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Maryland Insurance Administration (D80Z01)
Fiscal Year 2027 Operating Budget
Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Shelly Hettleman, Chair
February 6, 2026

House Appropriations Committee
Transportation and the Environment Subcommittee
Delegate Courtney Watson, Chair
February 5, 2026

The Maryland Insurance Administration (MIA) appreciates the opportunity to provide written testimony regarding its proposed budget for Fiscal Year 2027.

First, the MIA thanks the Department of Legislative Services (DLS) for its thoughtful analysis of the MIA's FY27 proposed budget and agrees with the recommendations included therein.

Insurance Tracking System Major Information Technology Development Project

As the DLS analysis notes, the MIA is continuing its work on improving and enhancing the Agency's cybersecurity and technology infrastructure. A core element of those enhancements remains the implementation of the MIA's Insurance Tracking System (ITS) project, which suffered a setback during FY22 and FY23 because of a non-performing vendor. The project began implementation in FY24, and implementation has continued to advance in earnest to date in FY 26.

The ITS project is intended to replace MIA's legacy Enterprise System, which was custom-built for MIA in the 1990s to track and provide case management support to specific divisions within MIA. The ITS project will enable MIA to move away from multiple, custom-built platforms that do not integrate, to a more integrated and more functional platform. This system will bring automation to MIA processes, enhance the security of our data, streamline workflow to complete daily tasks more efficiently, and improve MIA's ability to analyze data over time.

The progression of the project over the past year is detailed in the two update reports submitted by the MIA in response to the Joint Chairmen's Report for the 2025 Legislative Session.

As noted in the second of those update reports, submitted on January 9, 2026, the MIA has developed a robust change management strategy using a 'Train-the-Trainer' model, collaborating with select Subject Matter Experts (SMEs) to familiarize them with Salesforce terminology, navigation, future processes, and management of the Salesforce ITS. Over the last two quarters, 33 training sessions were held, and the MIA worked alongside the National Association of Insurance Commissioners (NAIC) to integrate their Complaints Database System and Regulatory Information Retrieval System. The MIA also finalized the design and testing for data migration of the legacy ECTS and Enterprise systems. With new leadership and hires, including a Senior IT Project Manager and a Senior Salesforce Developer, the team is fortifying internal capabilities to effectively manage the MITDP as well as take over the management of the project at the conclusion of implementation.

During discussions with the four internal targeted business units, it became clear that document management needs of the MIA surpassed Salesforce's internal capabilities, prompting the search for compatible document management solutions. As a result, the launch planned for November 2025 has been postponed to Q4 of FY26 while a document management solution is finalized.

Additionally, the MIA has decided not to integrate the Hearings Unit into Salesforce as originally planned for FY26, opting instead for an alternative off-the-shelf software solution. Given that the Hearings Unit operates independently from the main enterprise system, developing a custom Salesforce solution would be neither cost-effective nor efficient. The MIA will redirect the resources allocated for this initiative to enhance Company Licensing, update training for insurance carriers, and support the operations of the Management Information Services team.

The total estimated budget for the project through FY27 is $29.8 million, which includes the estimated budget for the project through FY26 of $21.1 million and the estimated $8.7 million expected to be spent in FY27. FY27 funding will cover the cost of Salesforce licenses; implementation of additional enhancements, procurement, and finalizing the implementation of a document management system to integrate with Salesforce ITS; deferred Contact Center work leveraging Amazon Web Services; and production support. The MIA expects the project to transition into Operations & Maintenance in FY28. The estimated range of the total cost of the project remains unchanged at $30-40 million, to include Operations & Maintenance and Close Out.

In its analysis, DLS recommends adopting a committee narrative requesting two reports to update the committees on the progress of the project as well as actual and estimated project costs.

The MIA has been and continues to meet with the DoIT Enterprise Program Management Office on this Major IT Development Project, providing monthly updates on technical progress and project spending to our Oversight Project Manager via the Monthly Assessment Reports that DoIT prescribes. The MIA agrees with the DLS recommendation on periodic reporting, and will provide reports on the progress of the project, including actual and estimated spending, as adopted by the Committee.

<u>MIA Property and Casualty Complaints</u>

The Property & Casualty (P&C) Complaint Unit is tasked with investigating complaints filed by consumers and businesses to determine whether the insurers have violated Maryland's laws or regulations. These complaints include a variety of insurance products – homeowners, renters auto, commercial, pet, title, and travel insurance. Complaints range from whether a rate increase is appropriate; is a cancellation or nonrenewal appropriate; was a claim properly denied; when should a car be deemed a total loss; is the company paying the claim in accordance with the terms of the policy; has the company provided an appropriate refund of premium; and did the company properly disclosed the policy terms. In order to conduct a thorough investigation, the Unit must review a variety of documents including claims logs, company correspondence, and financial records. This review is done against the backdrop of the policy language, underwriting guidelines and Maryland law.

In its analysis, DLS recommends that the MIA discuss how it plans to increase the rate of complaint resolution to levels closer to its goal of 80% of complaints resolved within 90 days.

The MIA acknowledges that the Unit is not meeting the MFR requirements to close 80% of the cases within 90 days. While the Agency is striving to meet that requirement, it also wants to make certain that each consumer's complaint is investigated thoroughly. The volume of cases has continued to increase since FY 2020, and many of the issues have increased in complexity.

P&C Cases Received and Closed by Fiscal Year

General Cases

	Received	Closed
FY20	1968	2296
FY21	1802	1972
FY22	1885	1738
FY23	2472	2019
FY24	3020	1994
FY25	2940	2711

Private Passenger Auto (PPA) Cases

	Received	Closed
FY20	4025	4100
FY21	2801	1586
FY22	2970	2541
FY23	3878	3312
FY24	4122	3110
FY25	4275	6014

Proof of the thorough nature of these investigations is shown by the increased amount that the Unit is able to recover for consumers and businesses.

Recoveries for Maryland Consumers by Fiscal Year

General Cases

FY20	$3,220,573.41
FY21	$3,086,637.56
FY22	$3,033,122.35
FY23	$4,652,306.43
FY24	$5,846,051.30
FY25	$9,479,707.16

PPA Cases

FY20	$270,818.14
FY21	$276,499.71
FY22	$393,417.67
FY23	$338,110.58
FY24	$325,279.75
FY25	$357,203.34

In Fiscal Year 2025, the MIA closed 8,725 P&C complaints, compared with 5,104 in Fiscal Year 2024 - an over 70% increase in complaints closed. Recoveries for Maryland consumers also increased from $6,171,331 in FY 2024 to $9,836,910 - a nearly 60% increase year to year.

Over the last year, the P&C Complaints Unit has been reorganized and new leadership has been put in place. The team has been reviewing the processes to find more efficient ways to handle files, as well as reviewing workflows. The new SalesForce system will also help to improve these processes once fully implemented. For FY 25, the Unit cleared over 20% more files than it received, reducing the backlog. FY 2026 data indicates that year to date MIA is closing more cases than it is taking in for P&C, while also maintaining a far higher rate of recoveries for consumers in FY 26 than FY 25.

FY26 Case Volume Data

General Cases

	Received	Closed
July ‘25	285	312
Aug ‘25	255	330
Sept ‘25	255	402
Oct ‘25	238	294
Nov ‘25	211	267
Dec ‘25	257	324
Total	1,501	1,929

PPA Cases

	Received	Closed
July ‘25	403	395
Aug ‘25	386	388
Sept ‘25	383	412
Oct ‘25	350	432
Nov ‘25	291	314
Dec ‘25	405	312
Total	2,218	2,253

Recoveries for Marylanders

	July ‘25	Aug ‘25	Sept ‘25	Oct ‘25	Nov ‘25	Dec ‘25
General	$1,569,842.38	$1,017,118.61	$1,747,067.09	$1,897,536.12	$797,735.23	$250,473.69
PPA	$12,661.08	$23,690.86	$28,727.13	$38,163.13	$24,763.94	$30,437.25
Total	$1,582,503.46	$1,040,809.47	$1,775,794.22	$1,935,699.25	$822,499.17	$280,910.94

Total dollars recovered so far for consumers through P&C complaints in FY 26 to date: $7,438,216.51.

MIA Insurance Fraud Investigations

As noted by DLS in its analysis, the MIA's Fraud Division is responsible for investigating complaints relating to alleged insurance fraud committed by insurance companies, insurance producers, or consumers. The division also operates a toll-free insurance hotline and, in cooperation with the Office of the Attorney General and the Department of State Police, conducts public outreach and awareness programs on the cost of insurance fraud to Marylanders.

The MIA's Fraud Division has been focused in recent years on both ensuring that the metrics employed through Managing for Results (MFR) effectively capture the true outcomes of their cases, and enhancing their case closure rate.

In 2024, the MIA's Fraud and Enforcement unit sought to enhance their MFR metrics for measuring insurance fraud cases by implementing a three-tiered classification system for FY 26. This new framework aimed to better categorize the complexity of cases, allowing the Fraud Division to track each case's progress more effectively based on its unique intricacies. With an increase in complex cases involving multiple parties and extensive schemes, the MIA recognized that the previous metrics failed to accurately reflect the effort and hours dedicated to investigations, especially given the reduced workforce. For FY 27, the assessment criteria for case tiers was further refined to consider factors such as the number of victims and suspects, loss amounts, and the involvement of organized crime, thus providing a clearer understanding of case management and the challenges faced.

In its analysis, DLS notes the percentage of case referrals that closed within 180 days increased in fiscal 2025 to 77%, despite an increase in case referrals of 22.3% from fiscal 2024. This represents an increase in closure rate of 55 percentage points compared to fiscal 2024, and is the highest closure rate since fiscal 2019.

DLS recommends that the MIA comment on actions that it took to improve the timely closure rate of cases related to alleged insurance fraud.

The MIA took several actions to improve upon referral closure rates. In FY25 the Fraud Division addressed FY24 staffing shortages and refined workflows. After filling key management and investigator vacancies, the division streamlined the referral process from a shared, ad-hoc workflow to a centralized referral management under a dedicated Assistant Chief. In addition, the implementation of Salesforce in FY25 has been critical in revolutionizing the referral intake process for the Fraud Division, boosting efficiency and speed. By transitioning from manual Excel tracking to automated daily referral imports into Salesforce, the Fraud Division has eliminated prior-year backlogs and continues to maintain a timely, consistent pace for processing referrals.

Workgroup on Personal Private Automobile Affordability

2025 Maryland Laws Ch. 395 (H.B. 1098) directed the MIA to establish a workgroup to conduct a study of the affordability of private passenger automobile ("PPA") insurance in the State and report its findings and recommendations to the Governor and the General Assembly. More specifically, the legislation charged the workgroup with examining and reporting on:

- Ways in which the term "affordability" has been or may be defined in the context of the establishment of PPA insurance premium rates;
- The affordability of PPA insurance in the State, including factors that contribute to premium rate increases and trends in rate increases;
- Policy options to provide greater transparency regarding PPA insurance premiums and to increase the affordability of PPA insurance in the State;
- Methodologies by which affordability can be considered in establishing PPA insurance rates consistent with rate making principles codified in the Insurance Article; and
- The current financial status of PPA insurers in the State and potential options to address excess profits.

The workgroup offered the following recommendations in its report:

- The MIA should periodically report on Maryland's metrics with regard to the Federal Insurance Office's definition of "affordability";
- There should be further study into the feasibility of updating the Department of Public Safety and Correctional Services system used by police officers during traffic stops so that it can connect with the Motor Vehicle Administration's Online Insurance Verification Program, thereby enabling officers to accurately identify instances in which the subject of a traffic stop has been driving without insurance;
- There should be further study into towing and post-towing procedures following an accident that occurs on roadways other than State highways, including examination of the extent to which inflated bills that towing companies submit to insurers impact PPA premium rates and whether legislative action may be appropriate to curtail unfair insurance billing practices by towing companies;
- There should be further study into whether changes should be made to Maryland's graduated licensing and traffic safety laws to reduce the frequency of collision claims and fatal crashes involving teen drivers, and to reduce the risk of bodily injury to children and rear seat passengers during collisions;
- There should be further study into whether and how the legislature could design an equitable and sustainable low-cost auto program or economic relief credit program to make PPA insurance more affordable for eligible low-income residents;
- The Maryland Automobile Insurance Fund should adjust the length of its policy terms from twelve to six months in order to lower down payments due from policyholders, encourage participation in the voluntary market (by encouraging more frequent comparison shopping), and hasten its progress towards achieving rate adequacy by enabling it to realize rate adjustments in half the time; and
- The Maryland Insurance Administration should submit an annual report to the General Assembly on the overall financial performance and underwriting profitability of PPA insurers in Maryland during the preceding calendar year to increase transparency

surrounding insurers' profits and enable the legislature to identify which financial factors are driving trends in PPA insurance premium rates.

The workgroup report also sets forth a detailed description of various viewpoints workgroup members endorsed on the following matters, where consensus was not possible:

- Whether legislation establishing a more stringent rate review process in Maryland would positively or negatively impact the affordability of PPA insurance;
- Whether legislation prohibiting PPA insurers from considering certain operating expenses, administrative costs, or contingencies in ratemaking would have a meaningful impact on the cost of PPA insurance in Maryland;
- Whether the MIA should conduct an examination of unintentional bias in Maryland's PPA market similar to a recent D.C. Department of Insurance, Securities & Banking ("DISB") study in design and breadth, considering the fact that insurers expended a lot of resources to provide data solicited by DISB during its study and the study did not conclusively correlate higher average premium rates among certain groups with anything other than higher average losses;
- Whether the overall impact of allowing insurers to use credit history in rating new PPA insurance policies does more harm or good for Maryland consumers;
- Whether legislative action to mitigate the impact of territorial rating on residents of urban areas would enhance fairness in Maryland's PPA insurance market;
- Whether legislative action should be taken to implement certain enhanced notice requirements pertaining to proposed increases in individualized PPA premium rates;
- Whether legislative action should be taken to establish disclosure requirements and appeals processes for telematics programs; and
- Whether legislative action should be taken to define "excess profits," establish a reporting process to enable the MIA to verify the existence of excess profits, and require PPA insurers to return excess profits to policyholders.

Report on Rate Assignment by Zip Code

The Joint Chairmen's Report for the 2025 Session included a request that the MIA and the Maryland Automobile Insurance Fund ("Maryland Auto") submit a joint report concerning the impact of rate assignment by ZIP code on the affordability of private passenger automobile insurance. The resultant report includes an overview of:

- Maryland laws that govern the use of territorial rating by PPA insurers;
- The impact of territorial rating on the affordability of PPA insurance;
- An overview of territorial rating by Maryland Auto;
- An overview of Maryland Auto's Affordability Index; and
- Recommendations concerning the assignment of rates by ZIP code.

More specifically, the report explains that:

- Maryland law provides that PPA rates may not be based wholly or partly on geographic area itself, as opposed to underlying risk considerations, even though expressed in geographic terms;

- Maryland law provides that PPA rates may not be inadequate, excessive, or unfairly discriminatory (i.e., discriminate among insureds of the same class based upon something other than actuarial risk);
- Territorial base rates tend to be higher in urban areas than in rural or suburban areas because the likelihood of accidents and criminal activity leading to claims are higher in urban areas;
- Since larger territories tend to be less homogenous than smaller territories, an expansion in the size of an insurer's territories may result in a situation where some policyholders are effectively subsidizing rates for other policyholders, to some extent;
- If territorial rating was prohibited altogether, insureds located in areas with territorial rates below the statewide average rate would see their base rates become less affordable and insureds located in areas with territorial rates above the statewide average rate would see their base rates become more affordable;
- Maryland Auto has implemented an "Affordability Index" to suppress liability base rates in ZIP codes where the territorial liability base rates are estimated to be above 3.3% of the median household income; and
- In December of 2024, the MIA issued an order requiring Maryland Auto to phase out its use of the Affordability Index because it is unfairly discriminatory and results in inadequate rates for certain insured risks.

The MIA offered the following observations and conclusions in the report:
- Maryland Auto is not required to use territorial rating and would lower liability base rates in approximately 64% of the ZIP codes subject to its Affordability Index by ceasing this practice;
- Maryland Auto may, consistent with current law, expand the size of and reduce the number of the territories it uses to assign liability base rates to retain some benefits of territorial rating (i.e., aligning premium base rates with location-based risk), while mitigating the impact of territorial rating on policyholders residing in areas with a high concentration of risk factors (i.e., urban areas);
- Under current law, Maryland Auto's purpose is to act as the insurer of last resort for high-risk drivers who cannot obtain insurance through the standard market, and not as a low-cost insurance program;
- The MIA views the question of whether Maryland law should be amended to authorize Maryland Auto (or any insurer) to implement PPA rates that are inadequate or based on income to be a policy question for the General Assembly;
- Maryland Auto's current Affordability Index does not consider the income of individual policyholders, such that high-income individuals residing in low-income ZIP codes benefit from the index and low-income individuals residing in high-income ZIP codes do not; and
- Any legally authorized premium discounts for low-income Maryland Auto policyholders would have to be subsidized through higher rates paid by other Maryland Auto policyholders or assessments on the private market, unless the General Assembly makes another funding source available for this purpose.

Apprenticeships and Internships

In 2019, the MIA initiated the Education and Workforce Initiative (Initiative) to address the growing talent shortage in Maryland's insurance industry. Initially launched in collaboration with the University of Baltimore's Merrick School of Business, the Initiative evolved into a comprehensive program focused on three key goals: (1) establishing pathways that connect emerging talent with Maryland's insurance industry; (2) promoting diversity, equity, and inclusion within the industry; and (3) positioning Maryland as a leader in insurance technology innovation.

The Initiative was severely impacted by the COVID-19 pandemic as educational institutions, in particular, were forced to shift focus. Over the last two years, the Initiative has ramped back up and has resulted in various programs, including the establishment of a statewide virtual community college certificate program, a risk management associate degree at Wor-Wic Community College, an Introduction to Insurance business class at Community College of Baltimore County, and high school-level internship and apprenticeship programs.

In 2025, MIA re-established a Workforce and Education Initiative Advisory Committee consisting of representatives from insurance companies, community organizations, colleges, and public school systems. The committee meets quarterly to support the Initiative.To further its mission, the MIA has engaged with national leaders, higher education institutions, and employers to analyze existing apprenticeship models and identify opportunities for replication in Maryland. This engagement has led to strategic actions aimed at advancing more statewide insurance apprenticeship initiatives, and MIA plans to release additional follow-up reports as this work progresses.

The MIA has also collected data from the Maryland Department of Labor's Office of Apprenticeship regarding insurance industry employers that have successfully hired and trained youth apprentices through the Apprenticeship Maryland Program. Additionally, the MIA hosted seven summer interns, in partnership with the NAIC Foundation, from June through August 2025, further underscoring its commitment to developing future talent in the industry. The internship cohort included students enrolled at colleges and universities in Maryland, as well as institutions in Georgia, South Carolina, and Connecticut. Interns were rising sophomores, juniors, and seniors pursuing majors in Criminology, Data Science, Applied Mathematics, Risk Management and Insurance, Business Management/Administration, and Actuarial Science.

MIA Recruitment and Retention

Retention and recruitment are key focuses of the MIA. Generally, the MIA maintains its workforce and is able to readily recruit and retain employees to fill many of its positions. However, the MIA has faced challenges in attracting qualified candidates for specialized professional roles due to various factors, notably its difficulty in matching the competitive salaries offered in comparable positions within the private sector. However, the MIA has seen much success over the last calendar year in recruitment and retention.

As of 1/29/2026, there were 14 vacancies at the MIA, representing a vacancy rate of 5.43%. This represents a significant decline in vacancies since this time last year when, as of 1/27/2025, there were 32 vacancies at the MIA, representing a vacancy rate of 12.4%.

Of the 14 positions currently vacant, six will be filled between 2/4/26 and 3/4/26, four are in active recruitment, and four are currently on hold or frozen.

The MIA also received 15 new pins on 7/1/2025. Of those, seven positions have been hired and the remaining eight are still currently new without permanent PINS assigned due to the hiring freeze that was implemented on 7/1/2025. Due to these pins not having assigned PIN numbers, they are not included on the current vacancy report, but they are accounted for in MIA's Fiscal Budget.

Generally, the MIA utilizes several internet and social media platforms to advertise for open positions. MIA posts job openings on industry specific platforms (i.e., Society of Financial Examiners, Association of Insurance Compliance Professionals, insurancejobs.com). And, when available, the Agency participates in career fairs around the State.

The MIA thanks DLS for its thoughtful budget analysis, and appreciates the opportunity to provide this information to the Committee. We are happy to answer any further questions the Committee may have.