D70J00
Maryland Automobile Insurance Fund

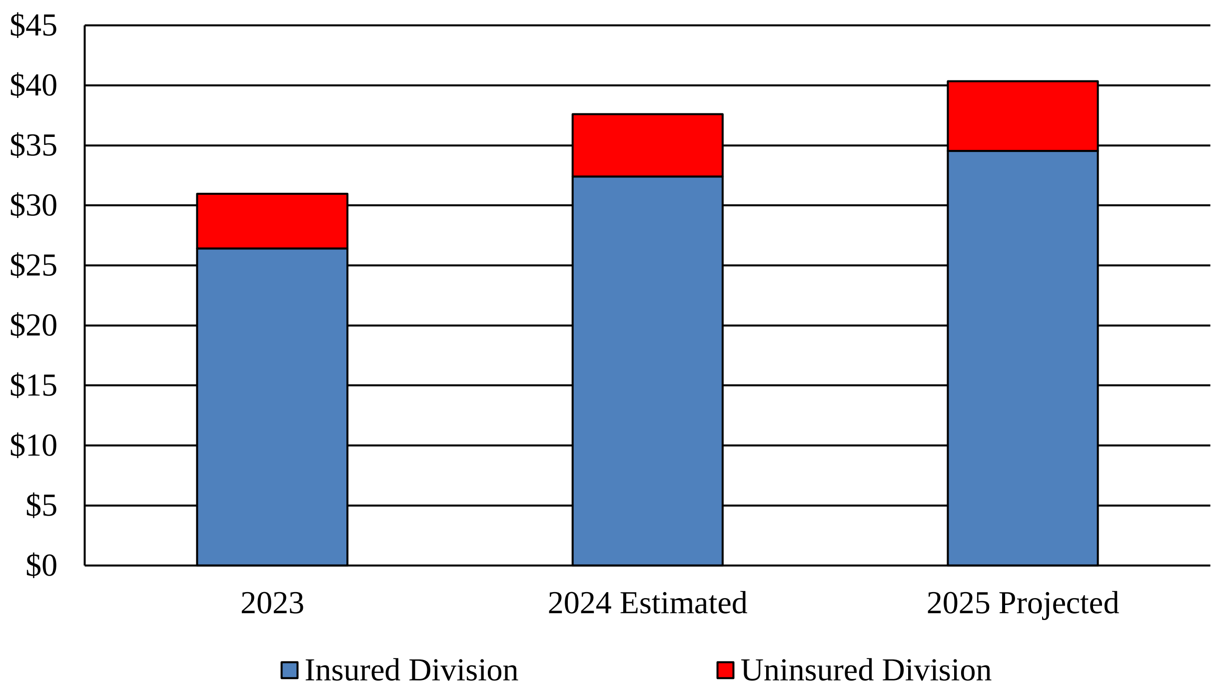
Program Description

The Maryland Automobile Insurance Fund (Maryland Auto) is an independent, nonbudgeted State agency created through Chapter 73 of 1972. Similar to other insurance companies, Maryland Auto operates on a calendar year basis.

Maryland Auto is organized in two divisions. The Insured Division is the automobile insurer of last resort for Maryland residents. The Insured Division, like other automobile insurance carriers, handles claims for policyholders and is funded through premiums, investment income, and, when necessary, a surcharge on premiums statewide. The Uninsured Division administers and pays claims to residents of Maryland who are involved in accidents in Maryland with motorists who are uninsured or for hit-and-run incidents in which a responsible party cannot be found. The Uninsured Division may recover money paid out from the uninsured at-fault party through collections on notes and judgments. In addition, the Uninsured Division receives income from investments and uninsured motorist fines under Section 17-106 of the Transportation Article.

Operating Budget Summary

Calendar 2025 Budget Increases $2.7 Million, or 7.3%, to $40.3 Million
($ in Millions)



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Proposed Budget Change

As shown in **Exhibit 1**, the calendar 2025 budget of Maryland Auto is expected to increase by approximately $2.7 million compared to calendar 2024. Across both divisions, expenditures for salaries and fringe benefits are expected to increase by $1.5 million in calendar 2025. Technical services and support type costs are expected to increase by roughly $635,000 in calendar 2025. Additionally, the Uninsured Division is increasing funding for outreach to uninsured drivers by $243,000.

Exhibit 1
Proposed Budget
Maryland Automobile Insurance Fund
($ in Thousands)

	Insured Division	Uninsured Division	Nonbudgeted Fund Total
Calendar 2024 Estimated	$32,410	$5,201	$37,612
Calendar 2025 Projected	34,547	5,800	40,346
Calendar 2024-2025 Amount Change	$2,137	$599	$2,734
Calendar 2024-2025 Percent Change	6.59%	11.50%	7.27%

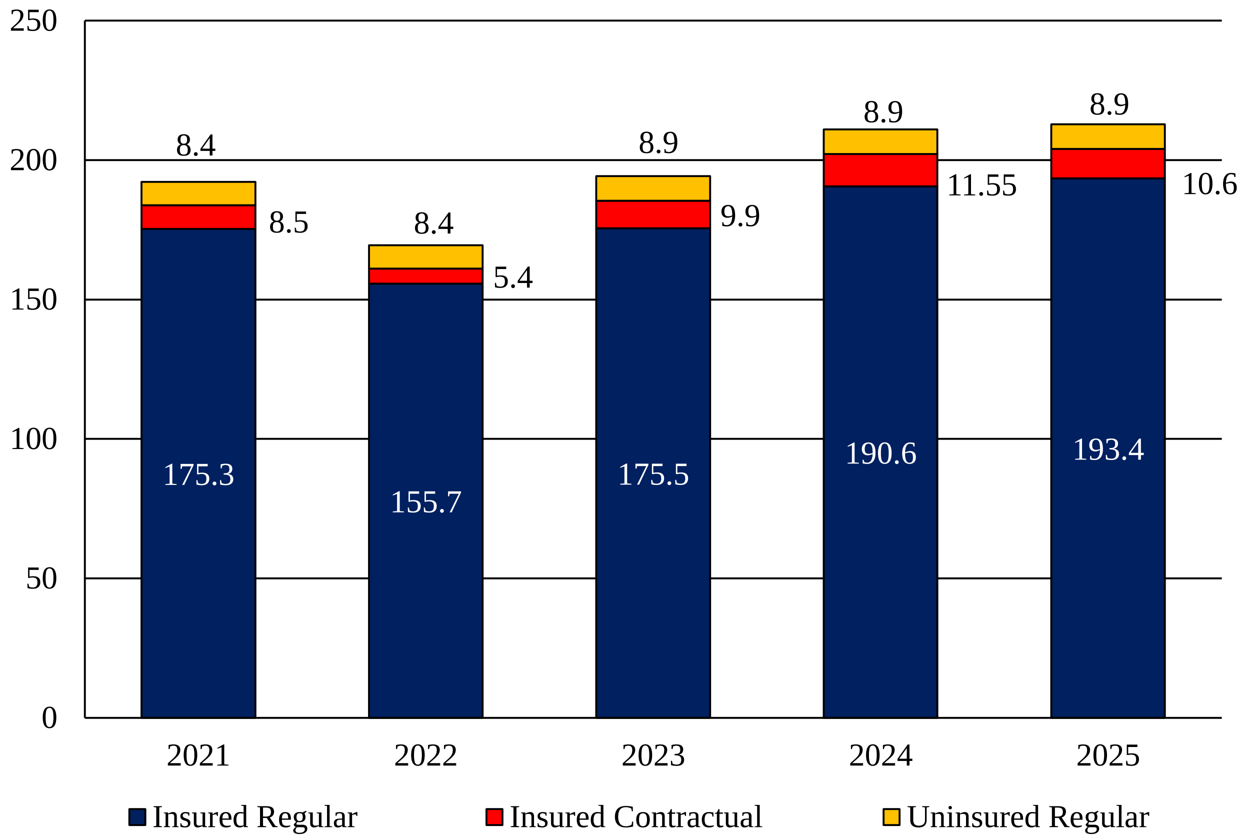
Where It Goes:	Change
Insured Division	
Employee salaries and fringe benefits for 2.8 new regular employees in calendar 2025 as well as for the 15.1 regular employees who began in calendar 2024	$1,090
Increase in technical services and support costs	635
Additional spending for the Insurance Services Office as well as for technical and special fees, such as investment fees	247
Moving phone systems to the cloud	90
Additional transportation and travel costs	49
Purchase of new computer equipment	26
Uninsured Division	
Employee salaries and fringe benefits for 8.9 regular employees	420
Outreach operations aimed at educating uninsured motorists on auto insurance and the option of the Maryland Automobile Insurance Fund	243
Technical fees and services	-97
Other Changes	
Other	32
Total	**$2,734**

Note: Numbers may not sum to total due to rounding.

Personnel

While the number of personnel in the Uninsured Division has remained mostly consistent in recent years, as shown in **Exhibit 2**, the Insured Division saw a notable decrease in regular personnel in calendar 2022, largely from voluntary attrition. The total number of personnel in the Insured Division decreased 12% between calendar 2021 and 2022, before recovering with an increase of 24.3 total positions (15.1%) in calendar 2023. Calendar 2024 saw a further increase of 16.8 total positions (9%) in the Insured Division. Maryland Auto previously reported that an increased volume of policies and claims necessitated the increase in staffing in calendar 2023 and 2024. In calendar 2025, personnel growth in the Insured Division is expected to slow to a 1% increase, adding a total of 1.8 positions.

Exhibit 2
Agencywide Personnel Changes
Calendar 2021-2025 Projected



Note: The uninsured total includes a half-time contractual position from calendar 2021 through 2023.

Source: Maryland Automobile Insurance Fund

Key Observations

1. Insured Financial Reports and Surplus History

Insured Division Financial Statement

An automobile insurance company functions by collecting premiums paid by insured drivers into a pooled resource of funds for use by these drivers to pay claim costs associated with automobile accidents in which they are involved. Policy premium prices (or rates) are determined according to industry standards involving estimated risk for individual policyholders so that sufficient funds are available to meet the needs of individuals involved in accidents. Individual risk is determined by factors such as driving history and automobile type and value. In aggregate, this creates a level of risk for the company as a whole and a total sum of premiums available to pay for claims. Premium revenue, less claims and operating expenses, result in net income or loss. The aggregation of net income or losses, along with investment income and other financial elements, accumulates as surplus. If premium prices are inadequate for the corresponding risk, the surplus may decline if other income does not make up the difference.

Exhibit 3 presents a financial statement of the Insured Division including actual calendar 2023 closeout figures, estimated calendar 2024 figures, and projected calendar 2025 figures as of January 2025. The calendar 2023 estimate reflects an unusual year in that substantial financial support was provided through Chapter 535 of 2023 to assist Maryland Auto with the risk of its surplus falling below the assessment threshold, which would have required an assessment to be levied on insurance carriers in Maryland. Chapter 535 provided Maryland Auto with an additional $2 million from uninsured motorist fine revenue under §17-106 of the Transportation Article and authorized access to $10.2 million from past overassessment funds. The financial estimates provided by Maryland Auto in January 2023 included a projected calendar 2023 end-of-year surplus of $9.3 million, but the actions taken to bolster Maryland Auto's financial position led to an actual end-of-year surplus of $19.8 million, just over the assessment threshold.

Exhibit 3
Maryland Automobile Insurance Fund
Insured Division Financial Statement
Calendar 2023-2025 Projected

	Actual 2023	**Estimated 2024**	**Projected 2025**
Earned Premium	$84,456,169	$120,854,277	$120,672,745
Investment Income	6,526,440	5,483,355	5,226,197
Other Income	2,198,484	367,200	394,740
Total Income	**$93,181,093**	**$126,704,832**	**$126,293,682**
Claims Incurred	$70,876,121	$100,143,514	$92,371,855
Claims Expenses Incurred	14,631,292	21,913,990	22,454,717
Other Expenditures	22,253,025	25,599,175	25,161,276
Total Expenditures	**$107,760,438**	**$147,656,679**	**$139,987,848**
Net Income (Loss)	**-$14,579,345**	**-$20,951,847**	**-$13,694,166**
Beginning Surplus	$24,379,543	$19,772,764	$926,867
Net Income (Loss)	-14,579,345	-20,951,847	-13,694,166
Unrealized Gain/Loss Change	-433,858	1,909,724	0
Change to Nonadmitted Assets	218,029	196,226	0
Release of Overrecoupment	10,188,395	0	0
Prior Year Assessment	0	0	21,814,390
Ending Surplus	**$19,772,764**	**$926,867**	**$9,047,091**
Assessment Threshold	$19,131,251	$22,294,712	$26,620,603
Ratio Surplus to Assessment Threshold	**1.03**	**0.04**	**0.34**

Note: The Maryland Automobile Insurance Fund is on a calendar year basis for its financial statements in accordance with State regulations for insurance companies. Year-end adjustments and reserve changes may significantly change the results. All calendar 2024 numbers are subject to adjustment.

Source: Maryland Automobile Insurance Fund

The bulk of revenue for the Insured Division is derived from policy premiums. With an increase in the number of policies in force from calendar 2023 to 2024 came a corresponding increase of 43.1% in premium revenue, from $84.5 million in calendar 2023 to an estimated $120.9 million in calendar 2024. However, it is projected that there will be a slight decrease of 0.2% in premium revenue in calendar 2025, corresponding with a decrease in policies in force in calendar 2024. Other calendar 2024 income sources are estimated to have decreased, as the $2 million from uninsured motorist fine revenue authorized under Chapter 535 did not continue. Overrecouped assessment funds made accessible through Chapter 535 also supported the overall balance sheet of the Insured Division but only as one-time assistance in calendar 2023. Investment income also decreased 16% between calendar 2023 and 2024, likely due to changes in market conditions.

Despite the improvements in revenue, Maryland Auto had an estimated net loss of $21 million in calendar 2024. This loss reflects an increase in operating losses of 43.7% compared to calendar 2023. As a result of this net loss, there has been a further decline of the surplus from $19.8 million in calendar 2023 to an estimated $926,867 at the end of calendar 2024. Due to the surplus falling below the assessment threshold, with the surplus-to-assessment ratio being 0.04, an assessment will be levied against insurance carriers within the State.

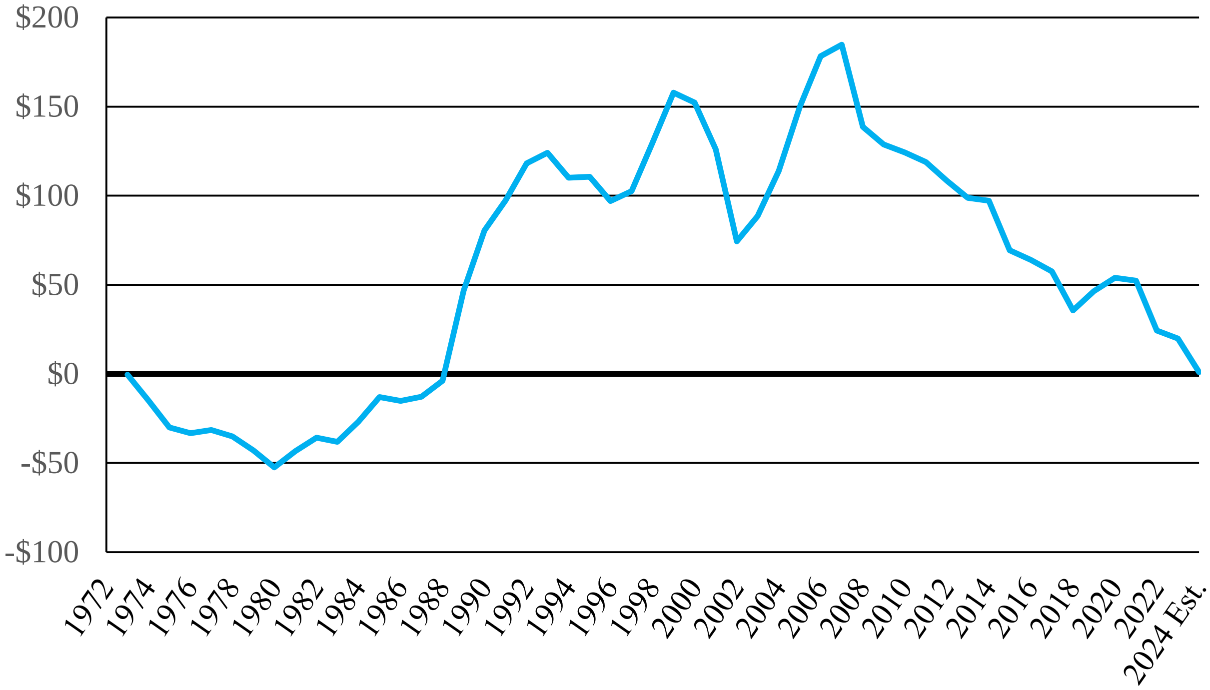
The forecast for calendar 2025 anticipates a similar story for revenues and expenditures, albeit with a higher projected ending surplus. From calendar 2024 to 2025, although total income decreases 0.3%, expenditures are projected to decrease 5.2% to $140.0 million. The resulting net loss for calendar 2025 is projected to be $13.7 million, down from the estimated $21.0 million in calendar 2024. This decrease in net loss is paired with a lump sum assessment that will be billed to insurance carriers in Maryland. The assessment is expected to bring in $21.8 million in calendar 2025, contributing to a projected surplus of $9.0 million at the end of calendar 2025. The surplus-to-assessment ratio would rise to 0.34 but remain below the assessment threshold.

Considering the challenges with the anticipated surplus, committee narrative in the 2024 *Joint Chairmen's Report* (JCR) requested that Maryland Auto submit quarterly updated financial statements for both divisions starting on July 31, 2024. **The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that updated financial statements continue to be submitted quarterly to allow for additional monitoring of conditions.**

Insured Division Surplus History

The Insured Division surplus experienced an overall upward trend after the last assessment in 1989, broken by a significant downturn in calendar 2001 before recovering through calendar 2007. However, as shown in **Exhibit 4**, the Insured Division surplus has experienced an uninterrupted downward trend from the peak of almost $185 million in calendar 2007 to $35.6 million in calendar 2018, a decline of more than 80%. In calendar 2020, the surplus recovered to $54 million and declined only marginally to $52 million in calendar 2021. However, after these few years of modest recovery, the surplus at the end of calendar 2023 had fallen to roughly $20 million, its lowest level since calendar 1988. As of January 2025, the estimated calendar 2024 closing surplus is $926,867. To address the declining surplus, Maryland Auto is planning to continue managing insurance operations by using industry metrics, maximizing pricing, settling claims promptly, leveraging market conditions, and utilizing the assessment funding mechanism.

Exhibit 4
Surplus Funds as of December 31 of Each Year
Insured Division
Calendar 1972-2024 Estimated
($ in Millions)

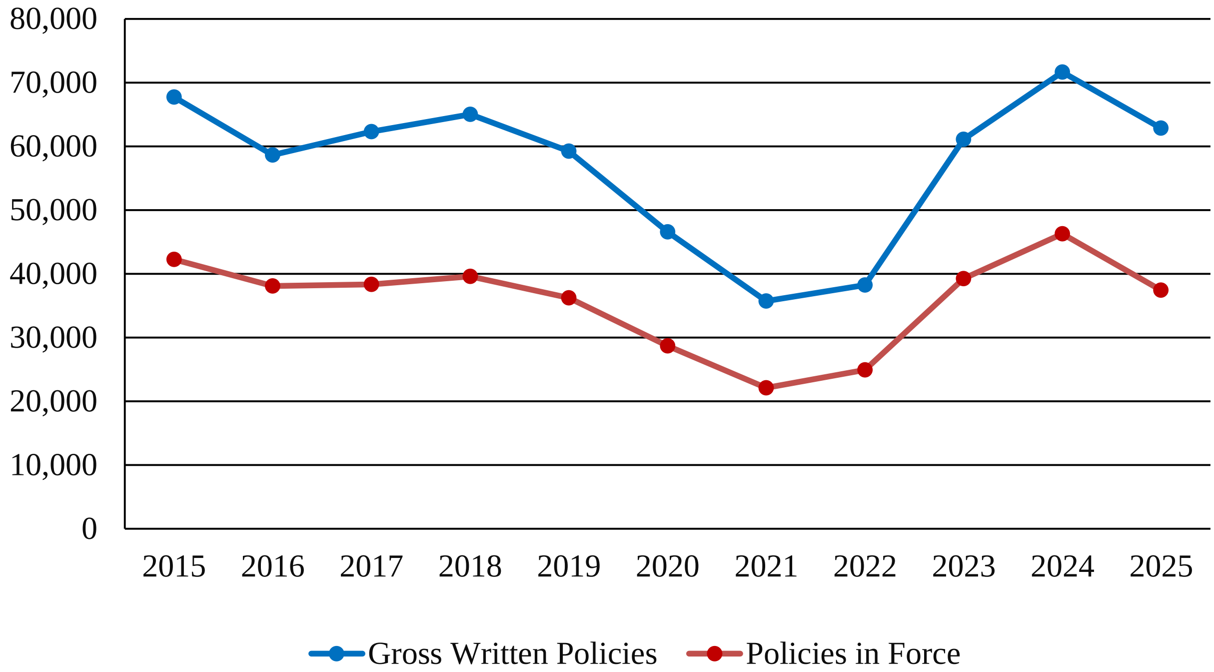


Source: Maryland Automobile Insurance Fund

Policies

As shown in **Exhibit 5**, the number of gross written policies and policies in force declined for three consecutive years, from calendar 2019 to 2021. However, the number of gross written policies and policies in force increased by 60% and 57% between calendar 2022 and 2023. The forecast for calendar 2024 expects that the number of gross written policies and policies in force continue to increase by 17% and 18%, respectively, over calendar 2023. Market conditions and changes to regulation regarding installment plans may be partially responsible for these increases. It is projected that the growth in policies will end in calendar 2025, with gross written policies decreasing by 12%, and policies in force decreasing by 19%, which is likely due to market changes and actions taken by insurance carriers. Maryland Auto had previously forecasted that expanding the customer base and increasing policies written and in force would support premium revenue and thereby the surplus.

Exhibit 5
Policies Issued by Insured Division
Calendar 2015-2025 Projected



Note: Calendar 2024 values are estimates as financial closeout for the year is incomplete. Calendar 2025 values are projections for 2025 end-of-year totals.

Source: Maryland Automobile Insurance Fund

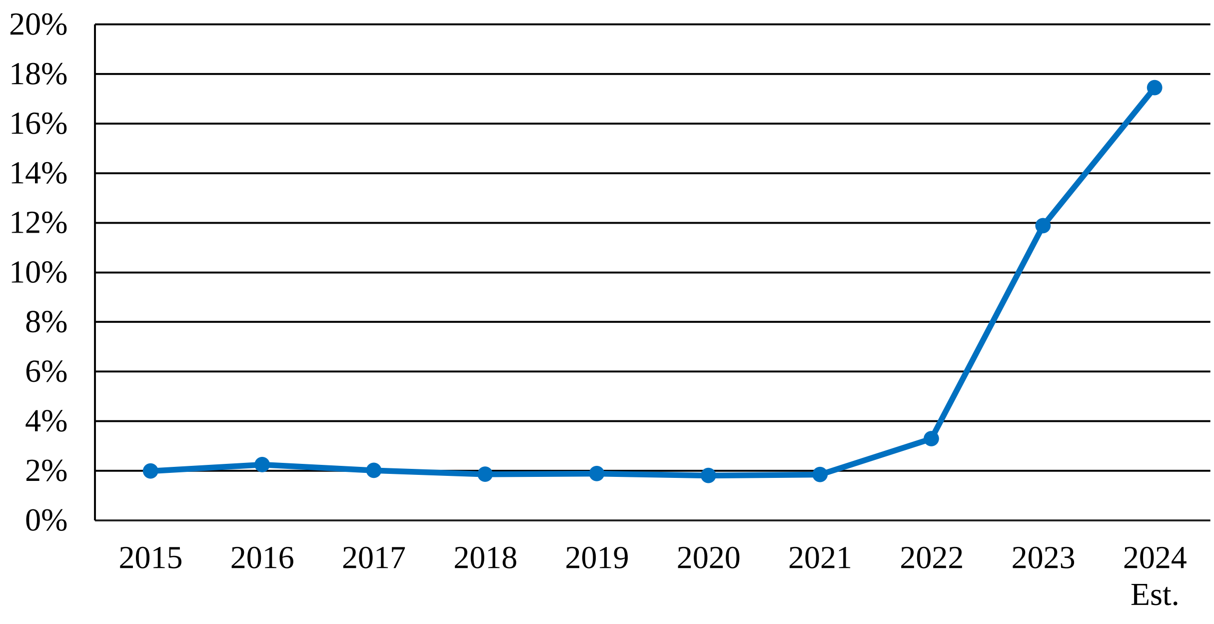
Maryland Auto should comment on the impact of expected market conditions on policies in calendar 2025 and on and whether the current strategy to address the diminishing surplus, including plans to impose assessments, will be successful in increasing the surplus back to the calendar 2023 actual level.

Installment Plan

There are several options for Maryland Auto policyholders to pay for their policies. This variety of payment options is intended to make it easier for individuals to obtain and maintain insurance. One of these options is an installment plan managed by Maryland Auto. Chapter 334 of 2013 authorized Maryland Auto to offer installment payment plans beginning on October 1, 2013. Prior to the authorization of installment plans, policyholders who needed to finance a plan needed to use a premium finance company. Although installment plans have now been available for over a decade, some policyholders continue to finance through third-party companies that typically require lower downpayments. The installment plan option offered by Maryland Auto was previously restricted to a 20% to 25% down payment, in contrast to typical plans offered by premium finance companies with down payments as low as 10%. Maryland Auto has indicated that the high down payment associated with its installment plans discouraged use of the option. Subsequently, Chapter 453 of 2022 removed the statutory installment plan restrictions and allowed Maryland Auto to develop a reasonable installment payment plan option. Following this change, Maryland Auto set a private passenger installment plan of an 18% down payment and nine installment payments.

In November 2022, Maryland Auto indicated that the agency expected the change to increase the number of subscribers under the installment plan. As shown in **Exhibit 6**, as of November 2024, Maryland Auto once again reported a significant increase between calendar 2023 and 2024 in the number of policyholders choosing the Maryland Auto installment plan option. The percentage of policies paid through the Maryland Auto installment payment plan increased steadily over calendar 2023, growing from 11.9% at the end of calendar 2023 to an estimated 17.5% at the end of calendar 2024.

Exhibit 6
Installment Plans as a Percentage of All Payment Plans
Calendar 2015-2024 Estimated



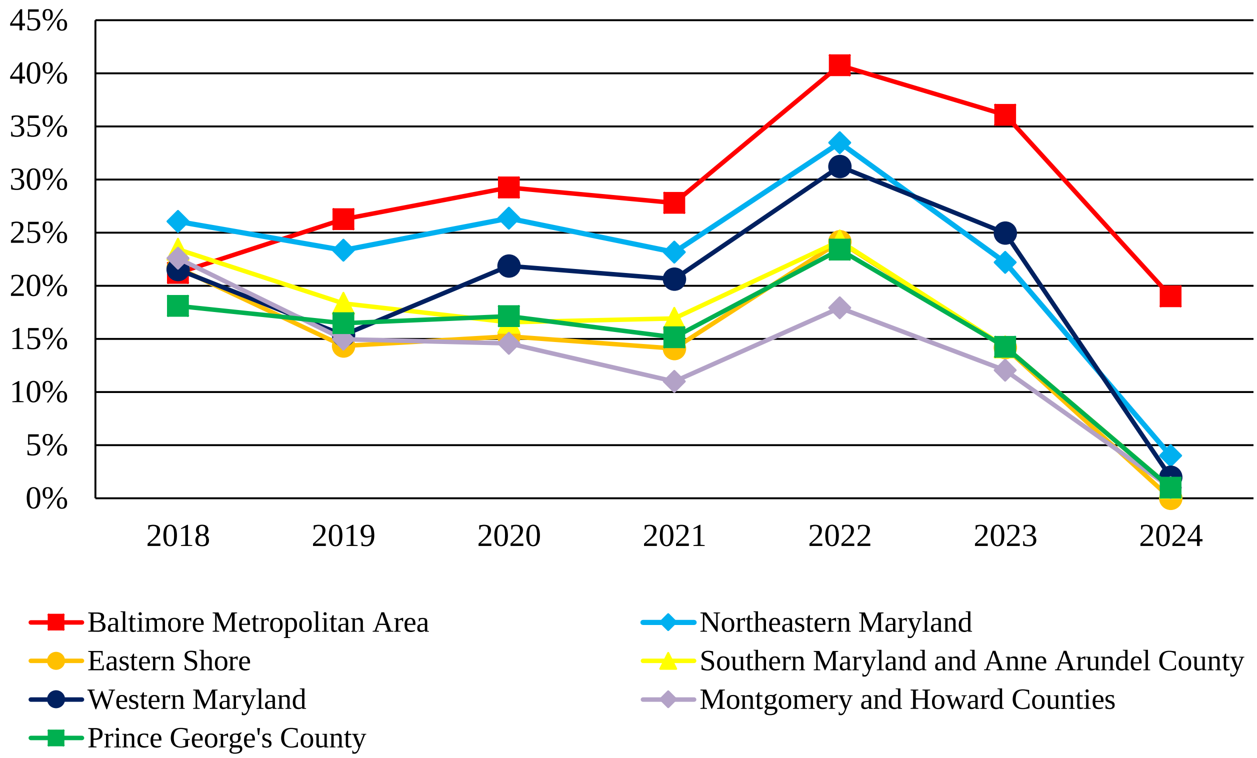
Source: Maryland Automobile Insurance Fund

Rate Adequacy and Rate Setting

The surplus is determined by premium prices, the number of policies and associated premium payments, and the number of claims filed. The amount of claim costs not covered by insured premium payments is the rate inadequacy amount, with the corresponding percentage of total costs being the inadequacy rate. By mandate and construction, the premium rates that Maryland Auto can charge are restricted to be affordable to the lower-income population being served. Median household income is the primary factor used to determine insurance policy prices in a region.

Exhibit 7 shows that in most years, the inadequacy rate is highest in Baltimore City and the Northeastern Maryland region. This is due to lower policy rates as well as higher volumes of accidents in Baltimore City that result in claims. Recently, however, the inadequacy rate has decreased drastically. In the Baltimore Metropolitan Area, the inadequacy rate decreased from 36% in calendar 2023 to an estimated 19% in calendar 2024. Maryland Auto attributes this decrease in the inadequacy rate to a number of rate increases since calendar 2022. Additionally, there was an increase in policies with comprehensive and collision coverage in the latter half of calendar 2022, but that trend reversed beginning in early calendar 2024. **Maryland Auto should provide further information on the factors explaining the anticipated decrease in the inadequacy rate in calendar 2024.**

Exhibit 7
Rate Adequacy by Percentage of Costs Not Covered Across Maryland
Fiscal 2018-2024 Estimated



Eastern Shore: Caroline, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester counties.
Northeastern Maryland: Baltimore, Carroll, Cecil, and Harford counties.
Southern Maryland and Anne Arundel County: Anne Arundel, Calvert, Charles, Prince George's and St. Mary's counties.
Western Maryland: Allegany, Frederick, Garrett, and Washington counties.

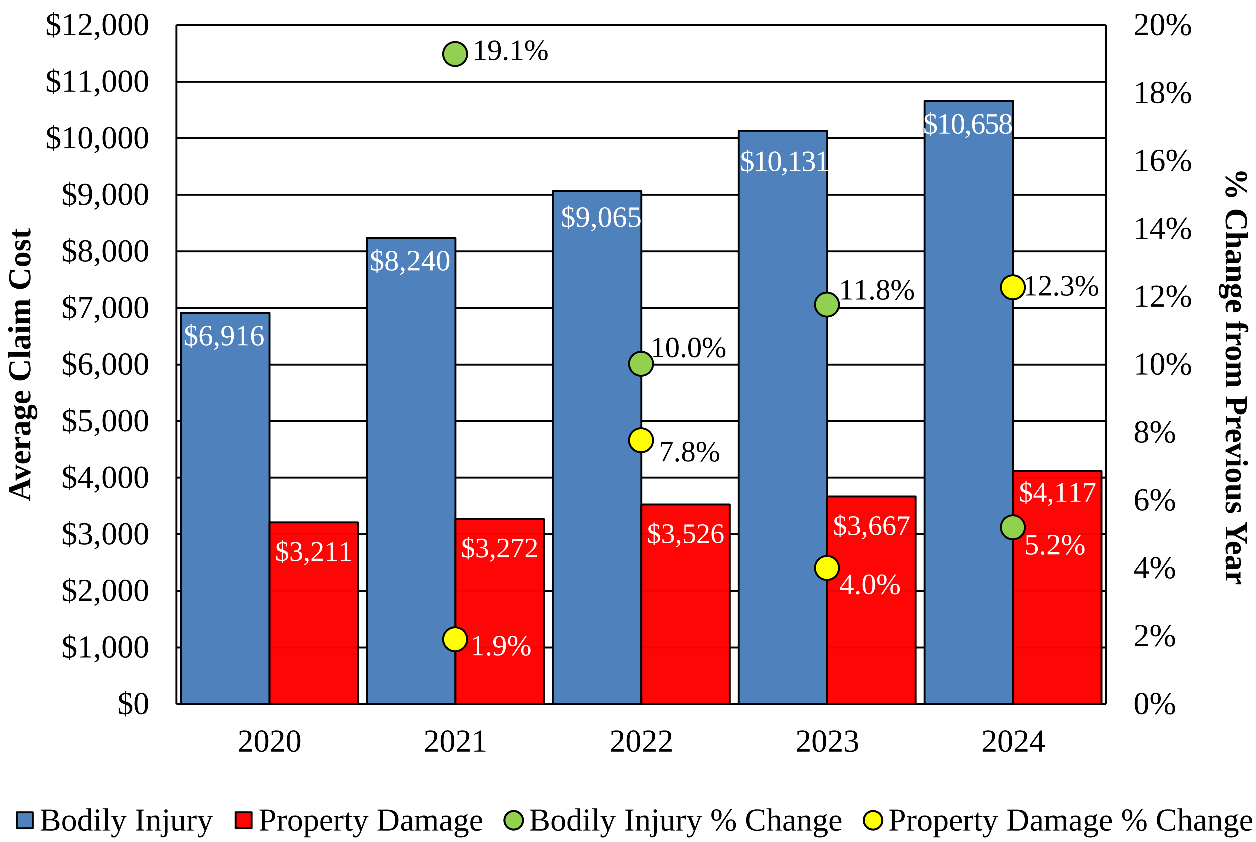
Note: Rates are set by zip code, which sometimes cross county borders; as a result; these groupings are an approximation.

Source: Maryland Automobile Insurance Fund

Claim Cost Developments

Maryland Auto has reported yearly increases in costs per claim since at least calendar 2020, as illustrated in **Exhibit 8**. The percentage change in average bodily injury claim costs ranged from 10% to 20% from calendar 2021 to 2023, outpacing inflation in all years. It is estimated that the change in average bodily injury claim costs was only 5.2% in calendar 2024, a sharp decrease from 11.8% in calendar 2023. The percentage change in property damage costs ranged from just under 2% in calendar 2021 to over 12% in calendar 2024, outpacing inflation. Maryland Auto reported that increases in claim costs result from inflation and the increasing severity of reported damages.

Exhibit 8
Average Claim Costs
Calendar 2020-2024 Estimated



Source: Maryland Automobile Insurance Fund

2. Uninsured Financial Reports and Surplus History

Uninsured Division Financial Statement

Exhibit 9 presents the financial statement for the Uninsured Division as of January 2025. The Uninsured Division is supported primarily by funds from the Motor Vehicle Administration (MVA) uninsured motorist fine per § 17-106 of the Transportation Article, which states that the MVA funding allotted to the Uninsured Division increases each year by the Consumer Price Index for all urban consumers. Accordingly, Maryland Auto experienced an estimated increase of 3% for both calendar 2024 and calendar 2025. Chapter 857 of 2024 increased penalties for uninsured motorists and increased the share of the penalties that accrue to Maryland Auto by approximately $3 million beginning in calendar 2024.

Exhibit 9
Maryland Automobile Insurance Fund
Uninsured Division Financial Statement
Calendar 2023-2025 Projected

	Actual 2023	Estimated 2024	Projected 2025
Motor Vehicle Administration Fines	$4,485,225	$4,619,782	$4,758,375
Uninsured Motorist Fines	0	3,000,000	3,090,000
Collections N&J	676,428	660,000	660,000
Investment Income, Net	232,054	234,375	236,719
Other Income	40,307	40,710	41,117
Total Income	**$5,434,014**	**$8,554,867**	**$8,786,211**
Claims Incurred	$3,515,156	$2,377,229	$2,448,546
Claims Expenses Incurred	1,867,843	1,787,714	1,987,582
Collection Expenses	689,598	748,977	866,225
Admin Expenses	2,568,957	2,838,843	3,117,750
Total Expenditures	**$8,641,554**	**$7,752,763**	**$8,420,103**
Net Income (Loss)	**-$3,207,540**	**$802,104**	**$366,108**
Beginning Surplus	$1,828,784	-$1,359,268	-$557,164
Net Income (Loss)	-3,207,540	802,104	366,108
Unrealized Gain/Loss Change	19,488	0	0
Ending Surplus	**-$1,359,268**	**-$557,164**	**-$191,056**

Collections N&J: Collections Notes and Judgements (court ordered damages collected from responsible parties and paid to victims)

Note: The Maryland Automobile Insurance Fund is on a calendar year basis for its financial statements in accordance with State regulations for insurance companies. Year-end adjustments and reserve changes may significantly change the results. All calendar 2024 numbers are subject to adjustment.

Source: Maryland Automobile Insurance Fund

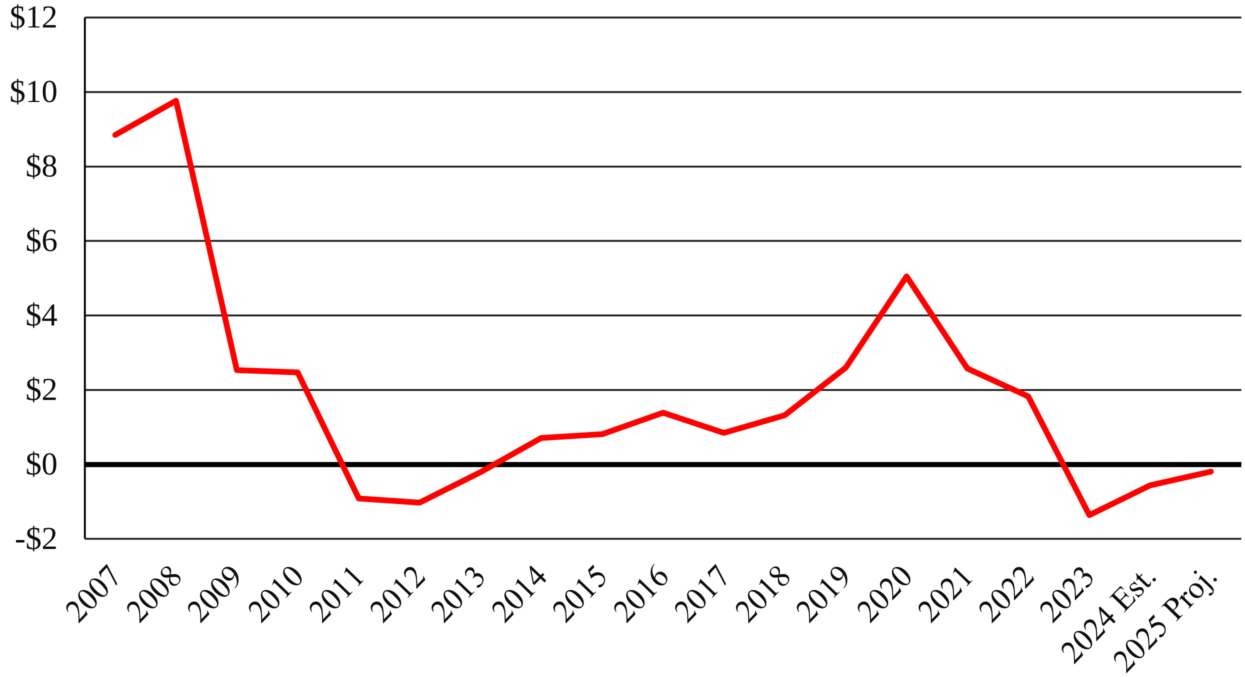
The other primary sources of income for the division include collections on claims filed and settled in court (notes and judgements) along with investment dividends. Income from collections changed only marginally, but notably negative, decreasing by 2.5% from calendar 2023 to 2024, with this income expected to remain level between calendar 2024 and 2025. At the same time, investment income increased by 1% between calendar 2023 and 2024, with investments projected to again grow 1% between calendar 2024 and 2025. Overall, Maryland Auto estimated that income will increase by 57.4% in calendar 2024 and by 2.7% in calendar 2025.

The total cost of claims incurred decreased 32.4% from calendar 2023 to an estimated $2.4 million in calendar 2024. All other costs decreased by at least 10%. The combination of an increase in revenue and decrease in expenses has resulted in an estimated net gain of roughly $802,000. Despite this net gain improving the Uninsured Division's financial position, a negative surplus of $557,164 is expected to remain at the end of calendar 2024. Projections for calendar 2025 show a decrease in net income, to $366,108, as expenditures increase at a greater rate than income. However, the projected negative surplus ending balance for calendar 2025 of $191,056 is still anticipated to be an improvement over calendar 2024.

Uninsured Division Surplus History

As shown in **Exhibit 10**, the Uninsured Division surplus increased in most years from calendar 2011 to 2019. However, this surplus has taken a downward turn since calendar 2020. As of January 2025, Maryland Auto estimated negative closeout balances of $557,164 in calendar 2024 and $191,056 in calendar 2025. There had not been a negative uninsured closeout balance since prior to calendar 2014, when the surplus in the Uninsured Division was negative from calendar 2011 to 2013. This resulted in part from the transfer of $11 million from the division to the General Fund.

Exhibit 10
Surplus Funds as of December 31 of Each Year
Uninsured Division
Calendar 2007-2025 Projected
($ in Millions)

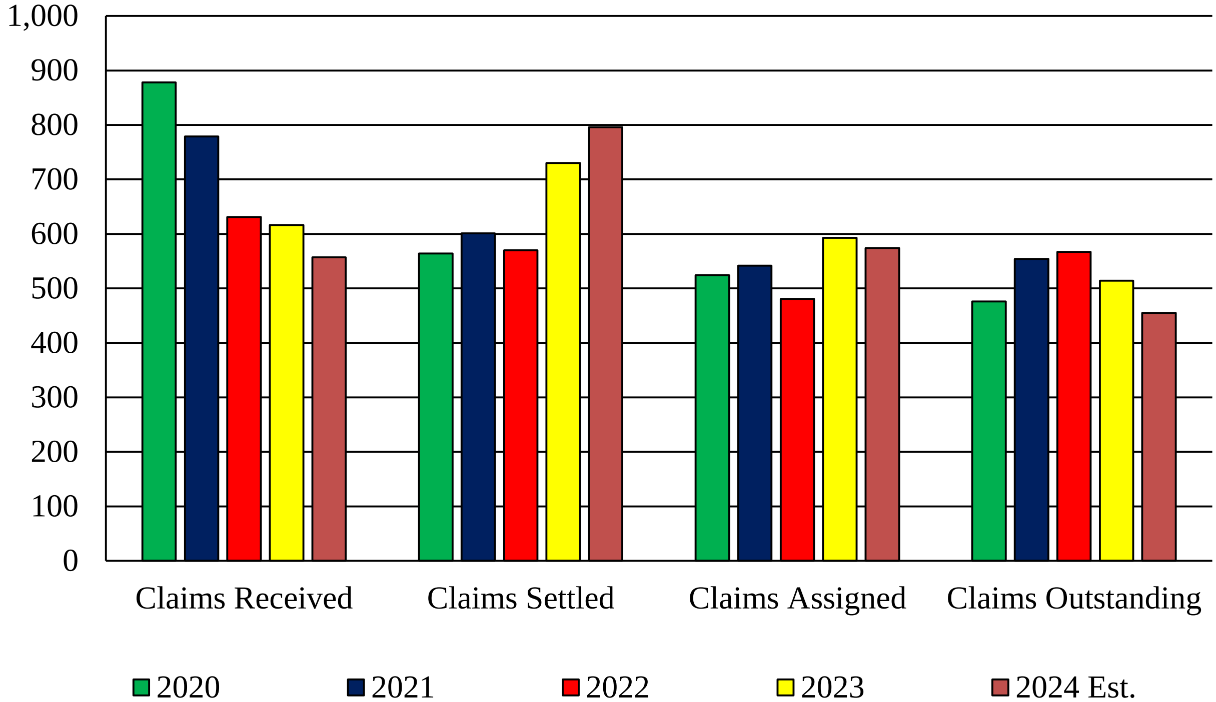


Source: Maryland Automobile Insurance Fund

Uninsured Claims

As shown in **Exhibit 11**, the total number of uninsured claims received decreased from calendar 2020 to 2024. Calendar 2024 is estimated to have the lowest volume of claims received (557) over the period, 9.6% lower than calendar 2023 (616). However, claims settled in calendar 2024 are estimated to remain elevated compared to the level seen during the COVID-19 pandemic.

Exhibit 11
Uninsured Division Claims Activity
Calendar 2020-2024 Estimated



Source: Maryland Automobile Insurance Fund

Outstanding claims increased by 16.4% from calendar 2020 to 2021 and 2.3% from calendar 2021 to 2022. While court closures during the pandemic may also have impacted the number of claims that could be processed, resulting in backlogs, increases in outstanding claims may also reflect a long-running problem in the Uninsured Division of arranging for and managing the payment of debts for individuals found responsible for claims. For example, Maryland Auto noted that a percentage of outstanding claims involve incarcerated individuals. The decrease in calendar 2023 represented the first decrease in outstanding claims since calendar 2019. Calendar 2024 is estimated to continue this trend, with outstanding claims decreasing 11.5% from calendar 2023.

Operating Budget Recommended Actions

1. Adopt the following narrative:

Quarterly Financial Statements for Insured and Uninsured Divisions: Annually, the Maryland Automobile Insurance Fund (Maryland Auto) provides end-of-year financial statements, including revenue, expenditure, and surplus figures for the closed-out, preceding year; estimates for the current year beginning at closeout; and projections for the immediate year ahead. Most revenue is derived from premiums in the Insured Division and a mandated appropriation of uninsured motorist fines under Section 17-106 of the Transportation Article for the Uninsured Division. However, both divisions derive revenue from investment dividends, which depend on investment portfolio decisions as well as stock market conditions. Comparisons of estimates to closeout and projections to end-of-year estimates suggest limited ability to forecast financial conditions for the full year. Given ongoing concerns about the financial stability of the agency and surplus levels in both divisions, the committees request quarterly updated financial statements for both divisions. The first report should cover data for the first two quarters of calendar 2025, and each subsequent report should cover the prior quarter.

Information Request	Author	Due Date
Quarterly financial statements for Insured Division and Uninsured Division	Maryland Auto	July 31, 2025 October 31, 2025 March 15, 2026 May 15, 2026

Appendix 1
2024 *Joint Chairmen's Report* Responses from Agency

The 2024 JCR requested that Maryland Auto prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Quarterly Financial Statements for Insured and Uninsured Division:*** Committee narrative in the 2024 JCR requested quarterly reports, two of which were submitted on July 31, 2024, and October 31, 2024. These reports provided statements documenting the income and expenses for both agency divisions as of June 30, 2024, and September 30, 2024. The last two expected reports are due on March 15, 2025, and May 15, 2025. Further discussion of financial statement data can be found in Key Observation 1 (Insured Division) and Key Observation 2 (Uninsured Division).