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SENT VIA CERTIFIED MAIL # [7019 2970 0002 3072 4296]

June 1, 2020

Mr. Al Redmer, Jr., Executive Director
Maryland Automobile Insurance Fund
1215 East Fort Avenue, Suite 300
Baltimore, Maryland 21230

RE: Maryland Automobile Insurance Fund
Compliance & Enforcement File Number: MCPC-2-2019-I

Dear Mr. Redmer:

This letter is to notify you of the conclusion of the above-referenced market conduct action involving the Maryland Automobile Insurance Fund ("MAIF").

On April 3, 2019, MAIF sent correspondence to the Maryland Insurance Administration ("Administration") concerning two payments MAIF issued in 2012 and 2013. The first was a check dated August 20, 2012, in the amount of \$7,500 that was payable to, "Healthy Holly, LLC" and a second check dated August 23, 2013, in the amount of \$5,000 payable to, "Associated Black Charities" (the "Healthy Holly Payments").

As a result of this notification, the Administration initiated a market conduct action to further investigate these payments and determine if they violated Maryland insurance law. The completion and communication of the results of that action were deferred until the conclusion of investigations by other law enforcement agencies.

Based on the review of the documentation provided, the Administration believes that the Health Holly Payments did not comply with Section 20-301 of the Insurance Article, which provides in pertinent part, the following:

- (a) The purpose of the Fund is to provide the financial security required

under § 17-103 of the Transportation Article to those eligible persons that are to obtain it from an Association member.

(b) Money of the Fund consists of revenues, premiums, and other receipts provided by law.

(c) (1) All operating expenses of the Fund shall be paid from the money collected by or for the Fund.

(2) (i) Subject to subparagraphs (ii) through (iv) of this paragraph, money and property available to the Fund may be used for the general purposes of the Fund.

(ii) Premiums collected and income accruing from those premiums may be used only for the payment of claims arising under policies issued by the Fund and for the administrative expenses of the Fund.

(iii) The Fund shall keep separate records of any income and expenses directly attributable to the Uninsured Division, including the processing and payment of unsatisfied claims under Subtitle 6 of this title.

(iv) The Fund shall keep separate records of any income and expenses directly attributable to its commercial policy and claims operations.

As the statute indicates, MAIF's purpose is to provide automobile liability insurance to Maryland residents who are unable to obtain automobile insurance in the private market. Money and property available to MAIF may only be used for the purposes articulated in its enabling statute. The Administration does not believe the Healthy Holly Payments fall within the scope of the statutorily prescribed purpose of MAIF and, thus, that MAIF violated the statute by making the Healthy Holly Payments.

The Administration notes that these violations occurred nearly eight years ago. We further note that since the Health Holly Payments were made, there have been statutory changes concerning the composition of MAIF's Board, significant changes in MAIF's internal governance controls and its organizational structure, and a change in leadership. For example:

- 2014 – MAIF's Board adopted a Code of Conduct which regulates conflicts of interest and requires annual disclosures.
- 2015 – The Audit Committee of MAIF's Board began reviewing and approving all expenditures by the Executive Director.
- 2015 – The Marketing and Outreach Committee of MAIF's Board began overseeing the budget and expenditures for community outreach.

We also note that MAIF brought the Healthy Holly Payments to the Administration's attention and has been transparent and cooperative during the Administration's review. MAIF also has not disputed the impropriety of the Healthy Holly Payments which, it assures, would not occur

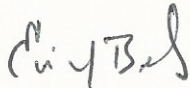
under the enhanced governance controls and procedures that have been in place now for several years.

The Administration reviewed payments made by MAIF in 2018 and did not identify any payments similar to the Healthy Holly Payments.

Given the above, including MAIF's remedial actions, and given that the Administration does not have the statutory authority to impose a monetary fine against MAIF¹, the Administration will not be taking further administrative action against MAIF in this matter at this time. However, should additional information come to light, we reserve the right to reopen this matter and revisit that decision.

We trust that MAIF will continue to strive for accountability and transparency in their leadership and throughout the organization. Should you have any questions or concerns, please contact me at (410) 468-2321.

Sincerely,



Jason Decker

FOR JASON DECKER
Chief Market Conduct Examiner, P&C
Compliance & Enforcement Unit

¹ See Opinions of the Attorney General 85 OAG 132