

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 816
Judiciary

(Delegate Taylor, *et al.*)

Maryland Automobile Insurance Fund - Affordability - Purpose of Fund and
Authorized Program

This bill expands the purpose of the Maryland Automobile Insurance Fund (MAIF) to encompass providing the financial security required under § 17-103 of the Transportation Article (*i.e.*, the minimum insurance requirements for private passenger motor vehicles) *at affordable rates* to those eligible persons that are unable to obtain it from an Industry Automobile Insurance Association (IAIA) member (*i.e.*, another insurance company). The bill authorizes MAIF to establish an affordability program, even if it is inconsistent with the rate making provisions of Title 11, Subtitle 2 or 3 of the Insurance Article, which, among other things, prohibit insurers from charging inadequate or excessive premiums or charging rates that are unfairly discriminatory.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State operations or finances.

MAIF Effect: MAIF revenues are likely affected beginning in FY 2028 because the bill allows MAIF to continue its current practice of charging reduced premium rates for certain policyholders, as discussed below. Expenditures are not materially affected.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law:

Maryland Insurance Administration and Rate Making by Insurers

Insurance in the State is regulated by the Maryland Insurance Administration (MIA), an independent agency headed by the Insurance Commissioner, whom the Governor appoints with the advice and consent of the Senate. MIA and the Insurance Commissioner's statutory and regulatory duties include, among other things, certifying insurers to operate in the State, reviewing and approving the rates and forms used by insurers, and licensing and certifying insurance professionals. MIA and the Commissioner have broad authority to enforce the requirements and prohibitions that apply to insurers and insurance professionals. For example, depending on the type of violation and following the administrative processes required by Insurance Law and regulations, the Commissioner is authorized to issue orders directing insurers or insurance professionals to take certain actions, impose administrative penalties, and suspend or revoke certifications and/or licenses.

Insurance Law includes guidelines and instructions related to the manner in which insurers calculate and apply their premium rates to ensure such rates do not become excessive, inadequate, or unfairly discriminatory. With limited exception, rates must generally be filed with MIA prior to being used. Among other requirements, Insurance Law includes ratemaking specifications that only apply to automobile insurance, processes MIA must follow when disapproving of a rate filing, and special ratemaking principles that must be followed by an insurer under certain circumstances. When determining premium rates, due consideration must be given to:

- past and prospective loss experienced within and outside of the State;
- conflagration or catastrophic hazards;
- a reasonable margin for underwriting profit and contingencies;
- dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers;
- past and prospective expenses, both countrywide and those specially applicable to the State;
- investment income earned or realized by insurers both from their unearned premium income and from their loss reserve funds; and
- all relevant factors within and outside the State.

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.

Like other insurers, MAIF is primarily funded through premiums on the insurance policies it issues; however, MAIF is authorized to issue an assessment paid by other motor vehicle insurers in the State if it experiences a significant operating loss (as defined by State law) and meets other specified conditions. This is to ensure MAIF's continued viability as the insurer of last resort. The assessment is grouped and paid separately by private passenger automobile insurers and commercial automobile insurers. Once an insurer pays the assessment, it is authorized to recoup the cost from policyholders.

Maryland Automobile Insurance Fund – Rate Making

Chapter 395 of 2025 requires MAIF to, among other things, receive approval from MIA prior to implementing rates for its policies (whereas most other automobile insurers can “file and use” their rates before approval is given by MIA). Specifically, Chapter 395 establishes that the provisions of the Insurance Article that apply for prior approval rate making (Title 11, Subtitle 2 of the Insurance Article) apply to the determination of MAIF's premiums by the Executive Director of MAIF and the filing of rates with the Insurance Commissioner:

- between July 1, 2025, and December 31, 2025, both inclusive; and
- beginning January 1, 2026, if MAIF's total adjusted capital is less than its company action level risk-based capital.

Chapter 395 also made several technical changes to specify that existing requirements that apply to MAIF's rate making apply for prior approval rate making in addition to competitive rate making (*i.e.*, file and use rate making).

MIA reviews MAIF's premium rates pursuant to the same statutory standards that apply to any other automobile insurer's premium rates, meaning that MIA reviews MAIF's premium rates to ensure that they are not inadequate, excessive, or unfairly discriminatory.

Maryland Automobile Insurance Fund – Premium Discount

MAIF currently uses an affordability index to determine a premium discount for its insureds based on the median household income of the zip code in which the insured is located. However, on December 18, 2024, MIA issued an order requiring MAIF to raise

its rates to an “adequate” level and eliminate the affordability index within two years (by December 31, 2026). The affordability index is 3.3% of the median household income in a zip code and effectively operates to alleviate the impacts of high base rates on insureds from low-income areas. The average median household income for the zip codes where the affordability index applies was \$64,724 in calendar 2024, while the statewide median was \$91,373 in the same year.

In March 2025, the order was revised to give MAIF until the end of calendar 2027 to comply.

Industry Automobile Insurance Association and Assessment Processes

MAIF is authorized to issue an assessment paid by other motor vehicle insurers in the State if it experiences a significant operating loss (as defined by State law) and meets other specified conditions. This is to ensure MAIF’s continued viability as the insurer of last resort. As noted above, the assessment is grouped and paid separately by private passenger automobile insurers and commercial automobile insurers. Once an insurer pays the assessment, it is authorized to recoup the cost from policyholders.

IAIA is an association that consists of all insurers in the State (except for MAIF) that are licensed to issue motor vehicle liability insurance or motor vehicle physical damage insurance. Any such insurer must join IAIA as a condition of selling insurance in the State. IAIA is governed by its Board of Directors, and it is responsible for, among other things, working with the Insurance Commissioner and MAIF to calculate, assess, and collect the MAIF assessment. Chapter 535 of 2023 modified the assessment process, much of which is statutorily required. The process generally takes place in the following manner:

- When notified that an assessment is necessary by MAIF, the IAIA Board of Directors must calculate the assessment in the manner specified by State law.
- IAIA first obtains from the Commissioner the net direct written premium for all association members.
- Using the information from the Commissioner, IAIA calculates the assessment allocation percentages and gives notice of the assessment allocation percentages to MAIF, the Commissioner, and all IAIA members.
- The Commissioner must promptly review the assessment allocation percentages and, unless the Commissioner finds them to be inaccurate, authorize each IAIA member to impose the assessment on its policyholders, as specified.
- The IAIA Board of Directors must promptly assess and collect the assessment from its members in the manner specified by State law.
- MAIF must also assess its own policyholders in the manner specified by State law.
- Funds collected from the assessment must be deposited in the Insufficiency Assessment Reserve Fund and then paid to MAIF in one sum, as specified.

- Any money in the Insufficiency Assessment Reserve Fund from a previous year must be paid to MAIF on December 31 of each year.

Prior to the enactment of Chapter 535, there were additional processes to handle overassessment payments from IAIA members; however, Chapter 535 repealed these processes and instead requires IAIA members to immediately be reimbursed for any overassessment.

Premium Tax

Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund. However, MAIF is exempt from paying this tax.

MAIF Fiscal Effect: As discussed above, absent the bill, MAIF is required to begin charging “adequate” rates and is no longer authorized to use its affordability index to offer discounts to certain low-income policyholders beginning in fiscal 2028. Under the bill, however, MAIF advises that it intends to continue using the affordability index to limit rate increases in low-income communities that have historically faced prohibitively expensive insurance premiums. Therefore, beginning in fiscal 2028, MAIF revenues decrease compared to current law as MAIF continues to charge the discounted premium rates.

As discussed in more detail below, MAIF has recently issued an assessment to increase its revenues and ensure its solvency, and MAIF may be required to issue an additional assessment within the next year. The bill may result in additional assessments issued by MAIF in future fiscal years as well, increasing its revenues, accordingly; however, any such impact cannot be reliably predicted at this time.

Additional Comments: MIA advises that, because of rate inadequacies in its private passenger automobile insurance line of business, MAIF’s surplus level has eroded over the past several years and, as a result, MAIF issued an assessment of more than \$19.4 million against the standard private passenger automobile insurance market in fiscal 2025 (based on fiscal 2024 operating losses). MIA further advises that MAIF will likely assess the market again in 2026 for about \$14.9 million (based on 2025 operating losses), and is anticipated to assess the market in 2027 as well (based on 2026 operating losses).

Additional Information

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

Designated Cross File: SB 469 (Senator Hayes) - Finance.

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

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