



MARYLAND
AUTO INSURANCE

Testimony of Maryland Auto Insurance Fund

Date: March 5, 2026

Position: Favorable with Amendments

Bill Number: HB 816

Bill Title: Maryland Automobile Insurance Fund – Affordability – Purpose of Fund and Authorized Program

The Maryland Automobile Insurance Fund (MAIF)

MAIF was created in 1973 as a quasi-State agency to provide automobile insurance to Maryland residents who have been turned down by two insurance companies or canceled or non-renewed by one. *Insurance Article §20-301*. MAIF continues this mission and currently has approximately 29,000 private passenger auto policyholders throughout the State, concentrated in the State’s urban areas.

History Of Affordability In MAIF Rate-Making

Originally, the MAIF statute did not make any provision for ensuring that MAIF rates were affordable and rates were approved only if they were fully “adequate” to cover all losses and expenses. *Article 48A §243C (Chapter 73, 1973)*.

In 1984, the *Task Force on Maryland Automobile Insurance* reviewed MAIF’s rates and recommended amending the statute so that “the adequacy of MAIF rates can be weighed against their affordability so that MAIF can reduce losses by the Fund through its policyholders while at the same time retaining those policyholders who would otherwise go uninsured.”

The General Assembly responded by adding the language, which is in the current law, *Insurance Article §20–507* that “In reviewing rates filed by the Fund, the Commissioner shall consider not only the rating principles under Title 11 [not excessive, inadequate, or unfairly discriminatory] . . . but also the statutory purpose of the Fund under § 20–301 of this title.” . In the Preamble to the bill (Ch. 610, 1985), the Legislature made its intention crystal clear:

“Rates charged by the Maryland Automobile Insurance Fund must adequately reflect the degree of risk involved but must also remain affordable to that segment of the population which is dependent on the Fund for automobile insurance.”

In 2002, the MIA reaffirmed this statutory view acknowledging that “the Fund’s statutory purpose...has been interpreted as adding an affordability component to Maryland Auto’s premiums which results in below adequate premiums or a subsidy for Baltimore City insureds” and that “Maryland Auto appears to be fulfilling the purpose for which it was created by the General Assembly; that is to offer automobile insurance, at affordable prices, to Maryland citizens that might otherwise not be able to obtain insurance.” *The Maryland Automobile Insurance Fund and the Private Insurance Market, Report of the MIA, January 2004*.

For many years, Maryland Auto's affordability effort consisted of providing a 15% discount in Baltimore City where average relative income was low by Statewide standards and the cost of insurance was the highest in the State. This evolved over the years into a broader "Affordability Index" which applied anywhere in the State where premiums for the base rate with Maryland Auto cost more than 3.3% of the median household income in that ZIP code.

As currently applied, the 3.3% Affordability Index results in rates being affected in 47 ZIP Codes. In the other 430 ZIP Codes (90% of the State's 477 ZIP Codes) the Affordability Index has no effect as the rates in those ZIP Codes do not exceed 3.3% of median household income. Currently, 6,731 policyholders benefit from the Affordability Index. The Affordability Index only applies to rate increases and does not lower the premium even if it exceeds 3.3% of household income. For example, liability base rates in all ZIP Codes in Baltimore City exceed 3.3% of median household income.

The MIA Order

On December 18, 2024, the MIA issued an Order requiring MAIF to raise rates to an "adequate" level and eliminate the Affordability Index within two years. Adequate rates are rates that cover all losses and expenses and are not discounted for affordability. Charging adequate rates will result in significant rate increases, up to 50%, in all the ZIP codes where the Affordability Index applies, primarily in, and immediately surrounding, Baltimore City.

At Maryland Auto's request, the Order was revised in March 2025 allowing additional time to comply with the order by the end of 2027. The basic premise of the Order is that the MAIF statute currently requires Maryland Auto to charge adequate rates under all circumstances.

House Bill 816

House Bill 816 would allow Maryland Auto to continue to consider affordability even though the rates would not otherwise meet the rating laws that require adequate rates. The Bill would maintain the status quo that existed before the MIA Order and would resolve a conflict between codified rating rules and the General Assembly's longstanding intent by allowing Maryland Auto to continue considering affordability in its ratemaking. This would allow Maryland Auto to limit rate increases in low-income communities, especially in Baltimore City where the insurance rates are exceptionally high.

Amendments

In an effort to address some of the MIA concerns we are offering several amendments. The general purpose of these amendments is to establish clear guardrails and limits for Maryland Auto's use and consideration of affordability in its ratemaking.

First, Maryland Auto's amendments reduce the maximum assessment allocation percentage to 1%. This would enact a much lower maximum assessment. The limit of the assessment allocation percentage was reduced from 4% to 3% in 1985 following the recommendations of the *Task Force on Maryland Automobile Insurance*.

Second, Maryland Auto's amendments limit affordable rates that would result in overall rate inadequacy to 20%. This would ensure that there is a limit to the discounts that could be offered under any Affordability Program.

Third, the amendments establish eligibility requirements and shift the mechanism from a geographic application to an individual determination. These amendments together address some criticism of Maryland Auto's current Affordability Index by allowing all eligible low-income Maryland residents access to more affordable rates even if they reside in a higher-income ZIP code.

Finally, Maryland Auto's amendments provide the Commissioner with authority to both approve the Affordability Program and to require modification if, on review, the proposed Program would violate any of the established guardrails.

For all of the above reasons, Maryland Auto requests a Favorable Report on HB 816, with amendments.

Please let us know if we can answer any questions.

For Information: D Brown – Government Relations
DeVon.Brown@marylandauto.net / 667-210-5193