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Mayland Automobile Insurance Fund

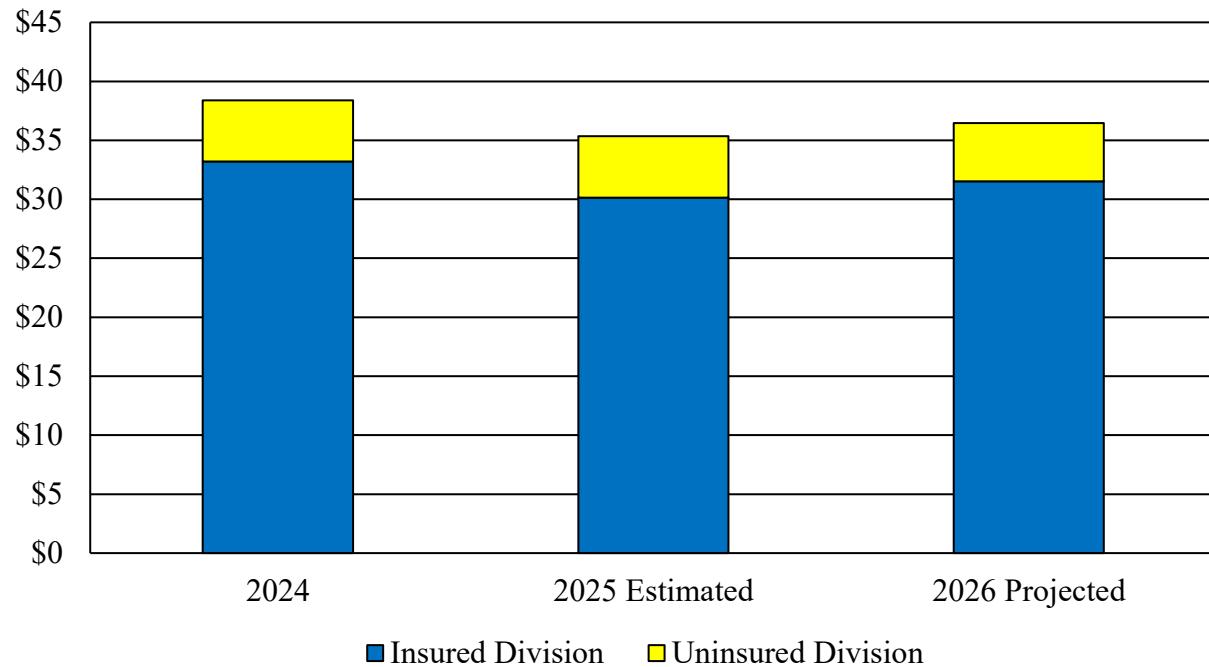
Program Description

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

Maryland Auto is organized into 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, an assessment on the auto insurance industry. 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 § 17-106 of the Transportation Article.

Operating Budget Summary

Calendar 2026 Budget Increases \$1.1 Million, or 3.2%, to \$36.5 Million
(\$ in Millions)



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Proposed Budget Change

As shown in **Exhibit 1**, the calendar 2026 budget of Maryland Auto is expected to increase by approximately \$1.1 million compared to calendar 2025. The largest increase occurs in the Insured Division for salary and fringe benefits, an increase of approximately \$654,000, primarily due to an organization wide merit increase, an anticipated 5% increase in health insurance premiums, and the associated increase in pension and Social Security contributions. Across both divisions, expenditures for contractual services are expected to increase by \$759,563 in calendar 2026, largely due to additional information technology (IT) project work focused on Maryland Auto's legacy system. These increases are offset by a decrease of \$204,870 in salaries and fringe benefits for regular and contractual positions in the Uninsured Division as Maryland Auto reallocates resources among divisions.

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

How Much It Grows:	Insured Division	Uninsured Division	Nonbudgeted Fund Total
Calendar 2025 Estimated	\$30,139	\$5,216	\$35,355
Calendar 2026 Projected	31,526	4,948	36,474
Calendar 2025-2026 \$ Change	\$1,387	-\$268	\$1,119
Calendar 2025-2026 % Change	4.60%	-5.15%	3.16%
Where It Goes:			<u>Change</u>
Insured Division			
Employee salaries and fringe benefits for regular and contractual employees ..			\$654
Contractual services (information technology (IT) project).....			612
Technical and special fees (such as Insurance Services Office and legal contingency)			66
Travel costs.....			28
Supplies and materials			23
Uninsured Division			
Contractual services (IT project)			\$147
Communication (uninsured motorist education and outreach).....			-39
Technical fees (decline in costs related to insuring uninsured motorists)			-174
Salaries and fringe benefits for regular and contractual employees			-205

Other Changes

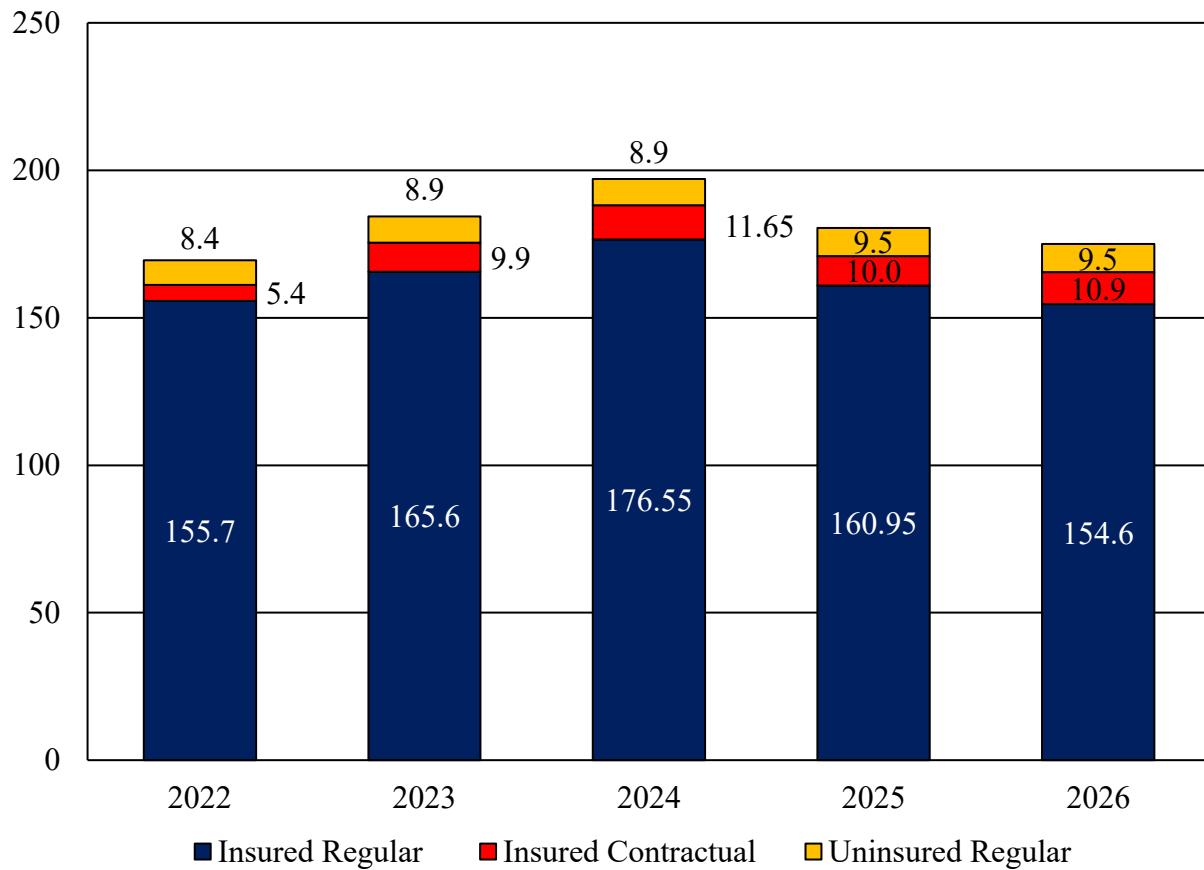
Other	\$7
Total	\$1,119

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

Personnel Data

Overall, Maryland Auto has experienced a decline in positions, from its peak in calendar 2024 at 197.1 positions, to 175.0 positions estimated for calendar 2026, a decrease of 11.2%. 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 14.4 total positions (8.9%) in calendar 2023. Calendar 2024 saw a further increase of 12.7 total positions (7.2%) 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. The Insured Division's positions decreased in calendar 2025 by 9.2%. In calendar 2026, the number of positions in the Insured Division is expected to further decrease by 3.2%, a total of 5.5 positions. Maryland Auto expects to need fewer staff in the Insured Division due to a decline of policies in force.

Exhibit 2
Agencywide Personnel Changes
Calendar 2022-2026 Projected



Note: The uninsured total includes a half-time contractual position from calendar 2022 through 2023 and 2025 through 2026.

Source: Maryland Automobile Insurance Fund

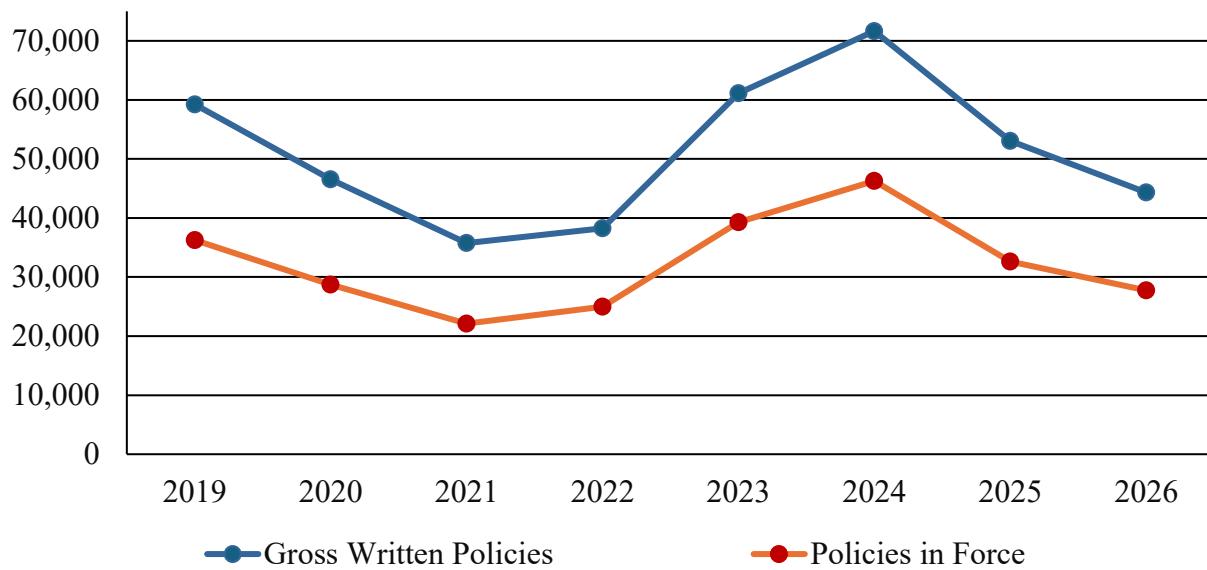
Key Observations

1. Policies, Rates, and Claim Costs

As shown in **Exhibit 3**, the number of gross written policies and policies in force declined from calendar 2019 to 2021, decreasing by 40% and 39%, respectively. However, after a 13% increase in calendar 2022, the number of gross written policies and policies in force increased by 57% in calendar 2023 and 18% in calendar 2024. Market conditions may be partially responsible

for these increases. Maryland Auto projects that the number of gross written policies and policies in force decreased by 26% and 29%, respectively, in calendar 2025 compared to calendar 2024. Maryland Auto expects that pattern to continue in calendar 2026, with gross written policies and policies in force decreasing by 16% and 15%, respectively. Maryland Auto noted that as premiums increased and private insurers have altered underwriting guidelines, it has lost customers, and there has been a decline in optional coverage plans for those who remain. Its book of business has shifted to liability only policies, leading to a further decline in premiums.

Exhibit 3
Policies Issued by the Insured Division
Calendar 2019-2026 Projected



Note: Calendar 2025 values are estimates as financial closeout for the year is incomplete. Calendar 2026 values are projections for 2026 end-of-year totals.

Source: Maryland Automobile Insurance Fund

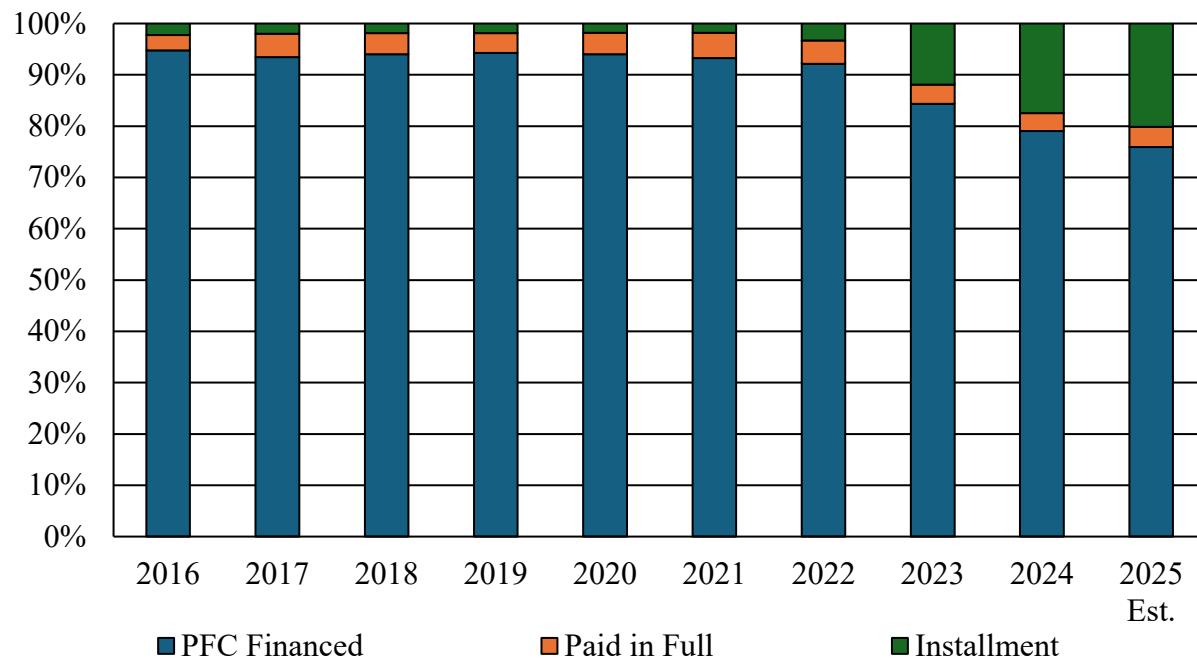
Installment Plan

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. Prior to the authorization of installment plans, policyholders who needed to finance a plan needed to use a premium finance company or pay in full. Although installment plans have now been available for over a decade, some policyholders continue to finance through third-party companies that typically require lower

down payments. 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 previously 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 4**, Maryland Auto 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 17.5% at the end of calendar 2024 and was projected to have increased to 20.2% in calendar 2025.

Exhibit 4
Percentage of All Payment Plans
Calendar 2016-2025 Estimated



PFC: premium finance company

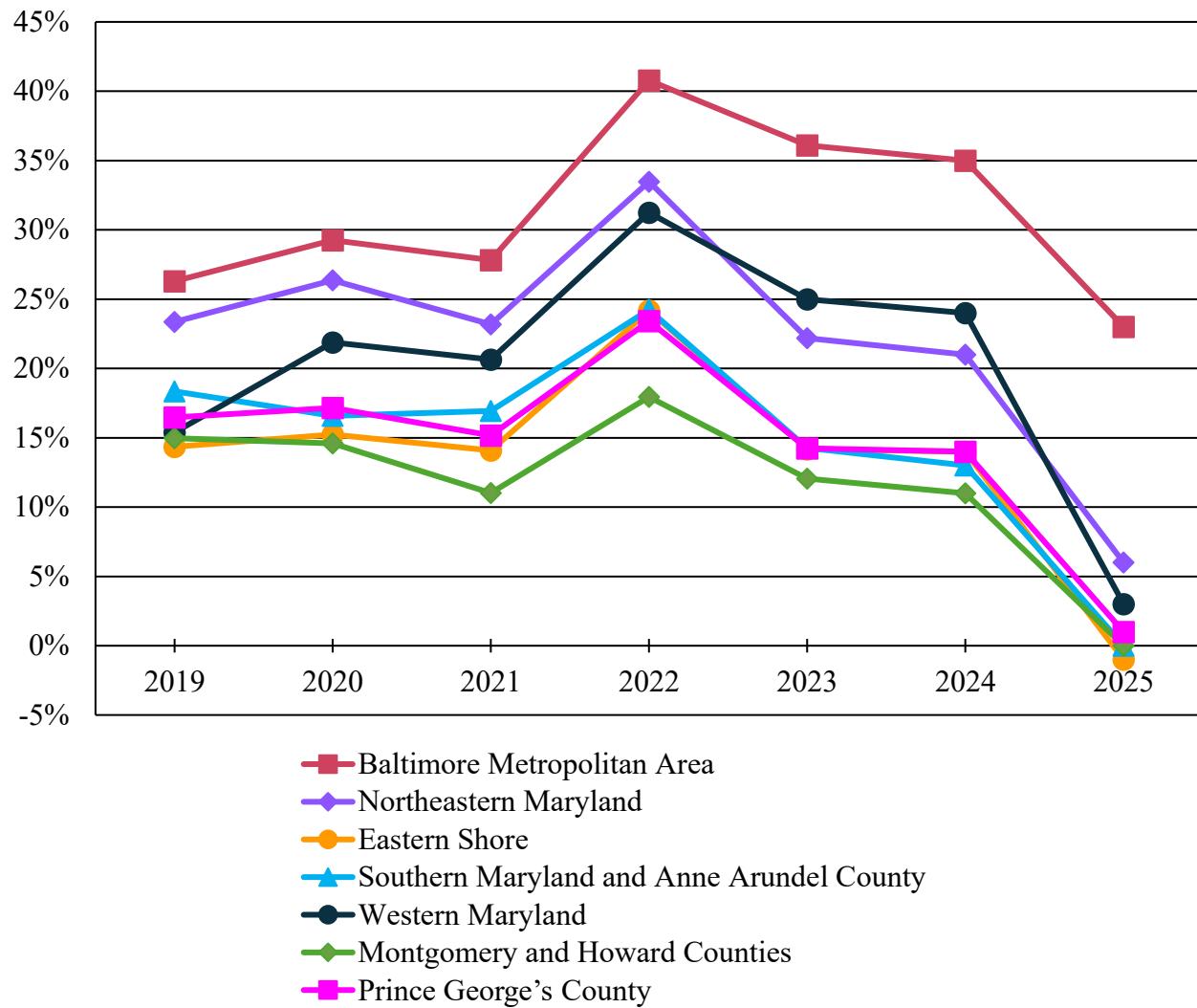
Source: Maryland Automobile Insurance Fund

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.

Exhibit 5 shows that in most years, the inadequacy rate is highest in Baltimore City and the Northeastern Maryland region. This is due to a combination of high average premium amounts in lower-income areas, as well as higher volumes of accidents in Baltimore City that result in claims. Recently, however, the inadequacy rate has decreased due to a number of rate increases since calendar 2022 and a decrease in policies with comprehensive and collision coverage in the latter half of calendar 2022. However, the coverage trend reversed beginning in early calendar 2024. In the Baltimore Metropolitan Area, the inadequacy rate decreased from 35% in calendar 2024 to an estimated 23% in calendar 2025. Overall, Maryland Auto expects that the inadequacy rate across the State decreased from 19% in calendar 2024 to 6% in calendar 2025. Maryland Auto points to the rate increases leading to more liability only policies as contributing to a decrease in rate inadequacies due to less claims for physical damage, along with increased operational efficiencies, and cost reductions measures.

Exhibit 5
Rate Adequacy by Percentage of Costs Not Covered Across Maryland
Fiscal 2019-2025 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.

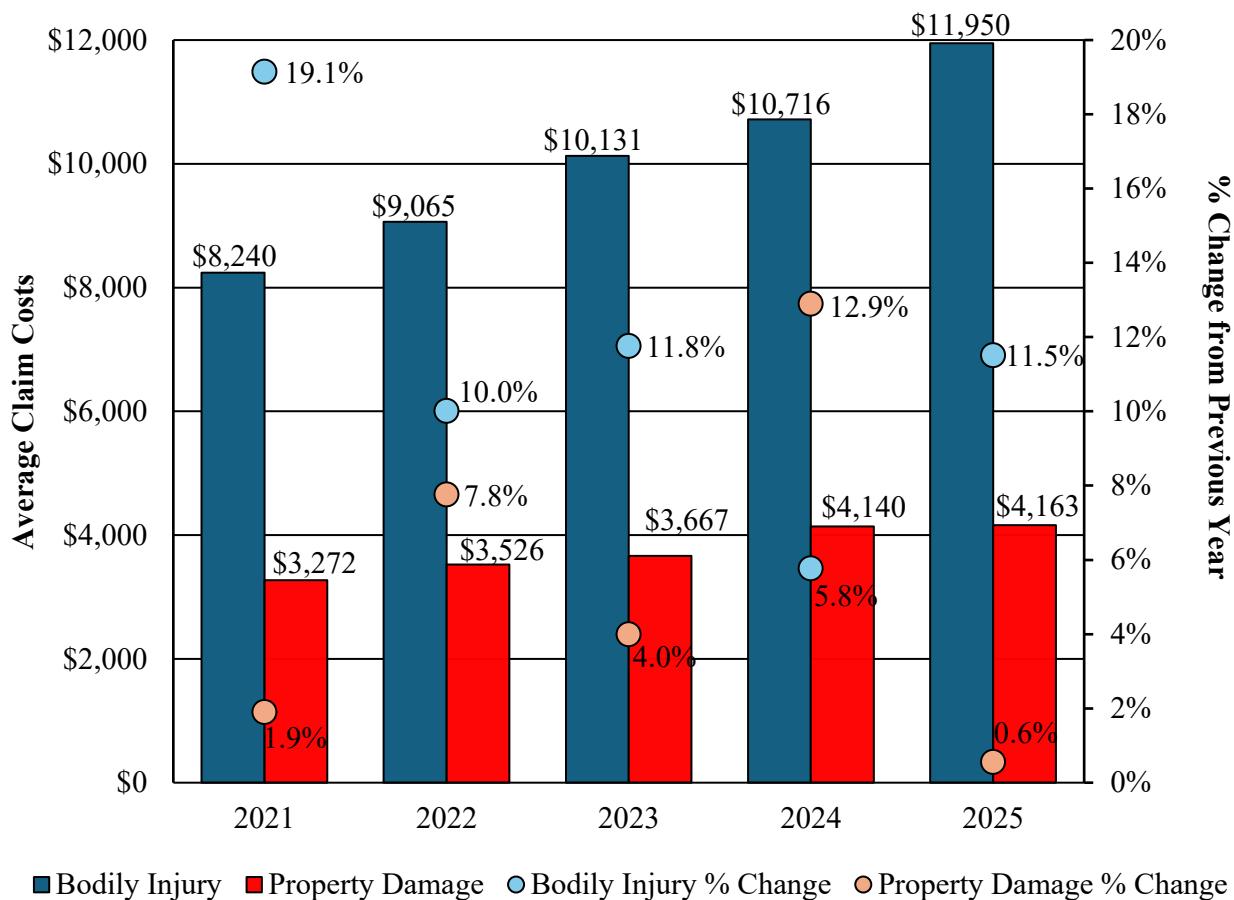
Note: Rates are established by territories, which are made up of a grouping of similar zip codes.

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 6**. The percentage change in average bodily injury claim costs peaked in calendar 2021 at 19.1%. While the percentage change in these costs fell to 5.8% in calendar 2024, Maryland Auto estimates a significant increase of 11.5% in calendar 2025. The percentage change in property damage costs ranged from just under 2% in calendar 2021 to under 1% in calendar 2025. Maryland Auto reported that increases in bodily injury claim costs result from increased medical bills presented for evaluation and settlement.

Exhibit 6
Average Claim Costs
Calendar 2021-2025 Estimated



Source: Maryland Automobile Insurance Fund

2. 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 7 presents a financial statement of the Insured Division including actual calendar 2024 closeout figures, estimated calendar 2025 figures, and projected calendar 2026 figures as of January 2026. The financial estimates provided by Maryland Auto in January 2025 included a projected calendar 2024 end-of-year surplus of \$926,867, but the actual end-of-year surplus was \$3.5 million. This increased surplus can be attributed to higher than expected total income and lower than expected expenditures. In particular, premium income and investment income were 1.5% and 15.5% higher than expected, respectively, while claims incurred were \$1.1 million lower than projected for calendar 2024.

Exhibit 7
Maryland Automobile Insurance Fund
Insured Division Financial Statement
Calendar 2024-2026 Projected

	<u>Actual 2024</u>	<u>Estimated 2025</u>	<u>Projected 2026</u>
Earned Premium	\$122,709,427	\$113,976,725	\$89,276,350
Investment Income	6,335,514	5,948,419	5,447,224
Other Income	294,734	342,044	313,224
Total Income	\$129,339,675	\$120,267,188	\$95,036,798
Claims Incurred	\$99,056,175	\$94,081,463	\$73,609,632
Claims Expenses Incurred	22,285,138	18,607,310	19,054,211
Other Expenditures	26,154,723	21,870,220	21,948,214
Total Expenditures	\$147,496,036	\$134,558,993	\$114,612,057
Net Income/Loss	-\$18,156,361	-\$14,291,805	-\$19,575,259
Beginning Surplus	\$19,772,764	\$3,508,934	\$10,079,403

	<u>Actual 2024</u>	<u>Estimated 2025</u>	<u>Projected 2026</u>
Net Income/Loss	-18,156,361	-14,291,805	-19,575,259
Unrealized Gain/Loss Change	1,790,647	1,566,216	0
Change to Nonadmitted Assets	101,884	150,757	0
Release of Overrecoulement	0	0	0
Prior Year Assessment	0	19,145,301	14,907,550
Ending Surplus	\$3,508,934	\$10,079,403	\$5,411,694
Assessment Threshold	\$22,958,652	\$24,986,953	\$22,444,711
Ratio Surplus to Assessment Threshold	0.15	0.40	0.24

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 2025 numbers are subject to adjustment.

Source: Maryland Automobile Insurance Fund

The bulk of revenue for the Insured Division is derived from policy premiums. With a decrease in the number of policies in force from calendar 2024 to 2025 came a corresponding decrease of 7.1% in premium revenue, from \$122.7 million in calendar 2024 to an estimated \$114.0 million in calendar 2025. In addition, with less premium revenue to invest, Maryland Auto also projects that investment income decreased by 6.1% between calendar 2024 and 2025. However, spending declined in all categories, with claims expenses incurred having the greatest decline at 16.5%.

Maryland Auto estimates a net loss of \$14.3 million in calendar 2025. This loss reflects a reduction in operating losses of 21.3% compared to calendar 2024. By statute, the assessment limit is calculated for each line of business by calculating the average of net direct written premium for the last three years and multiplying that by 25%. If the surplus is below that amount, an assessment is certified by the Maryland Auto Board of Trustees to the Board of Directors of the Industry Automobile Insurance Association.. Due to the levying of a personal auto assessment in calendar 2025, the ending surplus is expected to increase from \$3.5 million in calendar 2024 to \$10.1 million in calendar 2025. The certification of a personal auto assessment for calendar 2025 would occur in calendar 2026. The assessment must be certified on or before March 15.

The forecast for calendar 2026 presents a similar story for revenues and expenditures, albeit with a lower projected ending surplus. Maryland Auto projects that there will be a significant decrease of 21.7% in premium revenue in calendar 2026, corresponding with a decrease in policies in force in calendar 2025. From calendar 2025 to 2026, total income decreases by 21.0%, and expenditures are projected to decrease 14.8% to \$114.6 million. The resulting net loss for calendar 2026 is projected to be \$19.6 million, which is larger than the estimated \$14.3 million loss in calendar 2025. This larger net loss is paired with an assessment that is tentatively expected to be in the range of \$14.9 million in calendar 2026, contributing to a projected surplus of

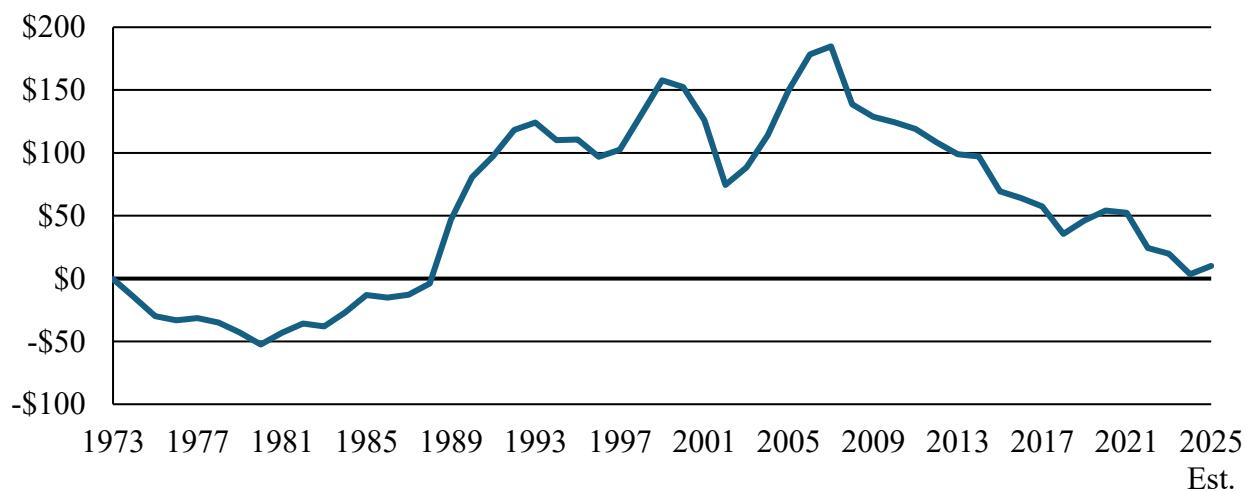
\$5.4 million at the end of calendar 2026. Maryland Auto estimates the assessment will add \$0.48 a month on an average \$2,500 policy.

The Department of Legislative Services recommends adopting committee narrative requesting that updated financial statements be submitted 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 8**, 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 fell to roughly \$20 million, its lowest level since calendar 1988. As of January 2026, the estimated calendar 2025 closing surplus is \$10.1 million. To address the declining surplus, Maryland Auto is planning to take a balanced approach that includes working toward more adequate rates where possible in the long-term while ensuring access to affordable insurance. Maryland Auto filed two rate increases in calendar 2025 and contributed to the Workgroup on the Affordability of Private Passenger Automobile Insurance in Maryland. The agency is also working to optimize its investment strategy.

Exhibit 8
Surplus Funds as of December 31 of Each Year
Calendar 1973-2025 Estimated
(\$ in Millions)



Source: Maryland Automobile Insurance Fund

3. Uninsured Financial Reports and Surplus History

Uninsured Division Financial Statements

Exhibit 9 presents the financial statement for the Uninsured Division as of January 2026. 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 estimated 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 2024-2026

	<u>Actual 2024</u>	<u>Estimated 2025</u>	<u>Projected 2026</u>
Uninsured Motorist Fines	\$7,516,565	\$7,704,200	\$7,935,326
Collections N&J	627,154	612,000	594,000
Investment Income, Net	261,665	352,466	355,990
Other Income	58,294	89,136	90,027
Total Income	\$8,463,678	\$8,757,802	\$8,975,343
Claims Incurred	\$1,888,312	\$1,938,27	\$1,996,580
Claims Expenses Incurred	1,602,360	1,755,468	1,854,280
Collection Expenses	723,016	750,284	769,397
Admin Expenses	2,810,764	2,770,246	2,391,161
Total Expenditures	\$7,024,452	\$7,214,425	\$7,011,418
Net Income/Loss	\$1,439,226	\$1,543,377	\$1,963,925
Beginning Surplus	-\$1,359,268	\$62,417	\$1,605,794
Net Income/Loss	1,439,226	1,543,377	1,963,925
Unrealized Gain/Loss Change	-17,541	0	0
Ending Surplus	\$62,417	\$1,605,794	\$3,569,719

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

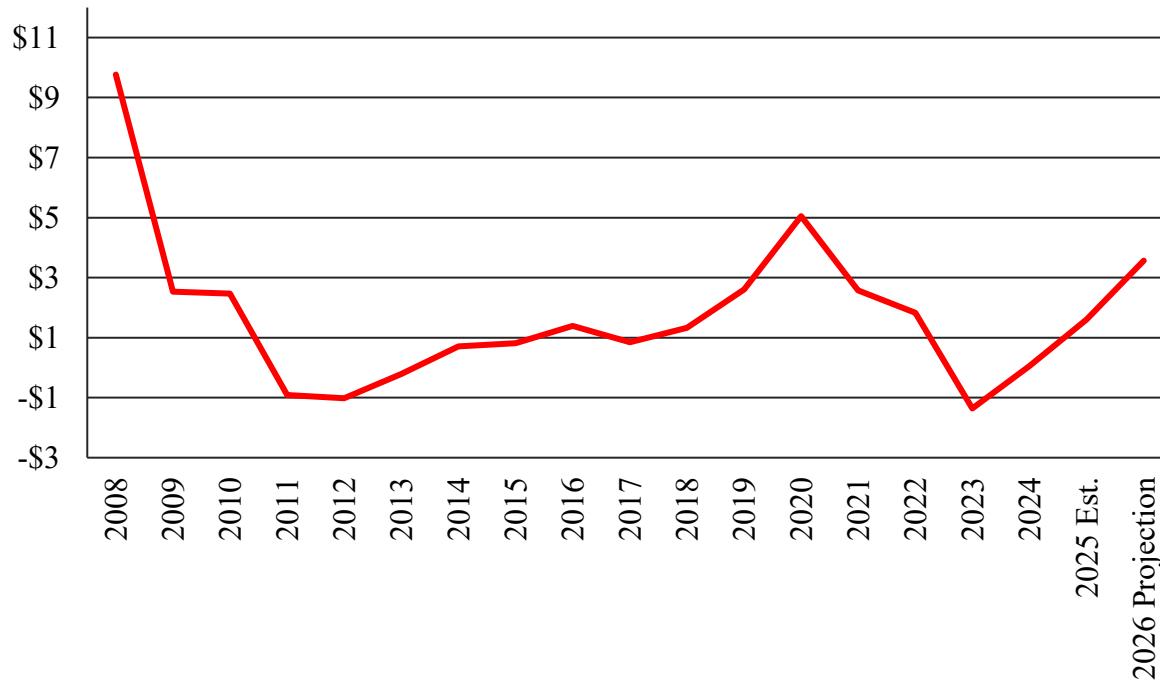
The other primary sources of income for the division include collections on claims filed and settled in court (notes and judgements) along with investment dividends. Income from collections changed only marginally, but notably negatively, decreasing by an estimated 2.4% from calendar 2024 to 2025. However, Maryland Auto expects income from this source to remain fairly level between calendar 2025 and 2026. At the same time, investment income is projected to have increased by 34.7% between calendar 2024 and 2025, with that income projected to grow by 1% between calendar 2025 and 2026. Overall, Maryland Auto estimates that income will increase by 3.5% in calendar 2025 and by 2.5% in calendar 2026.

The total cost of claims incurred increased 2.7% from calendar 2024 to an estimated \$1.9 million in calendar 2025. All other costs are projected to increase with the exception of administrative expenses. The combination of increases in revenue and expenses has resulted in an estimated net income gain of roughly \$1.5 million. This net gain improves the Uninsured Division's financial position from a surplus of \$62,417 in calendar 2024 to a surplus of \$1.6 million at the end of calendar 2025. Projections for calendar 2026 show a further improved financial position for the division. An increase in net income of \$2.0 million is projected, as income growth outpaces expenditures, with an estimated surplus ending balance for calendar 2026 of \$3.6 million.

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. Calendar 2023 ended with a negative surplus of \$1.4 million. 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. Calendar 2024 resulted in a closeout balance of \$62,417. Maryland Auto expects to see continued increases in surpluses in the coming years. As of January 2026, Maryland Auto estimates closeout balances of \$1.6 million in calendar 2025 and \$3.6 million in calendar 2026.

Exhibit 10
Surplus Funds as of December 31st of Each Year
Uninsured Division
Calendar 2008-2026 Projected
($\$$ in Millions)

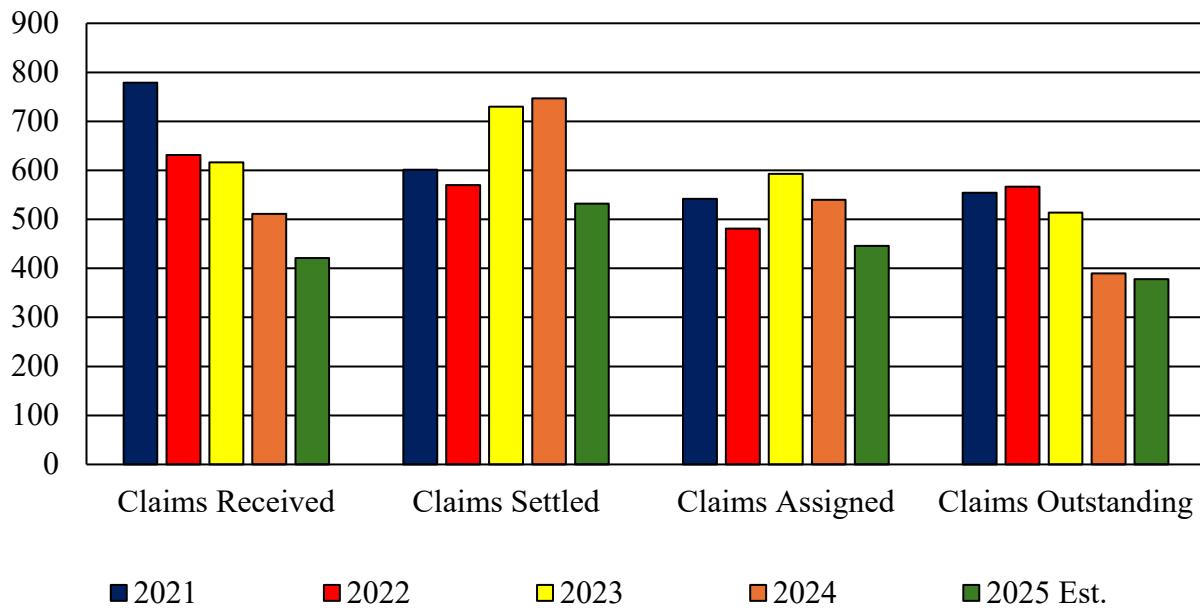


Source: Maryland Automobile Insurance Fund

Uninsured Claims

As shown in **Exhibit 11**, the total number of uninsured claims received decreased from calendar 2021 to 2025. Calendar 2025 is estimated to have the lowest volume of claims received (421) over the period, 17.6% lower than calendar 2024 (511). However, claims settled in calendar 2025 are estimated to decrease by 29% compared to calendar 2024.

Exhibit 11
Uninsured Division Claims Activity
Calendar 2021-2025 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 long-running challenges for 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 2025 is estimated to continue this trend, with outstanding claims decreasing by 3.1% from calendar 2024.

4. Affordability Index

Maryland Auto's standard ratemaking methodology is territorial-based. Territories consist of the grouping of zip codes based on loss history, population density, and current territory. Insurers assign actuarially risk-based rates to territories. Maryland Auto has two separate territorial groupings for physical damage coverage and liability coverage. Maryland Auto has divided the State into nine territories for its physical damage coverage, each with its own rate. Liability

coverage is more complex. Maryland Auto divides the State into 7 regions, 15 subregions, and 66 geographical regional areas (GRA). Maryland Auto has assigned a base rate for liability coverage to each 66 GRA.

Maryland Auto uses an affordability index to in an effort to cap insurance costs for policyholders in specific lower median household income zip codes throughout the State. Maryland Auto applies the index to 47 zip codes, 30 of which have Maryland Auto assigned territorial base rates higher than the statewide average. Maryland Auto applies the affordability index only to liability coverage, not to physical damage coverage. The affordability index is based on the methods established by the Federal Insurance Office (FIO). The FIO affordability index:

- only applies to “Affected ZIP Codes,” which are zip codes that have (1) a majority-minority population or (2) a median family income less than 80% of the median family income in the relevant Metropolitan Statistical Area (“low or moderate income”);
- is based on the average annual cost of private passenger automobile (PPA) liability insurance on the private market relative to median income;
- is calculated as the ratio of average annual written PPA liability premium on the private market divided by the median household income;
- is based on data from the 2013 and 2015 Bureau of Labor Statistics’ Consumer Expenditure Survey, with FIO concluding that the average household spends approximately 2% of income on private passenger automobile liability insurance; and
- PPA liability insurance is unaffordable in an Affected ZIP Code with an affordability index ratio above 2%.

Maryland Auto’s Affordability Index ratio is higher than FIO’s standard of 2% at 3.3%. The agency uses the Affordability Index in an effort to cap liability base rates in zip codes where Maryland Auto has determined that base rates are estimated to exceed 3.3% of median household income.

Maryland Auto’s affordability index practices have been called into question by the Maryland Insurance Administration (MIA), given the need for an assessment in calendar 2025 and 2026. The *Joint Chairmen’s Report* in 2024 and 2025 requested joint reports from MIA and Maryland Auto on Maryland Auto’s rate affordability. Maryland Auto has considered affordability in its ratemaking based on statute since 1985. However, MIA believes that statute dictates that solvency takes precedence over affordability, noting that if Maryland Auto needs to issue an assessment on the private market, it is not in a position to charge below-market insurance rates based on its affordability index. Maryland Auto contends that its ability to issue assessments against the private industry means it cannot become insolvent; therefore, affordability should always be part of its rate-setting methodology. MIA deems that the use of the affordability index undermines Maryland Auto’s standard territorial rating system based on actuarial risk and is

unlawfully discriminatory because it relies on median household income, which is not an actuarial risk.

In December 2024, MIA issued an order letter to Maryland Auto stating that its proposed rates were inadequate and that its affordability index was unfairly discriminatory. The letter also ordered Maryland Auto to file new proposed rates, gradually eliminate the use of the affordability index over two years, and, by December 31, 2026, ensure that all zip codes affected by the index have rates that are actuarially based. MIA amended its order in March 2025, extending the deadline for the required changes to December 31, 2027.

Chapter 395 of 2025 established a workgroup to look at the affordability of private passenger automobile insurance. The workgroup issued its report in December 2025 and recommended that MIA periodically report on the affordability of the private insurance market using the FIO's affordability index. The workgroup discussed alternatives to Maryland Auto's affordability index. The workgroup endorsed Maryland Auto's suggestion to adjust the length of Maryland Auto policy terms from 12 to 6 months. It is believed that this change would reduce down payments and encourage participation in the private market through more frequent comparison shopping. Maryland Auto does not yet have a timeline for implementing the 6-month policy term but is exploring a pilot program in the next 18 months. Maryland Auto would need to secure necessary IT resources, obtain MIA approval, and work with external stakeholders before implementing the proposed change. Maryland Auto also suggested an economic relief program for policyholders who meet specific income requirements. This program would require legislation because it is not consistent with current ratemaking statutes. The workgroup recommended further study of this proposal, as well as a low-cost auto insurance program, to determine what is feasible, how to implement these ideas, how to fund them, and whether the credit would be for Maryland Auto policyholders only or for those in the private market as well.

Operating Budget Recommended Actions

1. **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 updated financial statements for both divisions. The first report should include the pro forma income statements for the calendar 2025 actuals and calendar 2026 projections, at the time of submission.

Information Request	Author	Due Date
Financial statements for Insured Division and Uninsured Division	Maryland Auto	July 31, 2026

2. **Insured Division Report:** Due to inadequate ending surplus in calendar 2025, the Maryland Automobile Insurance Fund (Maryland Auto) is expected to require issuing another assessment. The Insured Division's revenue is driven by premiums collected on insurance policies. The committees are requesting a report to monitor the ongoing financial situation at Maryland Auto. The report should include data on premiums earned and expenditures. The report should also include data on gross written policies, policies in force, payment plans counts, and policy types. The report should cover the first two quarters of calendar 2026.

Information Request	Author	Due Date
Insured Division's premiums, expenditures, and policy information	Maryland Auto	October 1, 2026

Appendix 1
2025 Joint Chairmen's Report Responses from Agency

The 2025 *Joint Chairmen's Report* (JCR) requested that Maryland Auto prepare four quarterly reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Quarterly Financial Statements for Insured and Uninsured Division:*** Committee narrative in the 2025 JCR requested quarterly reports, two of which were submitted on July 31, 2025, and October 31, 2025. These reports provided statements documenting the income and expenses for both agency divisions as of June 30, 2025, and September 30, 2025. The last two expected reports are due on March 15, 2026, and May 15, 2026. Further discussion of financial statement data can be found in Key Observation 2 (Insured Division) and Key Observation 3 (Uninsured Division)