the Committee. IA&B adopts those amendments, and urges their inclusion should the Committee render a favorable report on House Bill 903.

Very truly yours,

Stacey Nicholson  
IA&B Legislative Committee Chair

cc: John Savant  
Claire Pantaloni  
Bryson Popham

