



**TREASURER'S REPORT TO  
LEGISLATIVE POLICY  
COMMITTEE**

**January 2025**

**Dereck E. Davis**

**State Treasurer**

# BOARD OF PUBLIC WORKS

Between July 1, 2024, and December 31, 2024, the Board of Public Works (BPW or the Board) convened eleven times to review and make decisions on several key matters involving state procurements, capital expenditures, and land acquisition initiatives. These meetings addressed a range of critical topics, including:

- **State Procurements:** BPW reviewed requests to award contracts related to goods and services necessary for state operations.
- **Expenditures of Capital Appropriations:** BPW evaluated and approved the use of capital appropriations for various state projects and initiatives.
- **Acquisition, Use, and Transfer of State Assets:** The Board made decisions related to the acquisition and disposal of state properties and assets, ensuring alignment with state needs and priorities.
- **Issuances of Licenses to Dredge and Fill Wetlands:** BPW issued licenses required for the management of state wetland areas, balancing environmental preservation with state development needs.
- **Acquisition of Land and Easements:** BPW considered and approved the acquisition of land and easements for critical conservation and open space initiatives, including:
  - **Program Open Space:** Supporting the acquisition of land for recreational and natural resource conservation.
  - **Conservation Reserve Enhancement Program:** Promoting the conservation of valuable agricultural and forest lands.
  - **Rural Legacy Program:** Focusing on the preservation of rural landscapes and natural resources.
  - **Agricultural Land Preservation Program:** Protecting farmland from urban sprawl through the acquisition of conservation easements.

In addition to the standard procurement and capital expenditure approvals, BPW also reviewed other items, such as the issuance of the state general obligation bond authorization, which is discussed in more detail in the Debt Management section of this report. These ongoing activities reflect BPW's commitment to managing state resources effectively while supporting policy initiatives and projects.

For more information regarding specific procurements and financial decisions of note, please refer to the individual sections of this report.

## **BPW Regulations: July 1, 2024 – December 31, 2024**

During the reporting period, the Board of Public Works (BPW) approved several key regulatory changes aimed at updating and streamlining state procurement processes. These actions included the proposal of new regulations and amendments to the **Code of Maryland Regulations (COMAR)**, under Title 21, as well as specific changes to the **Minority Business Enterprise (MBE)** certification process.

1. On October 2, 2024, BPW approved the recommendation of the BPW Procurement Counsel to propose new regulations and amendments to Title 21 of the State Procurement Regulations. The key objectives of these changes were:
  - To **implement recently enacted legislation.**
  - To **clarify and align regulations** with current legislative and operational practices.

- To **ensure consistency** in the interpretation of regulations, especially by clarifying that the **Department of General Services (DGS)** does not have procurement authority over industries managed by the **State Treasurer’s Office**. This distinction was important for maintaining clear lines of authority across state agencies.
2. On October 16, 2024, BPW approved the BPW Procurement Counsel’s recommendation to propose amendments to Title 21 of the State Procurement Regulations, specifically regarding the **Minority Business Enterprise (MBE)** certification process. The proposed changes aimed to improve efficiency by:
- **Streamlining the MBE certification process** managed by the **Maryland Department of Transportation (MDOT)**.
  - **Removing the multi-agency MBE Advisory Committee (MBEAC)** from the certification process, thus simplifying the process for minority businesses seeking certification.

These regulatory amendments are designed to enhance the clarity, efficiency, and consistency of the state’s procurement practices, supporting both operational needs and the promotion of minority business participation in state contracts.

## **Budget**

1. **Approved Operating Grants (07/17/2024)**  
Eighteen organizations were granted operating funds as part of the 2024 budget.
2. **General Fund Reduction (07/17/2024)**  
A \$148,558,221 reduction was made to the fiscal year 2025 general fund.
3. **Capital Projects through DHCD (08/28/2024)**  
DHCD received approval for funding twenty-one capital projects under the Baltimore Neighborhood Initiative and National Capital Strategic Economic Development Fund.
4. **Crownsville Hospital Center Funding (09/11/2024)**  
The use of \$5,000,000 from the Maryland Consolidated Capital Bond Loan (MCCBL) was approved for expenses related to the Crownsville Hospital Center.
5. **Capital Funding for DHCD Projects (12/18/2024)**  
DHCD was granted \$31,685,000 for a total of 141 projects, including the BRNI, Business Façade Improvement Program, National Capital Strategic Economic Development Fund, and Seed Community Development Anchor Institution Fund for fiscal year 2025.

## **Maryland Stadium Authority’s (MSA) key budget and project actions:**

1. **Built to Learn Act Revenue Bonds (10/02/2024)**  
MSA was approved to issue up to \$450,000,000 in bonds for the Built to Learn Act. The proceeds will help finance public school construction in several counties, including Baltimore, Cecil, Charles, Garrett, Howard, Kent, St. Mary’s, Talbot, Worcester, and Baltimore City. This project is referred to as the “2024 Project.”

2. **Pimlico Redevelopment Contract (10/02/2024)**

MSA received approval to award a contract for preconstruction services related to the redevelopment of the Maryland Racing Facilities at Pimlico.

## **Procurement**

1. **DGS – COVID-19 Staffing Contract (07/03/2024)**

DGS received approval for a \$19,955,954.67 contract, funded by federal funds, for staffing COVID-19 FEMA operations, logistics, and planning support under the American Rescue Plan Act (ARPA).

2. **DHS – Electronic Benefits Transfer System Contract (07/03/2024)**

DHS was approved to award a contract for the implementation and maintenance of a web-based electronic benefits transfer system despite facing a protest.

3. **DoIT – Local Telecommunications Services (07/17/2024)**

DoIT was approved to award a contract for local telecommunications services to cover all state office network lines and calls.

4. **DBM – Recruiting and Examination Software (08/07/2024)**

DBM was approved to award a contract for web-enabled recruiting and examination software ("JobAps").

5. **DBM – Pharmacy Benefits Management Contract (08/07/2024)**

DBM was approved to award a contract for Pharmacy Benefits Management Services and Purchasing Pool Management.

6. **University System of Maryland – Policy Revision (08/29/2024)**

Approval was granted to revise the Policies and Procedures Manual for the University System of Maryland.

7. **Labor – FAML I Branding and Marketing Services (09/11/2024)**

Labor was approved to award a contract for branding, communications, and marketing services for the Family and Medical Leave Insurance (FAML I) program.

8. **Labor – FAML I Online Portal (10/02/2024)**

Labor was approved to award a contract to build an online web portal for the FAML I program.

9. **Health Services Cost Review Commission – Data Collection Contract (10/16/2024)**

A \$10,275,173 contract was awarded to manage financial data from Maryland-regulated hospitals for analytics and reporting.

10. **DoIT – Security Platform Contract (10/16/2024)**

DoIT was approved to award a \$5.66 million contract for a security platform to protect against malicious emails and unauthorized access.

11. **UEF – Third-Party Administrator Services (10/30/2024)**

The Uninsured Employers Fund (UEF) was approved to award a contract for third-party administrator services to process worker's compensation claims.

**12. DoIT – Data Center Colocation Services (10/30/2024)**

DoIT was approved for a contract providing data center colocation services to host critical infrastructure.

**13. MDTA – Healthcare Benefits Contract (10/30/2024)**

The Maryland Transportation Administration (MDTA) was granted approval to use an expedited procurement method for a contract involving healthcare benefits and administration for MDTA employees.

**14. DBM – Operational Efficiency and Cost Savings Contract (10/30/2024)**

DBM was approved to award a contract for improving operational efficiency, cost savings, and performance in Maryland’s mission support functions.

**15. Labor – Unemployment Insurance IT Enhancements (11/20/2024)**

Labor was approved for a contract to support future changes and enhancements to the Maryland Unemployment Insurance IT Modernization Projects.

**16. Maryland Cannabis Administration – Seed-to-Sale System (11/20/2024)**

The Maryland Cannabis Administration was approved for a contract to implement a seed-to-sale tracking system.

**17. Governor’s Office for Children – Poverty Analysis (12/04/2024)**

A contract was awarded to analyze poverty measures and indicators for children, fulfilling a legislative mandate.

**18. Comptroller’s Office – FMIS Modernization (12/04/2024)**

The Comptroller’s Office received approval to award a contract to modernize and transform the State’s Financial Management Information System (FMIS).

**19. DGS – HVAC Replacement at Clifton T. Perkins (12/04/2024)**

DGS was approved for an expedited procurement to replace the HVAC components at Clifton T. Perkins Hospital.

**20. DPSCS – Legal Assistance Contract (12/18/2024)**

DPSCS received approval for a contract to provide legal assistance to incarcerated individuals for civil rights litigation under a federal court consent decree.

**21. MDE – Greenhouse Gas Initiative (12/18/2024)**

MDE was approved to award a contract to support participation in the Regional Greenhouse Gas Initiative (RGGI) and the Maryland Carbon Dioxide Budget Trading Program.

## **State Property**

**1. Property Sale and Easement for Salisbury Airport (07/17/2024)**

The sale of 33.096 +/- acres of land and a deed of easement (199.0525 +/- acres) between the Department of Natural Resources (DNR) and Wicomico County was approved. This transaction is required by the Federal Aviation Administration (FAA) for a planned Runway Extension Project at Salisbury Regional Airport.

**2. Rural Legacy Area Grant Allocation (08/29/2024)**

DNR was approved to allocate \$15,329,028 in fiscal year 2025 grant awards to fifteen rural legacy areas. These funds are intended to support conservation and preservation efforts in rural regions.

**3. Morgan State University Housing Lease (08/29/2024)**

Morgan State University's request to approve a lease for additional student housing at Marble Hall Garden Apartments was approved. This lease provides 554 beds to accommodate the university's growing student housing demand.

## **State Personnel**

**1. OAG – Correctional Ombudsman Positions (07/17/2024)**

The Office of the Attorney General (OAG) was approved to create three positions for the establishment of the Office of the Correctional Ombudsman as a unit of state government. This was authorized by Section 34 of Chapter 716 of the 2024 budget bill, which allows the creation of up to 100 additional positions in the executive branch beyond the total number of authorized state positions as of July 1, 2024.

**2. SHA – Conversion of Contractual to Permanent Positions (08/28/2024)**

The State Highway Administration (SHA) was approved to create twenty permanent Full-Time Equivalent (FTE) positions by eliminating twenty-five contractual positions, thereby shifting to a more stable workforce structure.

**3. MPT – Conversion of Contractual Employees (08/28/2024)**

Maryland Public Television (MPT) received approval to convert four long-term contractual employees into permanent staff, while abolishing one additional contractual position.

**4. OAG – TEDCO Assistant Attorney General Position (10/16/2024)**

The OAG was approved to create an Assistant Attorney General (AAG) position to support the Maryland Technology Development Corporation (TEDCO), in response to a higher volume of transactions and an additional \$60 million in federal funding overseen by TEDCO.

**5. Comptroller's Office – FMIS Modernization (12/04/2024)**

The Comptroller's Office was approved to create ten positions to assist with the modernization and transformation of the State's Financial Management Information System (FMIS).

**6. MEA – Conversion of Contractual to Permanent Positions (12/18/2024)**

The Maryland Energy Administration (MEA) was approved to convert four contractual positions to three permanent positions, with funding from the Strategic Energy Investment Fund – Regional Greenhouse Gas Initiative (SEIF-RGGI).

## **Transportation**

**1. MDTA – FSK Bridge Debris Removal (07/03/2024)**

The emergency procurement report for MDTA's contract to remove and dispose of debris from the collapsed Federal Scott Key (FSK) Bridge was accepted. The federal government will reimburse the cost of this contract.

**2. Secretary of Transportation – STP Revenue Bonds for BWI (10/02/2024)**

The Secretary of Transportation was approved to authorize the issuance and sale of \$275 million in

Special Transportation Project (STP) Revenue Bonds by MDOT. The proceeds will fund the construction of the Concourse A/B connector and baggage handling system replacement project at Baltimore/Washington International (BWI) Airport.

**3. MDTA – FSK Bridge Storage Area Leases (10/16/2024)**

MDTA was approved to lease storage areas near the FSK Bridge for up to five years. This lease will accommodate relocated items, such as salt and equipment, that were previously stored adjacent to the collapsed bridge.

**4. MTA – Frederick Douglass Tunnel Program (12/18/2024)**

MTA’s definitive agreement with Amtrak to modernize and add capacity to the Northeast Corridor (NEC) was approved. The centerpiece of this project is the construction of the Frederick Douglass Tunnel (FDT), which will replace the existing Baltimore and Potomac Tunnel.

**5. MTA – Susquehanna River Rail Bridge Replacement (12/18/2024)**

MTA’s definitive agreement with Amtrak for the replacement of the Susquehanna River Rail Bridge, vital for both rail service and marine traffic, was approved. This bridge is a key part of the Northeast Corridor (NEC) rail system.

**6. MTA – Public-Private Partnership for Freight Rail Lines (12/18/2024)**

MTA was approved to designate its freight rail lines on the eastern shore as a public infrastructure asset to be delivered through a public-private partnership (P3). A competitive solicitation will be used to select a private sector partner to design, build, finance, operate, and maintain the rail lines for the contract term.

## **Wetlands**

**1. Recommendation for Wetlands License for FSK Bridge Remnants Removal**

- **Date of Approval:** September 11, 2024
- **Project:** Removal of bridge structure remnants of the FSK bridge from the Patapsco River.
- **Description:** The BPW Wetlands Administrator recommended the granting of a wetlands license to allow for the removal of remaining structures from the FSK bridge located over the Patapsco River.

**2. Recommendation to Ratify Emergency License #24**

- **Date of Approval:** October 2, 2024
- **License Issued:** Emergency License #24, issued to MDTA on July 31, 2024.
- **Purpose of License:** The emergency license allowed for the removal of the remaining FSK bridge structures in preparation for planning and constructing a new bridge.

**3. Approval of Wetlands License for U.S. Wind, Inc. (11/20/2024)**

The BPW Wetlands Administrator's recommendation was approved, granting U.S. Wind, Inc. a wetlands license. This license authorizes the company to:

a) Construct a 353-foot long by 30-foot-wide concrete pier with associated timber fenders, extending up to 30 feet channel-ward of the mean high-water line.

b) Construct 383 linear feet of replacement steel bulkhead extending up to 18 inches channel-ward of the mean high-water line.

This project pertains to infrastructure development within regulated wetlands areas.

# DEBT MANAGEMENT DIVISION

## Rating Agency Update

Maryland is one of only fifteen states to hold the coveted triple-A rating, the highest possible rating for credit, by all three major rating agencies. S&P Global has rated the bonds AAA since 1961, Moody's Ratings has assigned the bonds a rating of Aaa since 1973, and Fitch Ratings has rated the bonds AAA since 1993. Following meetings held in advance of the June 2024 bond sale, all three rating agencies continued to affirm their AAA ratings for Maryland's General Obligation debt; however, Moody's changed the outlook on the State's rating from stable to negative for the first time since 2011. According to the credit analysis, the outlook revision was driven by expected structural imbalances and planned depletion of General Fund surplus and budget reserves. Although S&P Global and Fitch Ratings noted similar concerns, both rating agencies maintained a stable outlook for the State, noting the State's long history of proactive budget management.

The most recent rating reports are available on the Treasurer's website at <https://treasurer.state.md.us/debt-management/general-obligation-bonds/rating-agency-reports/>.

As of the date of this report, there have been no further rating actions. The Treasurer's Office remains in regular contact with the rating agencies, providing updates on the July 2024 Board of Public Works budget cuts, revisions to the revenue estimates, and other budget related activity. The Treasurer's Office anticipates engaging the rating agencies again for a full credit review in early May 2025, prior to the sale of the 2025 First Series General Obligation Bonds.

## Overview of Maryland's Credit

There is broad consensus about the State's credit strengths and challenges. An overview of some of those factors follows but should not be considered exhaustive. The rating agencies also frequently issue general research reports pertaining to credit issues and challenges which are available upon request.

### Credit Strengths

**Strong fiscal management institutions:** One of Maryland's greatest credit strengths is its fiscal management, which is supported by strong institutionalized tools. These include the Capital Debt Affordability Committee (CDAC) process, which ensures state tax-supported debt remains within affordable levels; the Board of Revenue Estimates process, which produces a consensus revenue forecast agreed upon by the different branches of government; the Board of Public Works' ability to make midyear spending adjustments; the lack of a supermajority requirement for tax increases; and rapid 15-year amortization of general obligation debt required by the Constitution, among other things.

**Record of excellent fiscal management:** The State also has a proven track record of proactive fiscal management. Operating budgets are balanced and nearly always passed within the 90-day legislative session, the BPW has made numerous spending adjustments in response to new revenue information over the years, and adjustments such as tax increases and reforms to the pensions system have been made when necessary. Maryland's "middle temperament" and tradition of proactive cooperation on fiscal matters are subjective but critically important factors in the State's credit rating.

**Stable diversified economy:** Maryland has a broad-based, service-oriented economy anchored by the federal government, which has a positive impact on the State's economy overall despite the occasional shutdowns. The

State's economy has a long record of resilience and above average performance relative to the nation. Maryland also tends to have lower unemployment and more high-paying jobs than the national average.

**Highly educated population and above average income:** The State's population ranks in the top echelon of the U.S. in terms of its educational attainment status and income level, creating a dynamic and reliable revenue base. Policies that help maintain the State's status as highly educated and wealthy are critical to its ability to retain its AAA bond rating.

## **Credit Challenges**

**Pensions, debt, and other long-term liabilities:** Long-term liabilities in Maryland are considered to be high relative to peer AAA states. The State's debt burden is considered moderate, and the Constitutional requirement to retire debt within fifteen years, though a credit positive overall, leads to higher annual debt service costs. Maryland also directly funds a large portion of school construction needs for its counties, which is unusual among states. The State's pension plans are still below the ideal levels of funded status, though the rating agencies credit Maryland for its 2011 reforms. Taking steps to manage these long-term liabilities while still meeting Marylanders' need for services is crucial.

**Vulnerability to swings in federal spending:** The State's economy receives substantial benefits from the proximity to the nation's capital, including a large federal agency presence and associated private contracting. While the strong federal presence can provide a certain degree of stability, exposure to changes in the federal budget that include budget cuts and other forms of retrenchment, pose disproportionate uncertainty for Maryland compared to most other states.

**Factors that Could Contribute to a Future Negative Rating Action or Downgrade:** All three rating agencies note that continuing budget pressure remain a significant concern for the State's credit. To the extent that economic and financial deterioration result in deficits, reliance on fund transfers and other nonrecurring budget balancing measures, or insufficient plans for replenishment and structural balance, the State's credit rating could be negatively impacted. Failure to adhere to its policies, particularly those relating to addressing pension and other long-term liabilities, is also a noted factor that could result in a negative revision to either the outlook or the rating.

## **General Obligation Bonds**

Since the last report to this committee, the State has not conducted a General Obligation Bond sale. The state's next General Obligation Bond sale is scheduled for June 11, 2025. The Debt Management Division expects the sale to include approximately \$900 million in tax-exempt new money. Additionally, the division is monitoring interest rates and intends to refund certain outstanding bonds that meet the criteria in the state's debt policy.

## **Capital Leases**

The Debt Management Division administers two capital lease programs on behalf of state agencies. The Equipment Lease-Financing Program allows state agencies to acquire equipment and pay for those items over a three- or five-year time frame. The Energy Lease-Financing Program allows state agencies to acquire equipment necessary for an Energy Performance Contract (EPC) and pay for the equipment portion of the EPC over multiple years using the utility savings generated by the project.

On May 19, 2023, this committee authorized \$18.0 million of aggregate capital equipment for the Equipment Lease-Financing Program, of which a balance of approximately \$11.1 million remains to fund capital projects through June 2025. This committee also authorized \$20.0 million for the Energy Lease-Financing Program, also through June 2025, which has not yet been utilized.

The Debt Management Division has a Master Lease-Purchase Financing Agreement for capital equipment in an amount up to \$10.0 million with Banc of America Public Capital Corp, which was approved by the Board of Public Works on August 2, 2023. Since the last report to this committee, one draw, totaling over \$1.8 million has financed critical equipment for various State agencies.

### **Capital Debt Affordability Committee (CDAC)**

At its final meeting of the year, held on October 17, 2024, the Committee reviewed its assumptions on revenues, personal income, interest rates, debt issuance, debt service, and bond authorizations. The Committee believes that these variables have been estimated prudently. The personal income and revenue estimates reflected the most recent forecast by the Board of Revenue Estimates on September 26, 2024. After discussion, the Committee approved \$1.75 billion as the recommended maximum amount of general obligation bonds to be authorized for the fiscal year 2026 capital program. The vote was unanimous.

In addition to determining and recommending a prudent affordable debt authorization level for the coming year, the Committee also sets out planning assumptions for the State to use in its capital program planning process. The amounts recommended for future fiscal years is shown in the table below.

<b>CDAC Affordability Ratios (projected)</b> (\$ in millions)			
<b>Fiscal Year</b>	<b>Proposed Authorization</b>	<b>4% Debt Outstanding to Personal Income</b>	<b>8% Debt Outstanding to Revenues</b>
2025	\$1,750.0	2.8%	6.3%
2026	\$1,750.0	2.9%	6.1%
2027	\$1,750.0	2.9%	6.2%
2028	\$1,750.0	2.9%	6.2%
2029	\$1,750.0	3.0%	6.4%
2030	\$1,750.0	3.0%	6.5%
2031	\$1,750.0	3.0%	6.6%
2032	\$1,750.0	3.0%	6.6%
2033	\$1,750.0	3.1%	6.7%
2034	\$1,750.0	3.1%	6.8%

### **Status of the Annuity Bond Fund**

Debt service on General Obligation Bonds is paid from the Annuity Bond Fund, which is primarily funded by the state's real property tax revenue. The debt service is also supported by appropriations from the General Fund, which contributed \$425.1 million in fiscal year 2024. Assuming current property tax rates are maintained, and other assumptions remain as currently estimated, a continued General Fund appropriation is projected to be

needed for fiscal years 2025-2030.

**Annuity Bond Fund, Fiscal Year 2024 – 2030**  
**(\$ in Millions)**

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>	<b>Estimated</b>
<b>Beginning Balance</b>	\$290.3	\$419.9	\$156.8	\$52.0	\$2.0	\$2.0	\$2.0
Total Property Tax Collections	985.3	1,048.4	1,086.2	1,118.4	1,146.3	1,175.0	1,198.5
General Fund Appropriation	425.1	397.1	271.1	371.3	443.0	487.5	556.6
Bond Sale Premium	139.5	-	-	-	-	-	-
Federal Subsidy for ARRA Bonds	6.4	4.9	2.6	0.9	0.2	-	-
Transfer Tax	7.0	7.0	1.7	-	-	-	-
Other Cash Receipts	(1.0)	(216.9)	2.1	2.1	2.1	2.1	2.1
Debt Service	(1,432.7)	(1,503.7)	(1,468.4)	(1,542.6)	(1,591.6)	(1,664.6)	(1,757.2)
<b>Ending Balance</b>	<b>\$419.9</b>	<b>\$156.8</b>	<b>\$52.0</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$2.0</b>	<b>\$2.0</b>

# TREASURY MANAGEMENT DIVISION

## Banking Division

The primary mission of the Banking Division is to manage and control relationships with vendors providing financial services for the State of Maryland, to anticipate agency banking requirements, and to respond timely to agency requests.

The Banking Division ensures the accurate and timely recordation of state funds, and the reconciliation of the state's bank accounts to its R\*STARS accounting system. The division must account for the receipt of all warranted deposits and the disbursement of all warranted payments. To meet these responsibilities, a comprehensive daily cash reconciliation is performed which allows the Banking Division to proactively resolve agency banking issues. Even as the volume of transactions has increased, the processes and controls developed by the Banking Division continue to result in a timely, accurate, and well documented reconciliation of the State's cash accounts.

As of December 31, 2024, total cash receipts and disbursements exceeded \$817 billion this fiscal year. The state's bank accounts continue to be reconciled to the penny to the state's general ledger.

In addition to the reconciliation duties, the division performs daily operational functions that are critical to the movement of funds into and out of the state's bank accounts and to the recordation of these transactions in R\*STARS. These include:

- Processing the drawdown of funds from federal programs and grants;
- Initiating Federal Reserve wire payments;
- Managing foreign currency transactions;
- Processing check stop payments, cancellations and reissues;
- Initiating replacement checks for failed Automated Clearing House (ACH) payments;
- Recovering funds for fraudulent check presentments;
- Providing transaction research assistance to state agencies;
- Managing the Unpresented and Undeliverable Check Funds;
- Recordation in R\*STARS of all bank adjustments; and
- Maintenance of tables to allow for accurate posting of electronic receipts.

Another responsibility of the division is to ensure protection of all State funds on deposit with financial institutions through monitoring of bank account and collateral balances. Utilizing the Agency Bank Account Portal, the Banking Division monitors agency bank accounts at designated financial institutions.

The Agency Bank Account Portal reported 1,319 open agency bank accounts managed by the Banking Division at twenty financial institutions as of December 31, 2024. The total posted collateral on December 31, 2024, was \$1.0 billion (unaudited).

The Banking Division continues to serve as the State’s authority for the development, control and maintenance of statewide policies and procedures for banking products and services. The division strives to stay at the forefront of changes in banking products and services offered in the financial industry and will continue to explore new financial products and improved data delivery methods. Such advances will increase the Banking Division’s capabilities to provide efficient and cost-saving banking and financial services to all State agencies.

## Investment Division

The objectives of the Maryland State Treasurer’s Investment Policy are to provide sufficient funds to meet cash flow needs and to achieve a return on investment all while maintaining safety of principal. STO compares the State’s cash management and investment policies and practices with those of peer AAA-rated states to ensure best practices are implemented and followed and actively works to seek improved ways to protect the State of Maryland’s funds.

The Treasurer’s prudent investment policy and practices focus primarily on safety of principal to ensure protection of State Funds. The information in this report is based on the daily verification of investments for fiscal year 2025 year to date. The balance of the General Fund Investment Portfolio for December 31, 2024, was \$19.928 billion with a yield of 3.81% compared to \$20.867 billion on June 30, 2024, with a yield of 4.36%. The portfolio decreased by approximately \$94 million over the past six months. The decrease appears to be a combination of higher expenditures, somewhat lower revenues, and a drop in interest income as the Federal Reserve moved interest rates 100 basis points lower since July of 2024. Interest rates did move higher in late November, December, and into January as prospects on what the Federal Reserve may be doing ahead has changed.

The portfolio earned on average of 4.15% in the first half of fiscal year 2025 as compared with 4.36% for fiscal year 2024. The portfolio breakdown at the end of the first half of fiscal year 2025 on December 31<sup>st</sup>, 2024, was as follows:

### Portfolio Composition for December 31, 2024

#### Assets

Investment Type	Dollar Amount	Percentage
Repurchase Agreement:	\$3,377,456,224	17.49%
Money Market Funds	\$3,530,025,629	18.28%
Government Sponsored	\$4,814,934,941	24.94%
Supra Sovereigns	\$1,062,678,313	5.50%
Commercial Paper	\$4,169,813,454	21.60%
US Treasuries	\$681,808,226	3.53%
Other Investments	\$1,671,784,334	8.66%
<b>Total</b>	<b>\$19,308,501,121</b>	<b>100.00%</b>

The General Fund's gross earnings for fiscal year 2025 through December 2024 were approximately \$421.584 million and adjusted value of securities purchased at both a discount and in performance tacked on another \$2.222 million for a total return in the General Fund of approximately \$424 million for the first half of fiscal year 2025. In fiscal year 2024, gross earnings were approximately \$900 million for the full fiscal year. On average approximately 54% has been allocated by statute to State agencies on a prorated basis based on their account balances throughout fiscal year 2025. The Budget Reconciliation and Financing Act of 2024 adjusted the list of agencies that will be allocated separate interest starting on June 1, 2024, and continuing through 2028. The allocation to agencies has been reduced from approximately 60% overall to approximately 53%, with fluctuations based on the balances in the various accounts.

The Federal Reserve stopped raising interest rates late summer of 2023, held through much of the first half of 2024, and finally lowered rates starting the middle of the year. The Federal Reserve lowered rates a total of one hundred basis points in the first half of our fiscal year 2025 with the last move on November 8, 2024. During the summer, the Federal Reserve had suggested that inflation was not a major issue and was well on the way to their target of 2% and that the labor market was their main focus. The labor markets have stayed very resilient with the unemployment rate still low historically at 4.2% nationally, and job creation has stayed moderately robust. Maryland's Unemployment Rate was 3.3% as of the end November 2024, up from 2.1% in November 2023 but still well below the national average.

STO was able to take advantage of the reasonably high short-term rates and maintain portfolio returns. Currently the Federal Reserve's general forecast is for 2 interest rate cuts in the second half of 2025. The financial markets are not pricing in another move in rates until the July 2025 (fiscal year 2026) meeting. The markets will continue to move around, and interest rate moves down or up will affect returns on the portfolio. There is a fair amount of uncertainty for the future economic condition as the change in administrations and the policies that will be put in place will have a significant impact and move the expectations of the Federal Reserve.

As can be seen in the brief chart below, the General Fund has underperformed the average return on the 3 Month Treasury Bill rate in the second half of fiscal year 2025. Once again, much like fiscal year 2023 and fiscal year 2024, the reason for this was the divergence in fixed income/bond prices on longer term older securities and the newer shorter securities that were purchased for the portfolio. As rates rose through the first half of fiscal year 2024, bond prices dropped and older securities that were in the portfolio going back to fiscal years 2018 – 2021 that had low coupons hurt both the interest rate return and the capital value of the portfolio. Active diversification into securities with higher returns that still maintained safety and liquidity helped to offset some of the negative returns. In addition, a shift to shorter maturities aided returns. It will take time for these securities to mature and get replaced with higher return more current coupon securities. For a more accurate comparison, the longer historical securities yield on average 1.58% while the securities in the remainder of the portfolio yield approximately 4.75%.

Fiscal Year	Fund Balance as of June 30	Number of of Participants	Actual Yield Previous 12 Months	\$ Inc (Dec) Assets Assets Previous year
2013	2,848,875,911	301	0.12%	14.86%
2014	3,127,026,184	302	0.05%	9.76%
2015	3,424,585,598	302	0.05%	9.52%
2016	3,779,521,886	303	0.22%	10.36%
2017	3,727,516,877	305	0.56%	-1.38%
2018	5,251,410,838	305	1.34%	29.02%
2019	6,050,482,835	305	2.27%	15.22%
2020	8,924,858,860	305	1.49%	47.51%
2021	9,722,107,828	305	0.09%	11.19%
2022	9,666,453,434	305	0.27%	-0.57%
2023	9,561,634,818	275	0.27%	-1.65%
2024	9,267,014,154	275	5.49%	-4.13%
2025*	13,696,909,191	275**	4.72%	47.80%

\*FY25 7.01.24-12.31.25

\*\* Distinct Accounts - Some Memebers hold multiple accounts

# INSURANCE DIVISION

The Insurance Division is responsible for administering the State's Insurance Programs, which include both commercial insurance and self-insurance. Commercial insurance policies are procured to cover catastrophic property and liability losses and to fulfill obligations derived from state contracts, statutes, and regulations. Among the several exposures covered by commercial policies are state-owned toll bridges, tunnels and roads, BWI Airport, the Port of Baltimore, Maryland Transit Administration liability, assorted professional liability exposures, and student athlete accident insurance. The state self-insures a significant portion of its exposures and maintains the State Insurance Trust Fund to pay claims and the costs associated with handling those claims. Self-insurance includes damage for state-owned real and personal property, vehicles, and liability claims covered under the Maryland Tort Claims Act.

The Insurance Division has four units: Underwriting, Claims, which includes Tort Litigation, Loss Prevention, and Workers' Compensation. The division's goal is to provide statewide risk management through loss protection (Underwriting), loss control (Loss Prevention), loss restoration and liability protection (Claims and Tort Litigation) and Workers' Compensation.

## **Division IT Project**

The D365 project was initiated to replace legacy computer systems, including those used by the Insurance Division for adjusting and tracking claims against the State. Among many goals of the project were improved efficiencies and strengthened cyber security. The first phase for the Insurance Division was the citizen portal for online claim reporting, which was completed in fiscal year 2022.

The second phase of the project, the Claims Management System (CMS), went live October 31, 2022. New claims are entered into CMS as received; existing claims will migrate from the legacy I-5 system to CMS.

The third phase of the D365 project now includes integration between CMS and other divisions of the Treasurer's Office.

Currently, the enhancements to the CMS have been initiated, including the deductible recovery run (DRR), launching the agency portal, and continuing to develop required reports.

## **Underwriting Unit**

The Insurance Division procures broker services for the purchase of commercial insurance to protect the State Insurance Trust Fund from catastrophic loss, to meet statutory or regulatory requirements, and for compliance with agency contractual agreements.

Underwriting highlights for the past six months include:

- On August 6, 2024, Maryland Transportation Authority (MDTA) received payment of \$350,000,000 from property insurer Chubb/ACE American, for the loss of the Francis Scott Key Bridge on March 26, 2024.
- The Insurance Division initiated the Annual Insurance Survey on July 1, 2024, and concluded October 1, 2024. The Survey is completed by each State agency to collect underwriting data for

insurance renewals, including the commercial excess property, boiler, and watercraft liability (P&I) programs. The Survey is also a component used for allocating agency premiums for the State's insurance programs.

- On October 8, 2024, Coppin State University and Insurance Division staff met to review the State's self-insurance and commercial insurance programs, claim reporting procedures, and loss prevention activities. A five-year history of property claims impacting the University, including a substantial loss in December 2022 from Winter Storm Elliott (Catastrophic Loss 2273), was a topic of discussion.
- Foster Care liability insurance for the Departments of Human Services (DHS) and Juvenile Services (DJS) expires March 15, 2025. The incumbent carrier, Tokio Marine, advised in October 2024 their intention not to offer renewal terms due to change in their underwriting guidelines, past claims experience and new programs of DHS. A widespread marketing effort to secure replacement liability insurance is underway.
- A Request for Proposal (RFP) for Insurance Broker Services for the State's Travel Accident and Athletic Participants coverage was issued on July 9, 2024. The contract was awarded to a new broker for the State's programs, Gallagher Affinity Insurance Services, effective November 2, 2024.

### **Commercial Insurance Program Renewals**

Commercial insurance markets showed signs of improvement after years of volatility driven by the pandemic, military conflicts abroad, and catastrophic natural events such as hurricanes, convective storms, floods and wildfires. Many of the State's commercial insurance programs experienced moderate premium increases or decreases for renewal as a result. High-risk exposures, like Transit, and programs with significant claims were again impacted with large rate increases.

July 1, 2024 – December 31, 2024

- Maryland Transit Administration's (MTA) excess liability program renewed effective July 1, 2024-2025. Excess Limits remained as expiring, \$500 million for MARC and \$202.5 million for other MTA operations. Self-insured retentions also remained as expiring, \$5 million rail and \$10 million for bus. The overall pricing increased from \$11,327,679.09 to \$12,858,358.37. This was an increase of \$1,530,679.28, or approximately 13.5% more than the expiring cost.
- MTA's rolling stock physical damage coverage renewed effective July 1, 2024-2025. Renewal coverage remained with Chubb. The overall pricing increased from \$974,058 to \$1,021,157. This was an increase of \$47,099, about 4.8% more than the expiring cost.
- MTA's bus fleet physical damage program renewed effective July 1, 2024-2025. The overall pricing increased from \$356,232 to \$376,967. This was an increase of \$20,735, or approximately 5.8% more than the expiring cost.

- Department of Agriculture's (MDA) farmers markets general liability policy renewed effective July 1, 2024-2025. The overall pricing decreased from \$4,171 to \$3,794. This was a decrease of \$377, or about 9% less than the expiring cost.
- DHS' and DJS' volunteer accident & excess liability program for foster grandparents renewed effective July 1, 2024-2025. The overall pricing decreased from \$534.60 to \$433.50. This was a decrease of \$101.10, or about 18.9% less than expiring cost.
- A Public Official Bond was purchased for new Legislative Auditor Brian Tanen, effective July 1, 2024-2025. The bond is with Travelers; the total cost was \$925.
- A new Public Official Bond was purchased for new Acting Maryland Insurance Administration (MIA) Commissioner Joy Hatchette, effective July 2, 2024-2025. The bond is with Travelers; the total cost was \$925.
- Student Athletic Participants Accident basic program covering ten universities and colleges renewed effective August 1, 2024-2025. This year, the program changed carriers, to US Fire Insurance Company. The overall pricing increased from \$1,193,974 to \$1,489,695. This was an increase of \$295,721, or approximately 24.8% over expiring cost.
- Baltimore City Community College's Athletic Participants Accident catastrophic program renewed effective August 1, 2024-2025. Overall pricing remained the same as expiring, \$4,967.
- St. Mary's College of Maryland's Athletic Participants Accident catastrophic program renewed effective August 1, 2024-2025. Overall pricing remained the same as expiring, \$800.
- Maryland Aviation Administration's (MAA) airport liability insurance renewed effective August 15, 2024-2025. This year, the program changed in structure from three layers to a single layer with Starr. The overall pricing decreased from \$1,311,159 to \$770,000. This was a decrease of \$541,159 or about 41.3% over the expiring cost.
- Allied Health professional liability policy covering thirteen participating institutions renewed effective September 1, 2024-2025. The overall pricing increased from \$136,816 to \$138,678. This was an increase of \$1,862, or approximately 1.4% more than the expiring cost.
- Maryland State Retirement & Pension System fiduciary liability policy renewed effective September 1, 2024-2025. The overall pricing increased from \$268,531.50 to \$268,910.80. This was an increase of \$379.30, about 0.1% more than the expiring cost.
- Blanket Cyber, Network Security & Privacy policies renewed effective September 30, 2024-2025. This year, both the policy for state agencies and policy for state higher education institution were renewed with Beazley syndicates at Lloyds. The overall pricing decreased from \$2,497,000 to \$1,362,500. This was a decrease of \$1,134,500 or approximately 45.4% compared to the expiring cost.

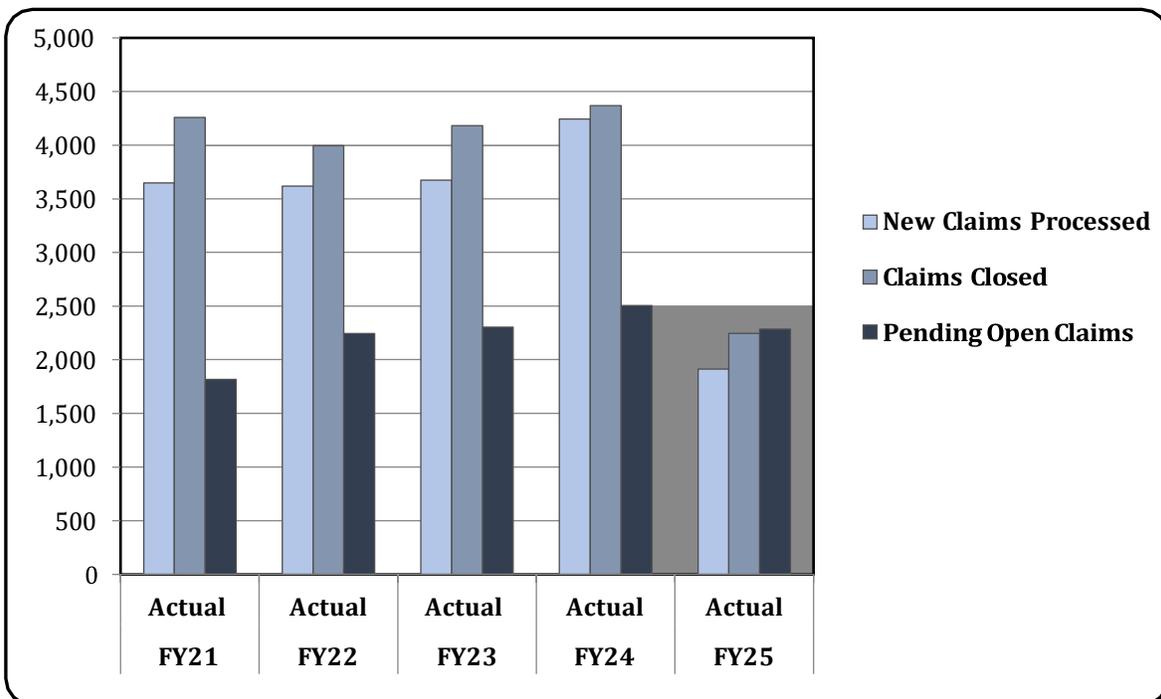
- Blanket Boiler & Machinery policy renewed September 30, 2024-2025. The state changed carriers from Travelers to Liberty Mutual. The overall pricing decreased from \$710,760 to \$684,900. This was a decrease of \$25,860 or about 3.6% compared to the expiring cost.
- A Public Official Bond was purchased for new MIA Commissioner Marie Grant, effective October 1, 2024-2028. The bond is with Philadelphia, and the total cost for the four-year term was \$2,885.
- University of Maryland, Baltimore and University of Baltimore Professional Liability coverage for law clinics renewed effective October 10, 2024-2025. The overall pricing decreased from \$22,053 to \$19,403. This was a decrease of \$2,650, approximately 12.0% less than the expiring term.
- Maryland Public Television general liability and umbrella policies renewed effective October 11, 2024-2025; the errors and omissions policy was written for a three-year term expiring October 11, 2026. The overall pricing decreased from \$33,235 to \$30,258. This was a decrease of \$2,977, or approximately 8.9% less than the expiring term.
- Blanket Terrorism coverage for state property including bridges and tunnels renewed effective October 13, 2024-2025. The overall pricing increased from \$271,268.88 to \$347,968.75. This was an increase of \$76,699.87, or 28.3% more than the expiring term.
- MTA's bridges and tunnels liability insurance renewed effective October 17, 2024-2025. General Star remained the lead carrier, although there were changes in the carriers participating in the excess layers. The overall pricing increased from \$1,464,560 to \$1,851,694. This was an increase of \$387,134, or approximately 26.4% more than the expiring term.
- University of Maryland, Global Campus, had a new tuition bond effective October 24, 2024-2025 to comply with North Carolina regulations. The overall pricing was \$475.
- Maryland Port Administration (MPA) crane physical damage coverage renewed effective November 25, 2024-2025. MPA added a new crane during term and renewal values for existing cranes increased by 2% over expiring values. The overall pricing increased from \$103,342 to \$120,311. This was an increase of \$14,161 or approximately 16.4% more than the expiring term.
- The MTA crime policy renewed effective December 1, 2024-2027. The policy moved from a one-year term to a three-year term. The overall pricing for three years was \$20,126. The average annual cost decreased from \$7,305 to \$6,708.67. This was a decrease of \$596.33, or approximately 8.2% less than the expiring term.
- MTA bridges and tunnels property program renewed effective December 1, 2024-2025. The incumbent carrier, Chubb/ACE, reduced their capacity to 60%, and the remainder of the tower was filled by 9 other carriers. The limit remained \$350 million, and the deductible remained \$50 million. Total cost for renewal increased from \$6,596,966 to \$9,080,575. This was an increase of \$2,483,609, or 37.6% more than the expiring term.

- Maryland Fire and Rescue Institute professional and general liability policy renewed effective December 5, 2024-2025. The overall pricing increased from \$118,817 to \$132,034. This was an increase of \$13,217 or approximately 11.1% more than the expiring term.
- Deer’s Head Center resident trust fund bond renewed effective December 18, 2024-2025. The overall pricing decreased from \$740 to \$590. This was a decrease of \$150, or approximately 20.3% less than the expiring term.
- Western Maryland Center resident trust fund bond renewed effective December 18, 2024-2025. The overall pricing decreased from \$740 to \$590. This was a decrease of \$150, or approximately 20.3% less than the expiring term.

### Claims Unit

The Insurance Division’s Claims Unit investigates and resolves claims filed under the Maryland Tort Claims Act for property damage and personal injury. The unit also handles claims for state-owned property arising from sudden and accidental perils, such as collision and comprehensive losses to autos, and perils such as fire, hail, lightning, and wind, for damage to state structures, equipment, and contents.

The open and closed claims are tracked to gauge activity, inventory and to identify any trends. From July 1, 2024, through December 31, 2024, there were 1,911 new claims processed, and 2,245 claims closed. The chart below shows claims detail of all claims by fiscal year. There are currently 2,285 open pending claim files for fiscal year 2025.



**Recently Reported Major Claims** - From July 1, 2024 – December 31, 2024, the Insurance Division received notice of 32 claims that present potential liability of \$75,000.00 or more. The reserve is set at the \$75,000.01 for reporting purposes and to identify any potential exposure.

Effective July 1, 2022, any claim with a date of loss that arises from intentional tortious acts or omissions, or a violation of a constitutional right committed by a law enforcement officer, the following limits on liability shall apply:

- The combined award for both economic and noneconomic damages may not exceed a total of \$890,000 for all claims arising out of the same incident or occurrence, regardless of the number of claimants or beneficiaries who share in the award; and
- In a wrongful death action in which there are two or more claimants or beneficiaries, an award for noneconomic damages may not exceed 150% of the limitation established under item 1. regardless of the number of claimants or beneficiaries who share in the award.

Effective October 1, 2023, any claim that arises out of sexual abuse, as defined in § 5–117 of the Courts Article, the legislation amends SG § 12-104 by increasing the Maryland Tort Claims Act cap from \$400,000 to \$890,000 for a single claimant for injuries arising from an incident or occurrence. For Any notice of claims or suits received related to this legislation, the date of loss is listed as October 1, 2023.

### **Tort/Auto/ Errors and Omissions (O&E)**

- On April 1, 2021, a claim alleging that two claimants were discriminated against based on a disability.
- On May 29, 2021, a claim alleging that a correctional officer engaged in sexual acts with an inmate. The correctional officer was found guilty criminally and was sentenced.
- On July 11, 2022, a claim alleging that a swim coach at University of Maryland, Baltimore County was sexually harassing multiple claimants.
- On February 9, 2023, a claim alleging that a claimant tripped and fell on a raised sidewalk edge while walking into District Court of Montgomery County fracturing their right wrist and right thumb.
- On July 25, 2023, a claim alleging that an inmate was denied medical care at Jessup Correctional Institution resulting in a fatality.
- On August 30, 2023, a claim alleging two assaults against an inmate. The first assault was at Metropolitan Transition Center sometime in August 2023 resulting in a broken leg. The second assault occurred at Baltimore City Circuit Court's holding cell on August 30, 2023.
- On September 6, 2023, a claim alleging that an inmate was assaulted by Maryland Correctional Training Center guards.
- On October 25, 2023, a claim alleging that the claimant inmate was assaulted by guards at Western Correctional Institution.
- On October 25, 2023, a claim alleging a Harford County Sheriff ran a stop sign and struck the claimant causing extensive injuries. The Sheriff was working in a State capacity.

- On January 25, 2024, a claim alleging that an inmate was assaulted by other inmates at Jessup Correctional Institution.
- On February 16, 2024, a claim alleging that a claimant inmate was assaulted by other inmates at Baltimore City Correctional Center.
- On June 16, 2024, a claim alleging that the claimant was stabbed while incarcerated at Jessup Correctional Institution.
- On June 26, 2024, a claim alleges a Maryland State Police vehicle rear ended the claimant vehicle with several passengers that were injured.
- On September 2, 2024, a claim alleging that a vehicle, a Fast Park bus, was on fire at the Terminal Upper-Level, North Terminal, which impacted the ceiling of the terminal, the roof of the outer curb, and a BWI sign.
- On September 15, 2008, a claim alleging that a minor was sexually assaulted while housed at Cheltenham Youth Detention Center.
- To date, we have received thirty-two suits with numerous claimants, who were minors at the time, related to the Child Victims Act. Claims submitted as a result of any sexually assaulted minor individuals may not be subject to compensation under the Maryland Tort Claims Act. On October 1, 2023, claims alleging:
  - a probation officer of Department of Juvenile Services sexually abused a minor at Lake Clifton Eastern High School.
  - multiple minors were sexually assaulted while housed in a Department of Juvenile Services facility.
  - a minor was sexually abused at J. DeWeese Carter Center.
  - a minor was sexually abused at Montrose School and Cheltenham.
  - multiple minors were sexually assaulted at Department of Juvenile Services.
  - sexual abuse of a minor at Montrose School.
  - sexual assault of a minor at Montrose School.
  - multiple minors were sexually assaulted at Department of Juvenile Services.
  - sexual assault of a minor at Charles Hickey School and Green Ridge Youth Center.
  - sexual abuse of minors at Cheltenham Youth Detention Center.

## **Property/Boiler**

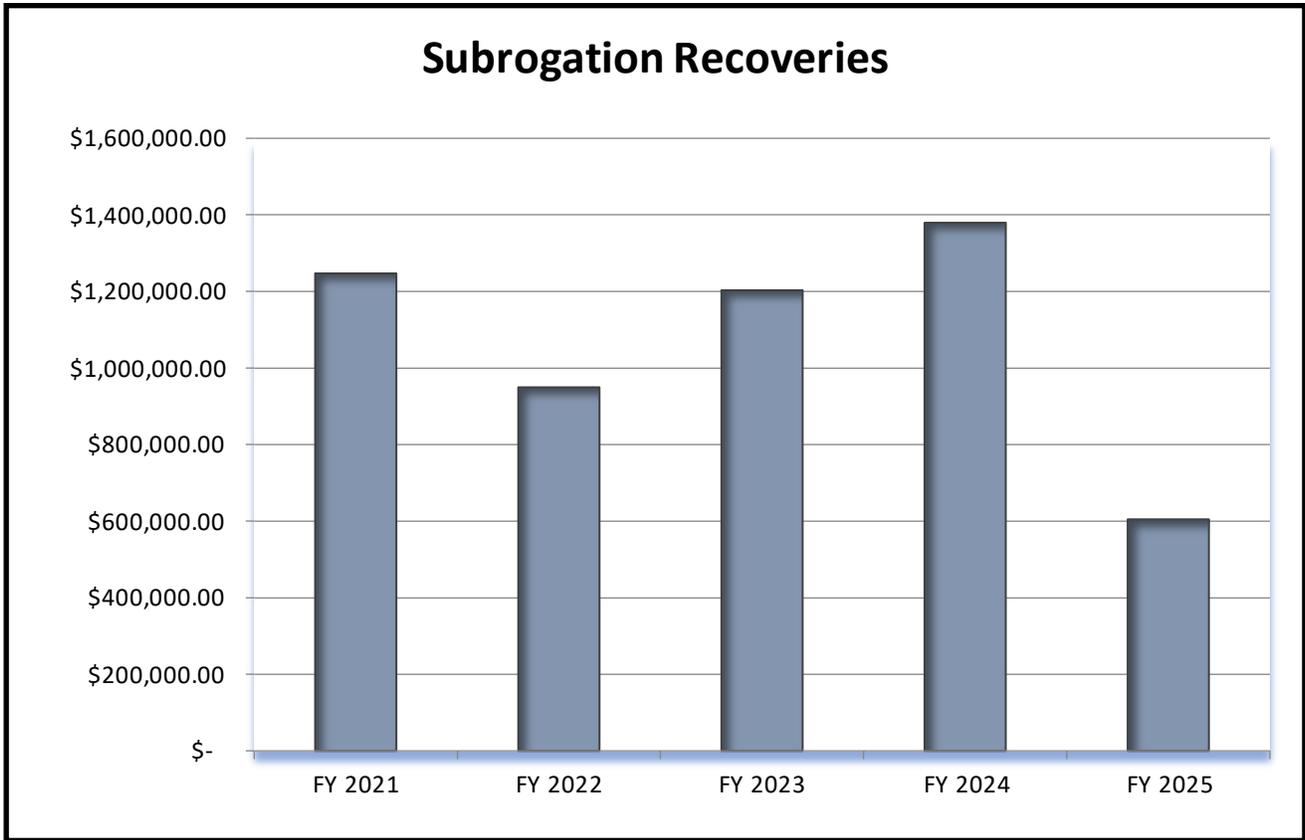
- On December 24, 2022, a claim alleging a flood due to a ruptured chilled water coil on the 6th floor at University of Maryland, Baltimore.
- On May 12, 2024, a claim alleging that a pipe burst causing sewage and water to seep out into mezzanine level and elevators at Maryland Reception, Diagnostic and Classification Center.
- On May 29, 2024, a claim alleging that a 3D Printer caught fire and sprinklers activated, causing damage at University of Maryland, College Park.
- On June 2, 2024, a claim alleging the barn caught fire at the Steppingstone Museum after a volunteer parked a tractor in the barn.
- On June 2, 2024, a claim alleging HVAC dielectric failed and caused massive flood and damage to property at University of Maryland, College Park.
- On July 16, 2024, a claim alleging that research equipment for University of Maryland, College Park was damaged due to a plane accident.
- On July 24, 2024, a claim alleging that a flooded room in Hill Field house at Morgan State University caused damages to property.

## **Subrogation Recoveries**

In addition to adjusting claims filed under the Maryland Tort Claims Act, the unit is also charged with recovering the cost of damage to State automobiles and property caused by others. This subrogation recovery process helps to offset State Insurance Trust Fund liabilities and positively affects the fund's solvency. Since 2007, the Claims Unit has renewed its focus on increasing subrogation recoveries by designating specific claims personnel to pursue these debts.

Year-to-date subrogation recoveries for fiscal year 2025 total \$605,409.00 as of December 31, 2024. This is a continued area of focus and is a priority within the Claims Unit.

Subrogation recoveries for fiscal year 2025 are still impacted by lingering effects of the COVID-19 pandemic and the collapse of the Francis Scott Key Bridge. We continue to experience delayed responses to the State's subrogation requests, supply chain challenges for auto parts, or 1<sup>st</sup> party property losses and staffing issues in the insurance industry that continue to hamper recoveries.

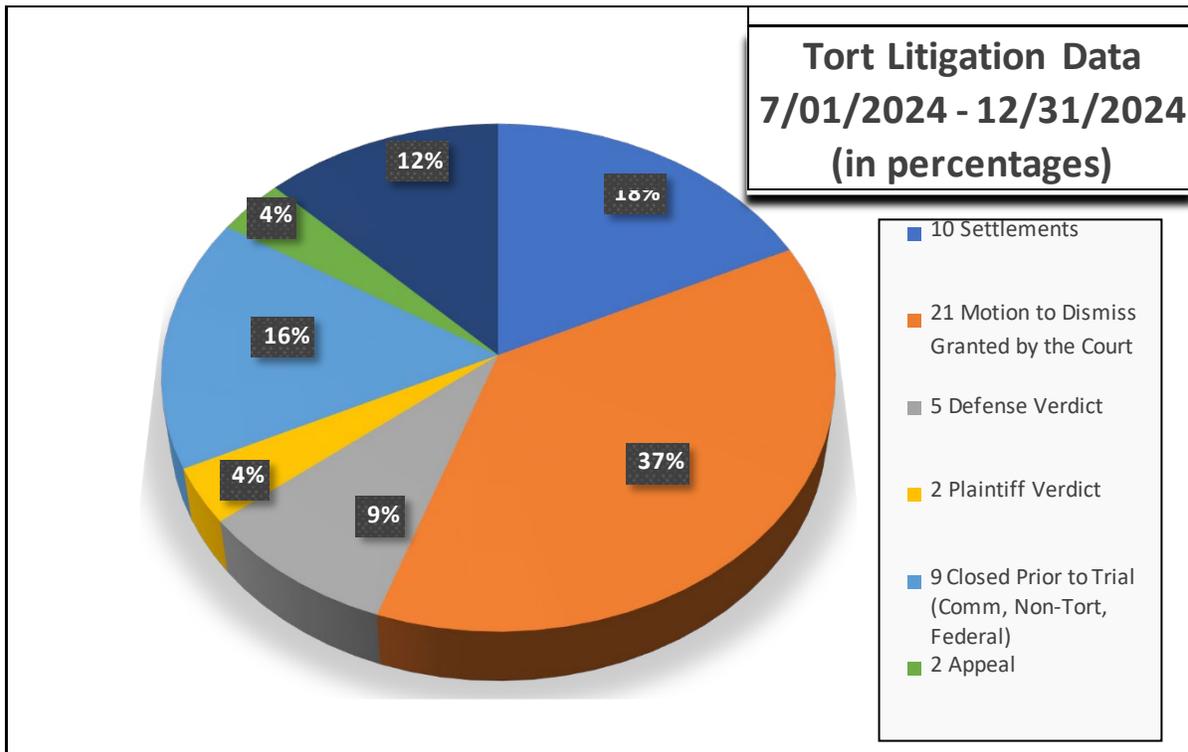


### Tort Litigation Management

The Casualty Claims Litigation Specialists work closely with the Office of the Attorney General to proactively resolve cases in litigation. The Casualty Claims Litigation Specialists investigate, evaluate, and extend settlement authority on behalf of the Treasurer to the Office of the Attorney General. In cases valued over \$400,000, the Casualty Claims Litigation Specialists brief the Insurance Review Committee, which includes the Chief Deputy Treasurer, the Director of the Insurance Division, the Tort Attorneys, and other stakeholders requesting settlement authority.

Settlement costs for the period of July 1, 2024, through December 31, 2024, totaled \$1,912,087.40, with litigation expense costs of \$99,374.45, for a total of \$2,011,461.85. The Casualty Claims Litigation Specialists attend settlement conferences and other court-mandated activities and provide periodic updates on the status of litigation claims, as requested. The Casualty Claims Litigation Specialists provide feedback to adjusters during the discovery process and upon resolution, as required.

The Tort Unit handles a rolling docket of approximately 150 - 175 litigation claims. The current litigation caseload is approximately 193, as of December 31, 2024. The Casualty Claims Litigation Specialists actively monitor trial verdicts and appeals and assess the potential impact on the State Insurance Trust Fund. The Casualty Claims Litigation Specialists also analyze data to track litigation outcomes.



The Casualty Claims Litigation Specialists will continue to monitor litigation outcomes and provide relevant data and analytical information to the Insurance Director, Loss Prevention, Underwriting, and Claims units, which will be used to determine future risk prevention activities

### Loss Prevention

The primary goal of the unit is to assist in the preservation of State assets, including buildings, computers and specialized equipment. Agency wide communications for weather threats, proactive site pre-inspections, and monitoring compliance with carrier recommendations are tools utilized to accomplish this objective.

State law requires boilers and pressure vessels be certified annually or biennially depending on type of equipment. Effective September 30, 2024, a new carrier, Liberty Mutual, was selected for the State's commercial boiler and machinery insurance program.

Thermographic or infrared testing of electrical equipment can detect hot spots which may cause a fire. The State's boiler and machinery carrier provides testing services at no additional cost. Most recently, Reginald F. Lewis Museum and Morgan State University conducted thermographic scans.

### Property Inspections and Recommendations

Each year, the commercial property insurance company, AIG, inspects 10 locations, typically those with higher values. The purpose is to assist in the identification of hazards that could lead to loss and provide recommendations to mitigate such losses.

Inspections involve a physical survey of the site and visual examination of buildings and their operating systems. A report is generated by the insurer's representative describing general conditions and

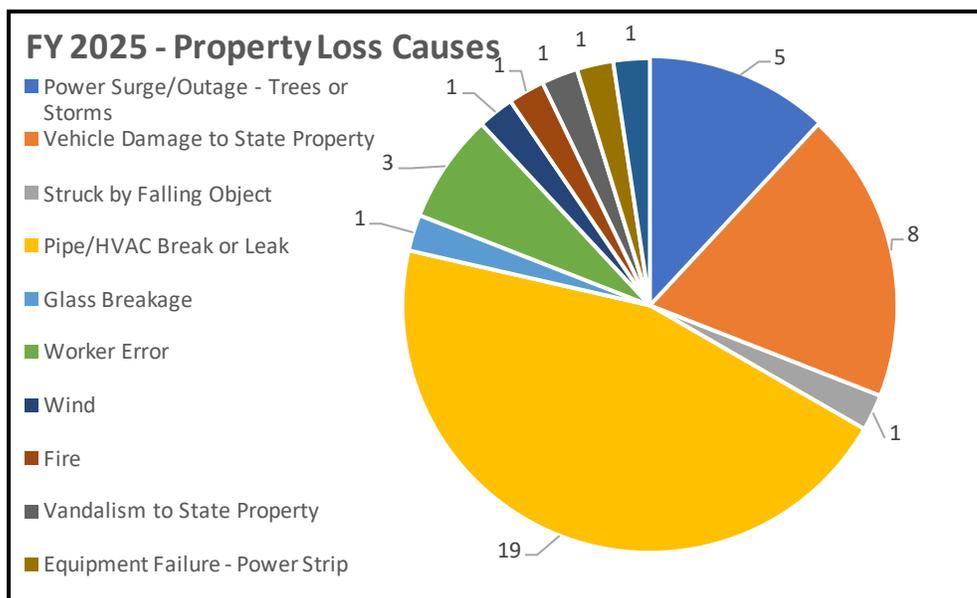
observations of any potential issues. Inspection reports are shared with each agency to review the recommendations and discuss intended actions. For the recent cycle, locations inspected were conducted at the following sites:

- Camp Fretterd
- Department of Agriculture, Headquarters
- Crownsville People’s Resource Center
- Universities at Shady Grove
- University of Maryland, Baltimore County
- University of Maryland, College Park
- St. Mary’s College of Maryland
- Charlotte Hall Veterans Home
- Maryland Transit Administration – Light Rail Headquarters and Shop
- Fifth Regiment Armory

Compliance with recommendations may help avoid future losses, benefiting the State Insurance Trust Fund, and is a positive characteristic for commercial property insurance underwriters. Loss Prevention is actively working with the agencies and institutions to address risk improvement recommendations developed by the carrier.

### Property Claims – Proximate Causes of Loss

From July 1, 2024, to December 31, 2024, there were 42 new property claims reported by State agencies. The leading cause of loss was water/substance damage from leaking pipes or equipment. Loss causation is reviewed to determine how to avoid or mitigate frequency in the future.



## Workers' Compensation

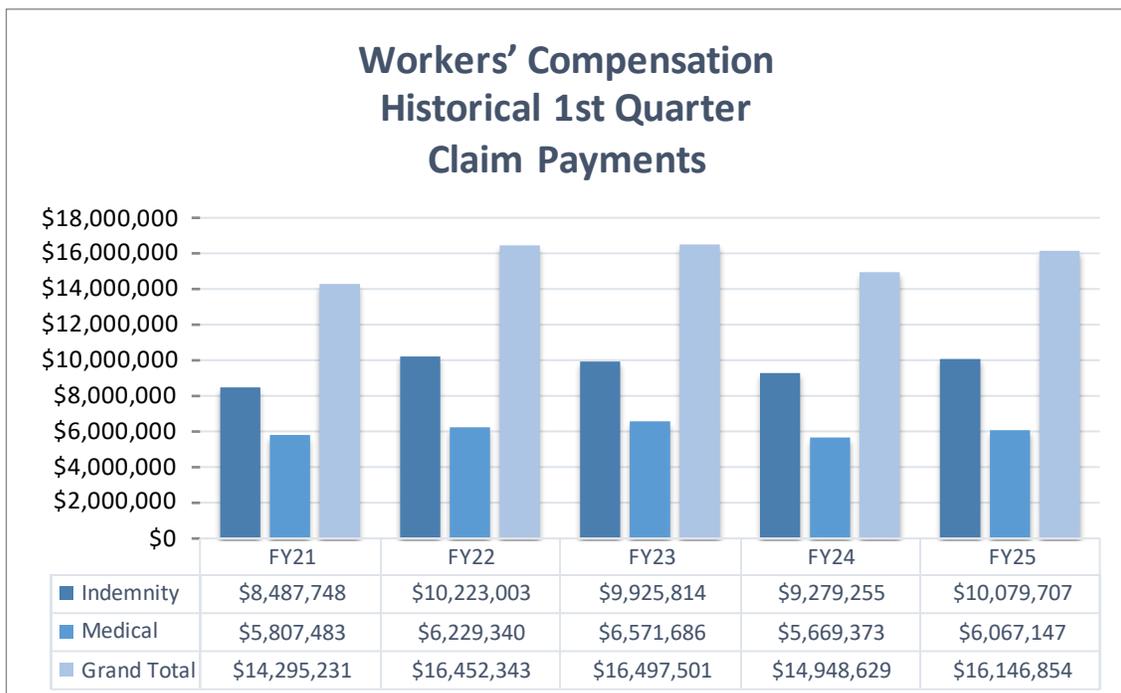
The State Treasurer's Office is responsible for the contract between the Board of Public Works and Injured Workers' Insurance Fund (IWIF). IWIF is the third-party administrator (TPA) for the State's self-insured workers' compensation program. The Workers' Compensation Program Administrator of the Insurance Division is responsible for overseeing the TPA contract, monitoring claims activity and ensuring accurate accounting of the State's fund balance. Oversight includes defining and communicating expectations, developing action plans and assuring adherence to the agreement. The Program Administrator also serves as a resource for State agencies.

The Memorandum of Understanding (MOU) with IWIF is progressing through the review and procurement process. A Side Agreement with IWIF has been finalized and both are expected to be executed in fiscal year 2025.

Since July 1, 2024, the Program Administrator met with 30 State agencies to discuss injury trends and promote loss prevention strategies. Loss prevention training from IWIF and SERMA over the past six months included twenty-eight webinars, four in-person sessions and twelve agency specific programs. Additionally, the Department of Budget Management and IWIF collaboratively developed a Return to Work (RTW) program that was introduced to the Department of Public Safety and Correctional Services in November 2024. The RTW program is also being promoted to other agencies which do not have a formal program.

IWIF launched a new claim management system, Origami, in December 2024. All new claims and existing open claims will be entered in the Origami system. Origami is compliant with Service Organization Controls 2 (SOC 2) for HIPAA information.

Workers' Compensation total claim payments for the first quarter of fiscal year 2025 reflect an increase of about 8% over the prior year and indemnity (wage loss and disability settlements) was the second highest since fiscal year 2021:



Based on IWIF data, from July 1, 2024, through December 31, 2024, there were 2,895 new injury claims (First Reports of Injury). The most common cause of injury is “struck by”, the next most common “fall, slip or trip”.