

Department of Legislative Services  
Maryland General Assembly  
2026 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 1387  
Judiciary

(Delegate Coley, *et al.*)

Finance

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Maryland Automobile Insurance Fund - Fund Producer Commission Rate

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This bill reduces the minimum commission rate that the Maryland Automobile Insurance Fund (MAIF) must pay to an insurance producer that issues insurance policies on behalf of the fund from 10% of the total premium to 5% of the total premium. The bill also prohibits MAIF from paying a commission on a policy written directly by MAIF without the involvement of an insurance producer.

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Fiscal Summary

**State Effect:** The bill does not materially affect State operations or finances.

**MAIF Effect:** MAIF nonbudgeted expenditures decrease beginning in FY 2027, potentially by several hundred thousand dollars annually, to the extent MAIF uses the authority to reduce insurance producer commission payments, as discussed below. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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Analysis

**Current Law:**

*Maryland Automobile Insurance Fund – Generally*

Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance

to residents of the State who are unable to obtain policies in the private insurance market. As the insurer of last resort, MAIF is not in direct competition with the private insurance industry because a customer must generally have been turned down by other insurers (and meet other requirements) in order to obtain a policy with MAIF.

### *Insurance Producers*

An insurance producer is a person licensed by the Maryland Insurance Administration to sell insurance in the State on behalf of an insurer. A producer can be a captive agent, only selling insurance for one insurer, or an independent agent, able to sell insurance for more than one insurer. An individual applying for the license must be of good character and trustworthy and meet any education requirements specified by law and set by the Maryland Insurance Commissioner.

With limited exceptions, for private passenger automobile insurance issued by MAIF, MAIF is required to pay a commission to an insurance producer that issues insurance policies on behalf of the fund. The commission rate paid by MAIF must be between 10% and 15% of the total premium.

**MAIF Expenditures:** According to MAIF, commissions for insurance producers represent a significant operating expense. MAIF advises that it intends to use the authority granted under the bill to align producer commissions to the level of producer involvement, which could be below the current 10% minimum. Assuming MAIF lowers commission payments, MAIF nonbudgeted expenditures decrease, starting in fiscal 2027.

*For illustrative purposes only,* MAIF advises that even a relatively minor reduction in some commission rates could decrease expenditures by \$250,000 or more annually. However, a more precise impact depends on the commission rates established by MAIF and cannot be readily estimated without actual experience under the bill.

**Small Business Effect:** To the extent that a small business acts as an insurance producer for MAIF and its commission rate is reduced, revenues for the insurance producer decrease accordingly. However, without experience under the bill, the magnitude of the impact on small business revenues cannot be reliably estimated at this time.

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## **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** SB 637 (Senator Jackson) - Finance.

**Information Source(s):** Maryland Automobile Insurance Fund; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2026  
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