



# Maryland Automobile Insurance Fund

## Howard County Delegation Briefing

March 2025



# Insured Division

---

- Created – 1972 (HB 44/Chapter 73) Began insurance operations on January 1, 1973
- Primary Function – Insured Division sells automobile insurance policies to Maryland residents & businesses:
  - Turned down by two private auto insurers
  - Cancelled or non-renewed by one private auto insurer
- Independent & non-budgeted agency
- Insured Division receives no State, special or Federal Funds
- Operates on premiums, investment income and when necessary, an assessment on the automobile insurance industry. An assessment has not occurred since 1989
- An assessment will be declared in 2025.

# Personnel

---



- 9-Member Board appointed by the Governor with the advice and consent of the Senate
- Approximately 200 employees consisting of insurance professionals - claim adjusters, underwriters, claims attorneys, and insurance accountants
- Not part of State Personnel Management System
- Participates in the State health & retirement systems (pays the employer's share)
- Attorney General does not represent Maryland Auto. General Counsel serves as counsel to Maryland Auto & Board of Trustees
- In-House Counsel Unit and Outside Counsel for claims related matters
- Executive Director appointed by the Board of Trustees & oversees daily operations



# Auto Insurance Basics

---

## Statutory Minimums:

- **Transportation Article §17-103**
- Bodily Injury – Third party - \$30,000 per person \$60,000 per loss (any two or more persons)
- Property Damage – Third party - \$15,000 per loss
  
- **Insurance Article §19-509**
- Uninsured Motorist Coverage must at least match the Bodily Injury and Property Damage limits required by Title 17 of the Transportation Article (30/60/15)

A policy that carries only the legally required coverages is referred to as “**Liability Only**”

Since all Auto policies in Maryland must, at a bare minimum carry these coverages, the premium associated with these legally required coverages are referred to as “**Liability Base Rates**”

## Additional Coverages:

- Policyholders can select higher Liability and Uninsured Motorist limits than statutorily required.
- Policyholders can also add-on coverages for their own vehicle – these are First party coverages.
  - Comprehensive – covers damages to the vehicle that isn’t caused by a collision (theft, vandalism, animal collisions, etc.)
  - Collision – covers damages to the insured vehicle caused by a collision with another vehicle, guardrail, etc.
  - Towing and Rental
  - Personal Injury Protection (PIP) – medical coverage up to a specified amount for medical treatment and/or lost wages incurred as a result of an auto related loss.

# Our PPA Policyholders

---



## Eligibility Requirements:

- MD Resident
- Valid MD driver's license or registration
- Turned down by two private auto insurers or cancelled or non-renewed by one private auto insurer

## Rating Factors:

- Driving record
- Vehicle Type
- Address
- Not included in MD Auto rating:
  - Credit – IN §27-501 allows 40% discount or surcharge
  - Employment
  - Education

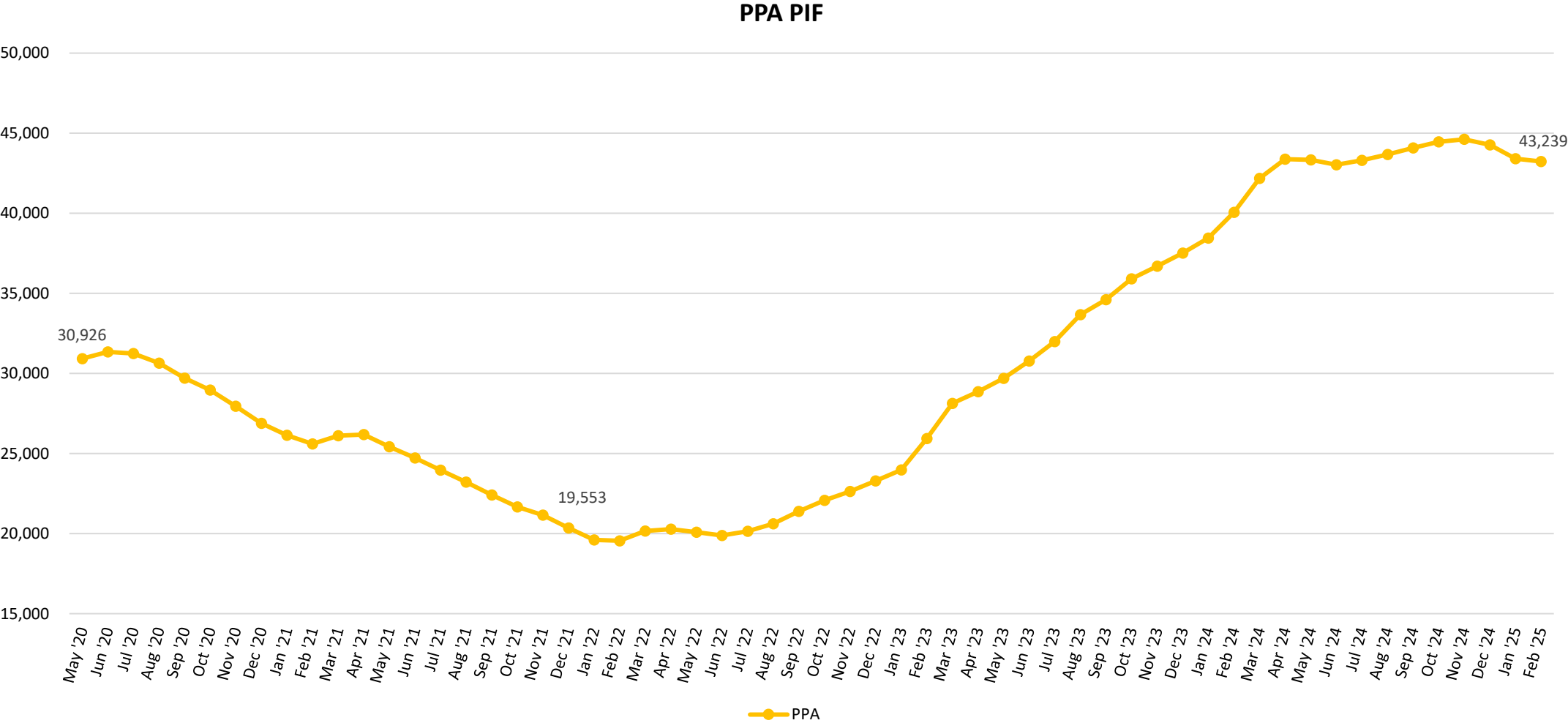
## Policyholder profile:

- 79% 50 years-old or younger
- 81% of policyholders in the Baltimore or DC Metro areas
  - **38%** Prince George's County
  - **22%** Montgomery/Howard Counties
  - **21%** Baltimore City/County
- 87% of policies are single vehicle
- Average age of insured vehicle – 12.5 years old
- 70% of policies are liability only
- 52% PPA Cancellation rate 2024 (35,493 policies cancelled)

## Payment Options:

- 78% - Premium Finance Companies (PFC)
- 19% - Interest-free installment plan
- 3% - Pay in full

# PPA Policies In Force (PIF) – May '20 – February '25



# Sample Rate Comparisons



The rates below are Maryland Auto rates from around the State. They are all based on the same driver profile – 34-year-old single male driving a 14-year-old Honda Accord. The first chart shows the rates for minimum coverage and compares the rates for a clean driver and a driver with two violations (1 chargeable loss and 1 speeding ticket). The second chart shows the same driver with a coverage up to 100/300/100 (increased limits).

Zip code	County	Coverages	Annual Premium Clean Driving Record	Annual Premium 1 Chargeable Loss + 1 Ticket
21217	Baltimore	Min. limits	\$2,452	\$3,999
21223	Baltimore	Min. limits	\$2,456	\$4,012
20710	Prince George's	Min. limits	\$1,388	\$2,321
20706	Prince George's	Min. limits	\$1,399	\$2,341
20854	Montgomery	Min. limits	\$1,189	\$1,996
21108	Anne Arundel	Min. limits	\$1,613	\$2,751
20602	Charles	Min. limits	\$1,466	\$2,493
20646	Charles	Min. limits	\$1,355	\$2,309
21835	Dorchester	Min. limits	\$931	\$1,544
21727	Frederick	Min. limits	\$1,158	\$1,926
20745*	Howard	Min. limits	\$1,678	\$2,873
20763*	Howard	Min. limits	\$1,983	\$3,495

Zip code	County	Coverages	Annual Premium Clean Driving Record	Annual Premium 1 Chargeable Loss + 1 Ticket
21217	Baltimore	Full coverage	\$6,670	\$10,698
21223	Baltimore	Full coverage	\$6,676	\$10,721
20710	Prince George's	Full coverage	\$3,877	\$6,380
20706	Prince George's	Full coverage	\$3,774	\$6,186
20854	Montgomery	Full coverage	\$3,399	\$5,626
21108	Anne Arundel	Full coverage	\$4,154	\$6,937
20602	Charles	Full coverage	\$3,901	\$6,512
20646	Charles	Full coverage	\$3,703	\$6,189
21835	Dorchester	Full coverage	\$2,752	\$4,465
21727	Frederick	Full coverage	\$3,345	\$5,502
20745*	Howard	Full coverage	\$4,478	\$7,488
20763*	Howard	Full coverage	\$4,936	\$8,400

Min. limits – 30/60/15 limits, no Comp/Collision, limited PIP, no rental or roadside assistance

Full Coverage – 100/300/100 limits, with comp/collision, full PIP, \$500 deductibles no rental or roadside assistance

\*Howard County rates are reflective of most recent January 2025 rates.

\*\*The driver profile used for these rate examples represents the typical driver and vehicle insured with Maryland Auto

# Maryland Auto Pricing vs Industry



Pricing Variable	Other Carriers	Maryland Auto
Credit Rating	√	X
Education Level	√	X
Occupation	√	X
Good Student Discount	√	X
Violations	Most first moving violations surcharged	Many first moving violations not surcharged
Liability Profit Load*	1 to 9% of prem	-4% of prem
Affordability Threshold	X	√

*\*Profit load is before investment income. MAI profit load 0% after investment income*



# Howard County Policyholder Data

---

- Demographics
  - Typical Policyholder is a 36 year old single person driving a 13.4 year old vehicle
  - Avg vehicle age – 13.4 years
  - Gender
    - Male = 55%
    - Female = 45%
  - Marital Status
    - Single = 93%
    - Married = 7%
  - Avg. driver age
    - 36 years old
- Coverages
  - Liability only (no comp/collision) = 65%
    - 94% of policies in Howard Co. provide only the legally required minimums (30/60/15)
    - Another 5% carry slightly higher \$25k PD limits (30/60/25)
    - Approximately 99% of Howard Co. policies carry minimum statutory required coverages.
  - Liability + (includes comp and/or collision) = 35%

# MD Auto Affordability Index

---



- A 1985 amendment to §20-507(d) of the Insurance Article (Ch. 610, 1985), stated explicitly: *“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.”*
- Since 1985, the MIA never questioned whether affordability should be a consideration, even though MAIF has consistently considered affordability, and the statute has not been amended.
- Originally affordability was addressed by providing a 15% discount in Baltimore city where the rates of insurance are unusually high, and income levels are low.
- Currently, the MAIF affordability index is 3.3% of the median household income in that zip code and effectively operates to alleviate the effects of high base rates in areas with low income.



## Assessment – Amount

---

- The assessment mechanism has been a part of Maryland law since MD Auto's creation in 1972.
- As the insurer of last resort, providing insurance coverage to the residual market and thus insuring higher risks than in the voluntary market, it was recognized that a funding mechanism was necessary to ensure continued availability of guaranteed coverage for all Maryland motorists.
- MD Auto has not assessed the voluntary automobile insurance market since 1989.
- MD Auto will certify an assessment in March 2025 based on 2024 calendar year operating results.
- Depending on final, audited year-end 2024 results MD Auto estimates the assessment will be around \$21 million.
- \$21 million assessment equals approximately a .003 assessment ratio ( $\$21 \text{ million} \div \$6.6 \text{ billion}$ ). Maryland Insurers would be assessed slightly less than 1/3 of 1% of its Maryland premium, or \$3.00 for every \$1,000 in premium.
- The assessment can be recovered by companies as a general expense in a subsequent rate filing, or the company can elect to recoup from their policyholders.

# 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.
- The Order will require MAIF to raise rates substantially, especially in Baltimore City where rates are already much higher than the rest of the State.
- It is MD Auto’s position that the Order does not in any fashion consider the statutory purpose of Maryland Auto as required by Insurance Article § 20-507.
- It is also MD Auto’s position that the Affordability Index is a reasonable approach to affordability as it is directed at populations where the cost of insurance is exceptionally high, and the rates of poverty are the highest in the State. It is unreasonable to raise rates in these zip codes by 20% or more.
- MD Auto does not agree with the Order but intends to work with the MIA to comply while we continue to look for alternative ways to include affordability in our rates, in accordance with our statutory mission.

# Small Residual Market is Not Desirable



Requiring “Adequate” rates and ignoring affordability results in a very small number of drivers being insured in the state plan.

- Nine (9) States reported \$0 residual market PPA premium.
- Thirty-three (33) States reported annual written PPA premium of less than \$40,000 (using \$1500 as an average policy cost, this would cover 26 or fewer policies per state)
- In total, thirty-nine (39) States had less than \$250,000 in residual market PPA premium meaning that in 39 states, less than 200 policies were written in the residual market.

A small assigned risk plan can shift the cost to buy UM coverage, usually making UM coverage more expensive\*:

- MD – (pop 6.2 M) - \$103 million written premium; UM premium \$61.73
- DC – (pop 700,000) - \$368,086 written premium; UM premium \$117.28
- LA – (pop 4.6 M)- \$33,715 written premium; UM premium \$159.48
- NY – (pop 20 M) - \$187 million written premium; UM premium \$30.55
- FL – (pop 23 M) - \$875,560 written premium; UM premium \$175.50

\*Source

AIPSO, Ranking of States by Residual Market 2023  
NAIC, Auto Insurance Database January 2024

# Next Steps

---



- Since 2022 MAIF has made significant progress towards rate adequacy.
- During the pandemic carriers were encouraged to reduce rates due to lower risk based on lower driven miles. MAIF did not reduce rates but maintained then-current rates without any increases.
- **Rate increases prior to MIA order**
  - February 2024 – 6.3% overall – included 25% Collision / 11% Comprehensive
  - August 2024 – 11.2% overall – subsequently withdrawn after being advised by MIA that the rate was insufficient and would not be approved
  - January 2025 – 13.8% overall
- **Future Rate Increases**
  - Under the order MAIF is required to have adequate rates and will be filing a rate increase for July 2025 together with a plan to achieve adequacy by the end of 2026
- In the coming year MAIF intends to carefully monitor the effects of the rate increases and seek solutions to the clearly unaffordable rates in low-income communities, particularly Baltimore City.



**Thank you**