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**Date:** February 19, 2025

**Bill # / Title:** House Bill 1098 - Insurance - Automobile Insurance - Maryland Automobile Insurance Fund and Affordability Study

**Committee:** House Economic Matters Committee

**Position:** Support with Amendments

The Maryland Insurance Administration (“MIA”) appreciates the opportunity to share its support for House Bill 1098 with amendments.

House Bill 1098 would require the Maryland Automobile Insurance Fund (“Maryland Auto”) to comply with certain financial reporting requirements and maintain surplus that meets or exceeds an established threshold as of December 31, 2026.

House Bill 1098 would also make changes pertaining to Maryland Auto ratemaking standards. Since 2017, Maryland Auto’s rate filings have been subject to competitive rating standards under Title 11, Subtitle 3 - meaning that Maryland Auto’s rates can take effect once they have been filed with the MIA, without the Commissioner’s prior approval. This bill would subject Maryland Auto rate filings to prior approval standards under Title 11, Subtitle 2: (i) between July 1, 2025 and December 31, 2025; and (ii) beginning on January 1, 2026, *only if* the Maryland Auto’s surplus drops below the minimum threshold established under the bill.

Maryland Auto is a statutorily created “insurer of last resort.” Its purpose is to provide generally required vehicle liability insurance to drivers that are unable to obtain it through the voluntary market due to their high risk profile, typically evidenced by their driving records. If Maryland Auto’s year-end surplus drops below the assessment threshold calculated pursuant to § 20-404 of the Insurance Article, it accesses funding to ensure its solvency through an assessment on the other auto insurers writing business in the State. The cost of an assessment on the industry is ultimately passed onto policyholders.

By requiring Maryland Auto to achieve and maintain a minimum level of surplus and subjecting Maryland Auto to prior approval ratemaking standards when its surplus falls below an established threshold, HB 1098 would authorize the MIA to proactively regulate Maryland Auto’s financial condition moving forward. As of the date of this letter, the MIA understands that Maryland Auto

has concerns with provisions of the bill that would require Maryland Auto to maintain a certain level of surplus based on risk-based capital. MIA welcomes the opportunity to work with the sponsor of the legislation and Maryland Auto on amendments to address these issues.

Finally, HB 1098 would require the MIA to establish and chair a workgroup tasked with studying the affordability of private passenger automobile insurance in the State and submitting a report on its findings to the Governor and General Assembly. The study and resultant report would consider factors contributing to affordability issues, potential policy interventions to increase affordability, and methodologies by which affordability can be considered in ratemaking consistent with the Insurance Article. The Executive Director of Maryland Auto or his designee would participate in the work group, along with a member of the House Economic Matters Committee, a member of the Senate Finance Committee, a representative of the auto insurance industry, and a representative of a consumer advocacy group.

The MIA is extremely concerned with recent general rate increases for private passenger auto insurance and the impact of these increases on Maryland consumers. The MIA intends to conduct an in-depth study of factors contributing to this issue and potential policy solutions. This bill would ensure that the MIA receives input and support from key stakeholders to enhance its efforts in this regard, as well as consider the role of Maryland Auto in the broader discussion around affordability of private passenger auto insurance.

For the reasons set forth above, the MIA urges a favorable committee report on House Bill 1098 with amendments, and thanks the Committee for the opportunity to share its support.