



February 21, 2023

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

RE: House Bill 903 - Insurance - Maryland Automobile Insurance Fund – Assessments - FWA

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

On behalf of the Maryland Association of Mutual Insurance Companies (MAMIC), we respectfully request a favorable report with amendments on House Bill 903.

The Maryland Automobile Insurance Fund (MAIF) is a State agency that serves as the residual market for automobile insurance applicants who are unable to obtain coverage through private insurers.

MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland, and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

While the statutory framework for MAIF requires that an applicant obtain declinations from two insurers before being issued a policy, it has been the experience of MAMIC members that offer automobile insurance in the State that MAIF can be a serious, if unintended, competitor on price. This is highly unusual given that MAIF should be expected to provide coverage largely to persons who may incur greater than average claims, thereby requiring higher than average premiums to cover the risk. Underpriced MAIF policies represent an unfair advantage for MAIF, and they can present a serious risk to the private automobile insurance market, especially to smaller insurers such as MAMIC members.

We are advised that MAIF rates are inadequate (underpriced) by as much as 40% in some cases. While we recognize that the Insurance Commissioner must consider the statutory purpose of MAIF in reviewing MAIF rates, we respectfully submit that 40% or similar rate inadequacies are simply not sustainable. We further understand that MAIF employs an “affordability index” or similar factor in its rate making procedures. We are unaware of any rating principles under Maryland law that would authorize MAIF to determine affordability in automobile insurance and use it in rate making.

The amendments that have been submitted on behalf of the insurance industry address these points. We are simply requesting that the Maryland Insurance Administration return MAIF to its prior practice of filing rating plans for approval by the regulator before placing them in use, and to remove any rating factor that is related to affordability.

We hasten to add that affordability in automobile insurance is a very important factor. For that reason, it must be evaluated and regulated by the Maryland Insurance Administration, in regular consultation with the Maryland General Assembly.

We respectfully request that the Committee adopt the insurance industry amendments, and we urge their inclusion should the Committee render a favorable report on House Bill 903.

Sincerely,

A handwritten signature in cursive script that reads "Jeane A. Peters". The signature is written in black ink and is positioned to the left of the typed name.

Jeane A. Peters, President