

MINORITY OWNED FINANCIAL SERVICES FIRM USAGE
ANNUAL REPORT QUESTIONNAIRE

STATEMENT OF COMMITMENT

The Maryland Automobile Insurance Fund (MAIF) [hereinafter “Maryland Auto”] has embraced both the spirit and the law in Insurance Article Section 20-303. Since the law’s passage, Maryland Auto has placed between 18 and 33% of its total portfolio with minority investment manager firms. Additionally, Maryland Auto has reached out to the minority investment community to establish relationships when future opportunities become available. The outreach program and retention efforts have proven to be a strong social model and good business practice.

RESPONSE BY THE MARYLAND AUTOMOBILE INSURANCE FUND

1. Maryland Auto, through the use of investment managers, invests in equities, fixed income securities, and alternative assets.
 - a. Maryland Auto has included its asset allocations on the attached spreadsheets.
 - b. Maryland Auto investments are tracked, reconciled, and recorded by internal staff. Overall changes in investment strategy are determined by Maryland Auto management relying on investment managers and an investment advisor.
 - c. Maryland Auto does retain services indirectly through its investment managers and outside investment advisor.
2. Any new investment manager selection process includes at least one minority owned firm if available for consideration. In Fiscal Year 2022, Maryland Auto continued to use minority and/or women owned investment firms.
3. When Maryland Auto intends to hire new investment managers, Maryland Auto puts out a Request-For-Proposal (“RFP”) all of which are posted on eMaryland Marketplace. In addition to publication, Maryland Auto may also distribute the RFP to known minority firms. Maryland Auto may also, through its Executive Director, reach out to minority firms to exchange information, make connections, and forge future relationships.
4. Maryland Auto relies on its Investment Advisor to handle “cold calls” from investment firms.
5. Pursuant to Maryland law, Insurance Article Section 20-303, Maryland Auto’s Financial Management Committee, which consists of Maryland Auto’s Executive Director and two Maryland Auto Board of Trustees, approves all Maryland Auto’s investment policies, asset allocations and managers.
 - a. Maryland Auto does not utilize different mechanisms for the various funds and/or asset classes, brokerage services, etc.

6. Maryland Auto uses a single outside Investment Advisor to assist with finding suitable investment services firms.
 - a. Maryland Auto’s Financial Management Committee, chooses the Investment Advisor through the RFP process.
 - i. The Maryland Auto Financial Management Committee has the final decision over which Investment Advisor is chosen.
 - b. Maryland Auto’s Investment Advisor aids in determining the asset class mix and develops its *Statement of Investment Policy*. The Investment Advisor also attends Maryland Auto Financial Management Committee meetings, prepares monthly and quarterly portfolio performance reports, analyzes investment manager performance, and makes recommendations regarding retention of investment managers. The Maryland Auto staff prepares RFPs with input from the Investment Advisor when Maryland Auto is choosing new investment managers (all of which are posted on eMaryland Marketplace).
 - i. Preliminary screening is completed by the Investment Advisor and presented to the Financial Management Committee to determine the manager candidates to be interviewed. The Financial Management Committee has the responsibility for deciding which firms are ultimately chosen.
 - ii. The Investment Advisor is encouraged to pursue minority managers during the search for new managers.
 - c. The Maryland Auto Financial Management Committee evaluates the Investment Advisor’s performance.
 - d. The Investment Advisor was originally hired in 2005 and the firm’s services were renewed in 2016 for an additional 5-year period after being chosen through the RFP process. The current contract extension expires in 2022.

In fiscal year 2022, \$23.5 million was managed by MBEs, a decrease of \$11.2 million below fiscal year 2021 and in proportion to the decline of the overall investment portfolio:

FYE	Total Amount	Asset Class	Classifications
2022	\$23,489,045	Fixed Income	African American

7. One (1) MBEs was retained directly by Maryland Auto in fiscal year 2022.

FYE	Number	Manager Name	Amount	Classifications
2022	1	The Swarthmore Group	\$23,489,045	African American

8. None retained indirectly.

9. The chart below shows the management fees paid in fiscal year 2022:

FYE	Manager Name	Management Fees	Classifications
2022	The Swarthmore Group	\$53,605	MBE

Maryland Auto pays management fees but no brokerage fees. Brokerage fees are paid by the various managers and Maryland Auto is not directly involved in their selection or compensation.

10. – 14. No brokerage fees are paid.

15. None of the minority firms with funds under management are headquartered in Maryland.

INVESTMENT MANAGER TEMPLATE (FY2022)

Asset Management

Agency	FY 2018			FY 2019			FY 2020			FY 2021			FY 2022		
	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%
Maryland Automobile Insurance Fund	\$189.5	\$43.0	22.7%	\$194.0	\$42.8	22.1%	\$194.4	\$44.0	22.6%	\$189.9	\$34.7	18.3%	\$134.9	\$23.5	17.4%
Total	\$189.5	\$43.0	\$0.2	\$194.0	\$42.8	\$0.2	\$194.4	\$44.0	\$0.2	\$189.9	\$34.7	\$0.2	\$134.9	\$23.5	\$0.2

MBE Investment Managers Utilized

Agency	FY 2018	FY 2019	FY 2020	FY 2021	FY2022
Maryland Automobile Insurance Fund					
Emerging MBE Managers	1	1	1	1	1
Emerged MBE Managers	0	0	0	0	0
Total	1	1	1	1	1

Definitions: Emerging Investment Manager = a qualified minority owned business of female owned business with total assets under management of at least \$10 million but less than \$2 billion. Emerged Investment Manager = a qualified minority owned business or female owned business with total assets under management of more than \$2 billion.

Brokerage Services

Agency	FY 2018			FY 2019			FY 2020			FY 2021			FY 2022		
	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%
Maryland Automobile Insurance Fund	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%
Total	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%	\$0.0	\$0.0	0.0%

Total MBE Investment Brokers Utilized

Agency	FY 2018	FY 2019	FY 2020	FY 2021	FY2022
Maryland Automobile Insurance Fund	0	0	0	0	0
Total	0	0	0	0	0

Governor's Office of Small, Minority & Women Business Affairs
 Usage of Minority- and Women-owned Brokerage and Investment Management Firms by the State of Maryland

INVESTMENT PORTFOLIO TEMPLATE (FY2022)

Portfolio by Asset Class	Market Value (\$ millions)	Actual Allocation	Strategic Allocation	Emerging MBE Managers	Emerged MBE Managers
Domestic Large Cap	15.0	11.1%	-	-	-
Domestic Small/Mid Cap	4.0	3.0%	-	-	-
Total Domestic Equity	-	0.0%	-	-	-
Core Fixed Income	113.7	84.3%	-	-	-
Corporate - Oriented	-	0.0%	-	-	-
Convertible Bonds	-	0.0%	-	-	-
Total Domestic Fixed Income	-	0.0%	-	-	-
International Fixed Income	2.2	1.6%	-	-	-
Total	134.9	100.0%	-	-	-

Emerged MBE Investment Managers Utilized

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
Subtotal	0.0	0.0	-

Emerging MBE Investment Manager Utilized

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class
The Swarthmore Group	23.5	0.1	-
-	-	-	-
-	-	-	-
-	-	-	-
Subtotal	23.5	0.1	-

Total \$23.50 \$0.05

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BROKERAGE SERVICES TEMPLATE (FY2022)

MBE Investment Broker Name	Commissions Paid
-	-
-	-
Total	\$0.0