



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

June 15, 2020

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State Treasurer

Section 5-104 of the State Government Article of the Annotated Code of Maryland provides that, “*The Treasurer shall address the Legislative Policy Committee of the General Assembly on a semi-annual basis and as necessary on issues of legislative importance, including the activities of the Board of Public Works, bond sales, and investment and procurement initiatives.*” This Report is in fulfillment of that law and covers the period since the last Report of December 10, 2019. I invite and welcome further discussion with the Committee at your convenience.

The State Treasurer’s Office (STO) activities and responsibilities are of particular concern to the Legislature. One of seven statewide Constitutional officers, and the only one elected by the General Assembly, the State Treasurer’s duties are multifaceted and extend throughout State government and higher education. The Treasurer’s duties include membership on the Board of Public Works (BPW) and Board of Revenue Estimates and Chairmanship of the Capital Debt Affordability Committee. The Treasurer presently also serves as Chair of the Board of Trustees of the State Retirement and Pension System and is the Chair of the Board of Trustees of the Maryland 529 Plans. The Treasurer is a member of the governing boards of the Maryland Teachers’ and Employees’ Supplemental Retirement Plans, the Maryland Health and Higher Education Facilities Authority, and the Maryland Agricultural Land Preservation Foundation.

The items contained within this report detail numerous recent achievements. We are always available to provide additional information or answer questions regarding these and other issues.

BOARD OF PUBLIC WORKS

Between December 1, 2019 and May 31, 2020, the Board of Public Works (BPW) met 10 times to consider State procurements, expenditures of capital appropriations, the acquisition, use and transfer of State assets, issuances of licenses to dredge and fill wetlands, and the acquisition of land and easements in support of Program Open Space, the Conservation Reserve Enhancement Program, the Rural Legacy Program, and the Agricultural Land Preservation Program. State General Obligation Bond authorizations and the Energy-Lease and Capital-Lease financings are discussed in more detail in the Debt Management Section of this Report.

The Board reviews and approves items with wide-ranging impacts such as climate-related projects, community developments and other capital grants that impact all regions of the State. The following items, worthy of note, but not an exhaustive list, were considered by the BPW:

Baltimore City 21st Century Public School Construction Initiative

- Harford Heights Elementary School Renovation/Addition Project: Approved the request from Maryland Stadium Authority (MSA) to award a Construction Management at Risk contract. (04/01/20)
- Calverton Elementary/Middle School Replacement Project: Approved the request from MSA to award a bid comprised of utilities, sitework, foundations, concrete, structural steel, miscellaneous steel, mechanical, plumbing, and electrical. (04/01/20)
- Robert W. Coleman Elementary School Renovation Project: Approved the request from MSA to award a bid for demolition and abatement and preliminary plumbing, mechanical, & electrical packages. (04/01/20)
- James Mosher Elementary School Renovation/Addition Project: Approved the request from MSA to award:
 - Bid Package #1 for sitework, demolition/abatement, and preliminary plumbing, mechanical, & electrical packages. (04/01/20)
 - Bid Package #2 for comprehensive services. (05/22/20)

Personnel, Procurement, & Regulations

- Approved a request from the Comptroller to award a revenue generating contract to provide audit services for unclaimed property. (12/04/19)
- Approved a request from the Disabilities Development Administration to award a contract to provide quality improvement organization and utilization review services that will address audit findings identified by the Office of Legislative Audits. (12/04/19)

- Approved a request from the Department of Public Safety and Correctional Services to award a contract to provide pharmacy services to the Agency's inmate facilities. (12/4/19)
- Approved a request from the State Board of Education to award a contract for the purchase of 1,355 Cradlepoint AER2200 routers, one Cradlepoint CR4250 with Rack mounting accessories, and Cradlepoint AER2200- with 5-years NetCloud Manager (NCM) CradleCare Support. (12/4/19)
- Approved the award of an Architectural and Engineering Contract and a Bid Package to construct a new School of Pharmacy & Health Professions Building at the University of Maryland, Eastern Shore. (01/08/20)
- Approved the award of a Construction Management at Risk services contract for the Retriever Activities Center renovation project at the University of Maryland Baltimore County. (01/08/20)
- Approved the Department of Housing and Community Development's (DHCD) expenditure of \$4,000,000 in general obligation bond proceeds for the FY20 National Capital Strategic Economic Development Fund awards. The program assists governmental agencies and non-profit community development organizations working on projects within Maryland's National Capital Region. (01/08/20)
- Approved up to \$4,775,000 in FY20 grant funding to upgrade Onsite Sewage Disposal Systems (OSDS) with Best Available Technology for nitrogen removal and construction of sewer connections. (01/08/20)
- Approved a request of the Department of General Services to award a contract for energy submetering at state facilities. Submetering will better manage the State's energy usage and reduce cost and environmental impact, improve building energy management practices, measure and verify savings achieved through energy projects, and benchmark existing building energy use, in order to compare historical consumption. (02/19/20)
- Approved a request of the Department of Human Services to award a contract to provide a web-based, automated, real-time employment and income verification service for the Family Investment Administration. (02/19/20)
- Approved the BPW General Counsel's recommendation to grant three individuals, Alfred Chestnut, Andrew Stewart and Ransom Watkins, who were erroneously convicted of crimes, compensation based on the number of years served and funding for financial and other appropriate counseling. Each will be paid a total of \$2,918,441 over 7 fiscal years (ending July 31, 2025). \$35,140 is to be paid within 30 days of Board approval and the second payment being made by July 31, 2020. Subsequent annual installments are to be paid no later than July 31 of each year, in equal amounts. (03/04/20)
- Approved a request to award a contract to Bowie State University for the design and construction of a building to replace the existing Martin Luther King Center. (04/01/20)

- Approved a request by the University of Maryland College Park to:
 - Designate the NextGen Energy Program, as a public-private partnership (P3); and
 - Approve the proposed competitive solicitation method for selecting a private sector entity for the Program. (04/22/20)
- Approved a request by Morgan State University to award a contract to provide comprehensive food and dining services for students, faculty, staff, and guests of the University. (05/01/20)
- In recognition of the severe impact on revenues in the present recession and of the increased need for pandemic-related expenditures, the BPW approved a reduction of \$120,661,000 to the Fiscal Year 2020 budget. It is anticipated that more and deeper cuts will be required in the coming fiscal year. (5/22/20)

State Services, Facilities, & Assets

- Approved a request from the Maryland Department of the Environment (MDE) for projects in Baltimore City to prevent sanitary sewer overflows (SSOs) as required by a Consent Decree between Baltimore City, MDE and the U.S. Environmental Protection Agency. Projects include rehabilitation, repair and replacement of sewers and sewer manholes to improve the overall condition of the aging sewer system. Funding is provided through the Water Quality State Revolving Loan Fund or the Bay Restoration Fund. (04/01/20)
- Certified matching funds and approved entrance into a non-matching grant agreement for a \$56,200,000 grant for University of Maryland Medical System to assist in the completion of a new Regional Medical Center in Prince George's County. (04/01/20)
- Approved two requests for general obligation bonds in the amounts of \$7,287,929 and \$2,286,706 for grants from the Maryland Broadband Infrastructure Grant Program and the Maryland Broadband Pilot Funding Program. These programs provide financial assistance to expand and extend broadband infrastructure in rural communities where the service does not currently exist. (05/22/20)

Transportation

- Approved the request of The Maryland Transportation Authority (MDTA) and the Maryland Department of Transportation (MDOT) the following amendments to the conditional designation of the P3 Program and approval of the proposed competitive solicitation method:
 - Provide regional transit services as part of the P3 Agreements; and
 - Deliver the entire P3 Program through solicitations on a phased approach allowing further minimization of impacts and design concepts while collaborating with communities and stakeholders.

The motion was approved 2-to-1, with the Treasurer voting in opposition. (01/08/20)

- Approved a request to award a contract to provide a Medical Director for the BWI Thurgood Marshall Fire and Rescue Department, Emergency Medical Service, and Automated External Defibrillator programs. The Medical Director will provide delivery of care to the public and other Fire and Rescue Department matters at BWI Thurgood Marshall & Martin State Airports. (04/01/20)

- Approved the request to award a contract to provide Commuter Bus Services for Routes 810, 820, 830, 840, and 850. (04/01/20)

TREASURY MANAGEMENT DIVISION

Banking Services Division

The primary mission of the Banking Services Division (BSD) 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 State Treasurer's Office also procures financial products and services on behalf of the State. To that end, BSD is working with Truist, formerly BB&T, to transition the State's merchant services contract. Additionally, BSD continues to transition accounts to the new depository services contract currently held by Wells Fargo.

BSD ensures the accurate and timely recordation of State funds and the reconciliation of the State's bank accounts to the State's R*STARS accounting system. The Department 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 BSD to proactively resolve agency banking issues. Even as the volume of transactions has increased, the processes and controls developed by BSD continue to result in a timely, accurate, and well documented reconciliation of the State's cash accounts.

As of May 31, 2020, total cash receipts and disbursements exceeded \$795 billion for this fiscal year. The State's bank accounts continue to be reconciled to the State's general ledger, to the penny, daily.

In addition to the reconciliation duties, the Department 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 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 Department is to ensure protection of all State funds on deposit with financial institutions through monitoring of bank account and collateral balances. Utilizing the Treasurer's Bank Account Information System (TBAIS), BSD monitors over 1,500 agency bank accounts at 28 financial institutions. Total posted collateral on May 31, 2020 was \$728 million (unaudited). Data results from the annual State bank account validation process is updated in TBAIS to ensure that all accounts are properly collateralized, monitored monthly, and that all interest owed to the General Fund has been collected.

The BSD continues to serve as the State’s authority for the development, control and maintenance of statewide policies and procedures for banking products and services. We continually strive to stay at the forefront of changes in banking products and services offered in the financial industry. The Department will continue to explore new financial products and improved data delivery methods that will increase its capabilities to provide efficient and cost-saving banking and financial services to all State agencies.

Investment Division

The Treasurer’s prudent investment policy and practices focus primarily on safety of principal to ensure protection of Maryland State Funds. The information in this report is based on the daily verification of investments as of May 31, 2020. The balance of the General Fund Investment Portfolio for May 31, 2020 was \$6,884,841,376 (unaudited) compared to \$7,837,440,999 on May 31, 2019, a decrease of \$952,599,623.

The portfolio was earning an average of 1.24% on May 31, 2020, compared to 1.88% on May 31, 2019.

The General Fund gross interest earnings fiscal year-to-date for FY20 through May 31, 2020 were \$57,879,275 (unaudited) compared to \$79,642,216 received for the same time period in FY19. The year over year gross interest earnings decreased by \$21,762,941.

The following chart tracks the number of individual agency accounts that receive an interest allocation from the total interest earned on the investment portfolio:

Fiscal Year	Net General Fund	Allocated to State Agencies	Total	% of Total Allocated to State Agencies
2010	44,190,425	87,921,654	132,112,079	67%
2011	53,178,733	87,900,159	141,078,892	62%
2012	23,207,535	48,647,954	71,855,489	68%
2013	8,646,595	40,710,863	49,357,458	83%
2014	19,133,149	52,602,770	71,735,919	73%
2015	7,064,094	55,460,767	62,524,861	88%
2016	15,241,045	60,075,483	75,316,528	80%
2017	2,161,351	84,108,492	86,269,843	97%
2018	20,963,584	94,860,659	115,824,244	82%
2019	34,438,221	116,577,195	151,015,416	77%
YTD 2020	33,724,977*	90,501,351*	124,226,328*	73%*

*Interest allocations are through 4/30/2020 as the May allocation has not yet been performed

The Maryland Local Government Investment Pool’s (MLGIP) AAAM rating was reaffirmed by S&P Global Ratings on April 27, 2020. The MLGIP has maintained the AAAM rating since April 2000. The MLGIP’s balance, which is the amount invested by all participants,

on May 31, 2020 was \$8,723,553,135 (unaudited) compared with \$6,329,498,439 a year ago on May 31, 2019, an increase of \$2,394,054,695.

The MLGIP yield was 1.67% as of May 31, 2020, compared to 2.22% on May 31, 2019. The MLGIP consists of 305 participants and provides its participants with a diversified, well-managed portfolio at a reduced cost.

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. The Office compares current 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 Maryland State Funds.

DEBT MANAGEMENT DIVISION

Rating Agency Update

In February 2020, as part of the sale of Maryland's General Obligation Bonds State and Local Facilities Loan of 2020, First Series, Moody's Investors Service, S&P Global (S&P) and Fitch Ratings all reaffirmed their AAA ratings for Maryland's General Obligation debt. The rating reports from this sale are available on the Treasurer's website at <http://www.treasurer.state.md.us>.

Maryland is one of only thirteen states to hold the coveted AAA rating, the highest possible rating, from all three major rating agencies. S&P has rated the bonds AAA since 1961. Moody's Investors Service has assigned the bonds a rating of Aaa since 1973, and Fitch Ratings has rated the bonds AAA since 1993. The other twelve states that hold AAA ratings from all three rating agencies are Delaware, Georgia, Florida, Indiana, Iowa, Missouri, North Carolina, South Dakota, Tennessee, Texas, Utah and Virginia.

The State of Maryland's next meeting with all three major rating agencies is scheduled to occur later this month to discuss the State's rating in advance of the 2020 Second Series General Obligation Bond sale. As always, the Treasurer's Office will provide updates on the rating agency reports once we receive the State's ratings.

Overview of Maryland's Credit

There is a broad consensus about the State's credit strengths and challenges. An overview of some of those factors follow but should not be considered exhaustive. As mentioned above, reports issued in conjunction with the State's bond sales are available on our website. The rating agencies also frequently issue general research reports pertaining to credit issues and challenges which are available upon request.

Credit strengths:

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 that 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 strong Executive budgeting system; the ability of the BPW to make midyear spending adjustments; the lack of a supermajority requirement for tax increases; and rapid fifteen-year amortization of general obligation debt required by the Constitution, among other things.

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 pension 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.

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 occasional drag caused by dysfunction in the federal government. The State's economy has a long record of resilience and above average performance relative to the nation as a whole. Maryland also tends to have lower unemployment and more high-paying jobs than the national average.

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 us maintain our status as a highly educated, wealthy state are critical to the State's ability to retain its AAA bond rating.

Credit challenges:

Long-term liabilities in Maryland are considered somewhat high relative to peer triple 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. Pensions are still below the ideal levels of funded status, and though the rating agencies credit us for the 2011 reforms, they also warn against any backsliding on the reforms that could jeopardize the progress we have made. Taking steps to manage these long-term liabilities while still meeting Marylanders' need for State services is crucial.

Despite the need to manage liabilities, the State continues to have significant need for capital investments that will keep the State economically competitive in the 21st century. Demand for capital projects such as school renovation and replacement, economic development, housing, etc. have consistently far exceeded actual spending, a trend which has accelerated over the last few years. During the Great Recession and years of slow growth that followed, maintenance on State facilities was deferred due to budgetary restraints, leading to a significant backlog that must be addressed. Though it is important to manage long-term liabilities, the State must continue to make investments in its people and infrastructure, while protecting its existing assets to avoid the need for more expensive repairs or replacements in the future.

COVID-19 Market Disclosure

Given that the COVID-19 pandemic is having a significant impact on the State's finances and operations, on June 8, 2020, Debt Management oversaw a voluntary disclosure to the municipal bond market regarding the timeline of key actions the State took in response to the pandemic, as well as the status of its revenues, budget, and liquidity. The goal of this disclosure was to ensure that the State met all of its legal and regulatory obligations and to ensure that it is being fully transparent with market participants. The official disclosure may be viewed at <https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/RE1035097>.

General Obligation Bonds

Since our last report to this committee, the State has conducted one General Obligation bond sale in the amount of \$777,230,000. The 2020 First Series was sold on March 4, 2020 and closed on March 18, 2020.

- Series A Bidding Group 1 consisted of \$245,055,000 in tax-exempt new money bonds. The proceeds were used to finance new projects. Bidding Group 1 received an All-In True Interest Cost (TIC) of 0.89% and included a premium of \$72,277,923.
- Series A Bidding Group 2 consisted of \$249,945,000 in tax-exempt new money bonds. The proceeds were used to finance new projects. Bidding Group 2 received an All-In TIC of 1.85% and included a premium of \$78,266,664.
- Series B consisted of \$50,000,000 in taxable new money bonds. The proceeds were used to finance loan programs and other capital projects with the potential to benefit non-governmental entities. Series B received an All-In TIC of 0.93%.
- Series C consisted of \$232,230,000 in tax-exempt refunding bonds. The proceeds were used to refinance previously issued bonds at a lower rate, which saved the State \$23,474,148 in debt service costs on a net present value basis. Series C received an All-In TIC of 0.73%.

Capital Leases

The Capital Lease-Financing Program allows State agencies to acquire equipment and pay for those items over a three, five, or ten-year time frame. From December 1, 2019 through May 31, 2020, Debt Management procured one lease for capital equipment totaling \$4,561,702. The lease financed critical equipment for various State agencies and was approved by the Board of Public Works on April 22, 2020. It was awarded to the lowest qualified bidder, Bank of America Public Capital Corporation, which offered a weighted average interest rate of 1.49%.

On August 13, 2018, this committee authorized \$35,000,000 for equipment lease purchase financing through June 30, 2020. As of May 31, 2020, the balance is \$28,247,107.

The Energy Lease-Financing Program allows State agencies to acquire equipment necessary for an Energy Performance Contract (EPC) and pay for the equipment over multiple years using the utility savings generated by the project.

There were no Energy Performance Leases performed for the period of December 1, 2020 through May 31, 2020, therefore, there is a balance of \$23,775,292 still available from the original \$36,000,000 that was authorized on August 13, 2018.

Most recently, on June 8, 2020, this committee authorized \$35,000,000 of aggregate energy performance contracts and \$20,000,000 of aggregate equipment lease contracts for the period of July 1, 2020 through June 30, 2020.

Upcoming Financing Plans

The State's next General Obligation bond sale, scheduled for July 22, 2020, will total approximately \$540 million in tax-exempt new money bonds. Additionally, there are several maturities in the State's portfolio of outstanding debt that are likely candidates for refunding. Under current interest rates, Debt Management currently estimates that the State will sell approximately \$249.9 million in tax-exempt refunding bonds and \$117.3 million in taxable refunding bonds alongside the new money bonds. The refunding par amounts are subject to change based on interest rates and other market conditions at the time of the sale.

Status of the Annuity Bond Fund

Debt service on General Obligation Bonds is paid from the Annuity Bond Fund, and the primary source of revenue for this Fund is the State's real property tax receipts. Over the years, the debt service has also been supported by appropriations from the General Fund. The Commission on State Debt met and released its annual report on April 16, 2020. In fiscal year 2021, \$131.0 million is appropriated from the General Fund to support debt service. Assuming current property tax rates are maintained and other assumptions remain as currently estimated, a continued General Fund appropriation is projected for fiscal years 2022 - 2025. However, as noted in the Commission's report, the actual General Fund appropriation may be significantly lower than projected. Though the State typically uses bond premium to offset current year debt service, the Commission's projections do not include bond premium in future fiscal years since premium attainment is heavily dependent on volatile, difficult to predict factors such as market conditions, coupon structure, and investor preference. If bond premium continues to be attained and the State continues to use it to offset debt service, the General Fund appropriations will be substantially reduced. Additionally, Debt Management routinely reviews the State's debt portfolio for refunding opportunities, which further reduces debt service. The complete Commission on State Debt report is available on the Treasurer's website at:

https://www.treasurer.state.md.us/media/131744/2020_comm_on_state_debt_report.pdf. The table below shows the Commission on State Debt forecast for the Annuity Bond Fund completed on April 16, 2020.

Annuity Bond Fund, FY 2019 – 2025 (\$ in thousands)

	2019 Act	2020 Est	2021 Est.	2022 Est.	2023 Est.	2024 Est.	2025 Est.
Beginning Balance	\$158,963	\$113,483	\$266,453	\$11,841	\$2,000	\$2,000	\$2,000
Property Tax Collections	828,543	855,771	885,309	903,016	921,076	948,671	977,094
General Fund Appropriation	286,000	287,000	131,000	454,539	493,047	502,422	507,396
Bond Sale Premium	117,011	248,358	109,000	-	-	-	-
Federal Interest Subsidy	11,591	11,666	10,873	10,058	8,931	7,469	5,518
Transfer Tax	7,059	6,851	6,884	6,917	6,975	6,980	6,986
Other Cash Receipts	2,632	3,150	3,150	3,150	3,150	3,150	3,150
Transfers	-	62,000	-	-	-	-	-
Capital Projects	-	-	-62,000	-	-	-	-
Debt Service	-1,298,318	-1,321,827	-1,338,829	-1,387,521	-1,433,179	-1,468,692	-1,500,143
Ending Balance	\$113,483	\$266,453	\$11,841	\$2,000	\$2,000	\$2,000	\$2,000

INSURANCE DIVISION

The Insurance Division is responsible for administering the State's Insurance Program which includes both commercial insurance and self-insurance. Commercial insurance policies are procured to cover catastrophic property and liability losses and other obligations derived from State contracts, statutes and regulations. Among the several exposures covered by commercial policies are State-owned toll bridges, tunnels and roads, the Baltimore Washington International Thurgood Marshall 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 coverage includes State-owned real and personal property, vehicles, and liability claims covered under the Maryland Tort Claims Act.

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

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 the following:

Global insurance, already in a hard market, began experiencing new disruptions stemming from the COVID 19 pandemic, in recent months. Industry rates for catastrophic perils, like flood and mode of transportation losses (air, rail and vehicular), continue to escalate. Additional pressures of diminishing worldwide capacity, imposition of higher deductibles and new coverage exclusions make this a challenging time. The recent results for the commercial insurance program are reflective of these conditions.

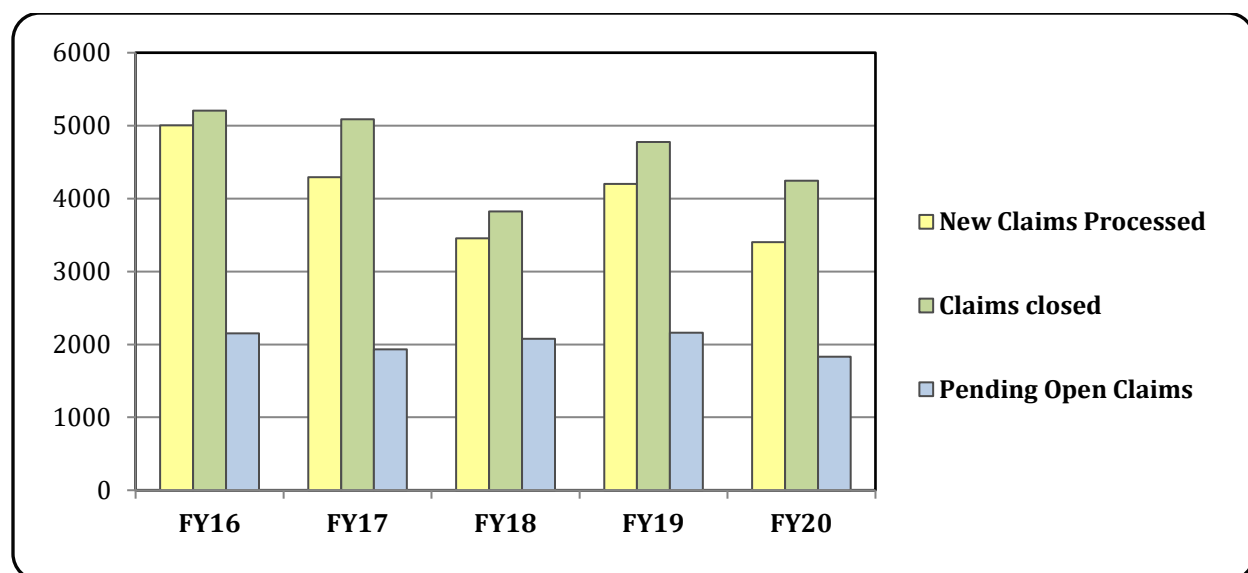
- Maryland Transportation Authority Bridges and Tunnels property program renewed December 1, 2019-2020 for an annual cost of \$3,299,447. This was an increase of \$485,697 or approximately 17%.
- Maryland Fire and Rescue Institute professional and general liability policy renewed December 5, 2019-2020. The renewal cost remained the same at \$21,868.
- Maryland Community Development Administration Crime policy associated with the Fannie Mae contract was renewed December 31, 2019. The overall pricing increased from \$2,393 to \$2,625. This is an increase of \$232, about 10%.
- Maryland Port Administration's commercial auto coverage renewed effective January 1, 2020. Renewal pricing increased from \$74,276 to \$83,070. This is an increase of \$8,794 or approximately 10%.

- State-owned vessel's Protection and Indemnity (P&I), which is liability coverage, renewed effective January 1, 2020. The overall premium was up from \$40,905 to \$48,947. This is an increase of \$8,042, about 20%.
- Maryland Port Administration's liability and terrorism coverages renewed effective January 31, 2020-2021. The overall pricing was down from \$523,867 to \$523,783. This is a savings of \$83.
- Maryland Department of Health Willow Brook Square Patient's Trust Fund Surety Bond was renewed January 1, 2020. The overall pricing increased from \$150 to \$350. This is an increase of \$200.
- University of Maryland Global Campus – Tuition Surety Bond as required by Washington State was renewed effective January 1, 2020. The overall pricing increased from \$475 to \$625. This is an increase of \$150, about 32%.
- University of Maryland, College Park Custom Bond renewed effective January 3, 2020. The overall pricing increased from \$525 to \$750. This is an increase of \$225 or approximately 43%.
- Maryland Institute for Emergency Medical Services Systems General Liability for Leased Radio Towers renewed effective February 18, 2020. Pricing remained the same at \$3,850.
- Maryland Department of Housing & Community Development Crime policy associated with HUD contract was renewed effective March 1, 2020. The overall pricing increased from \$15,799 to \$16,611. The increase of \$812 is about 5%.
- State of Maryland Blanket Fine Art on Loan renewed effective March 1, 2020. The overall pricing increased from \$17,184 to \$17,475. This is an increase of \$291 or approximately 2%.
- Maryland DHS and Maryland DJS Foster Parent Liability coverage renewed March 15, 2020. The overall pricing decreased from \$271,288 to \$198,930, mainly due to reduced exposures. The savings is \$72,358 or 27%.
- State Blanket Excess Property insurance renewed effective April 1, 2020. Values increased by 4%, and overall pricing rose from \$6,502,283 to \$8,559,987. This is an increase of \$2,057,704 or approximately 32%.
- Maryland 529 Crime policy renewed effective April 1, 2020. The overall pricing increased from \$1,677 to \$1,962. This is an increase of \$285, approximately 17%.
- Maryland Department of Commerce Foreign Liability insurance renewed May 1, 2020. The overall pricing decreased from \$7,500 to \$3,500. This is a savings of \$4,000 or 53%.

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 damage to State-owned property arising from sudden and accidental perils such as collision and comprehensive losses to autos and numerous other perils such as fire, hail, lightning, and wind, which may cause damage to State structures, equipment, and contents.

The open and closed claims are tracked to gauge activity and inventory and also to identify trends. From December 1, 2019 through May 31, 2020, there were 1620 new claims processed and 2032 claims closed. The chart below shows claims detail of all claims year-to-date from July 1, 2019 to May 31, 2020. There are currently 1830 open pending claim files for FY 2020.



Recently Reported Major Claims

On December 9, 2019, the Maryland Department of Health reported a wind damage claim to the Thomas B. Finan Hospital roof which occurred on November 28, 2019. Damages to building and contents estimated at \$195,000.

On January 13, 2020, Towson University reported a water damage claim which occurred on January 6, 2020. Damages to building and mechanical equipment estimated at \$100,000.

On January 21, 2020, the University of Maryland College Park reported water damage to Martin Hall from a faulty air gas container, which occurred on November 20, 2019. Damages to building and contents estimated at \$125,000.

On January 30, 2020, the University of Maryland Baltimore reported a water damage claim to the fourth through sixth floors at the Institute of Human Virology. The claim occurred on January 25, 2020 and is currently being investigated. Damages to building and contents estimated at \$200,000.

On February 11, 2020, the Maryland Port Authority reported a claim that occurred on December 11, 2019. A contractor operating a forklift damaged the passenger boarding bridge. Damages estimated at \$350,000.

On February 19, 2020, Morgan State University reported a fire claim in Jenkins Hall which occurred on February 15, 2020. Damages estimated at \$120,748 to building and contents. The claim is currently being investigated.

On March 10, 2020, the University of Maryland College Park reported a water line failure in Marie Mount Hall that occurred on January 9, 2020. Water flooded three levels of the lower mechanical rooms. Estimated damages are \$110,000 to building and mechanical equipment.

On March 12, 2020, Towson University reported a flood loss to the University Union construction site which occurred on March 7, 2020. Rainwater entered the facilities maintenance shop damaging an electric transformer. Damages estimated at \$100,000.

On April 20, 2020, the Department of Public Safety and Correctional Services reported a claim that occurred on April 16, 2020. The hydraulic pump in the Patuxent Institution Diagnostic Center elevator machine room caught fire. Building and mechanical equipment damages estimated at \$152,000.

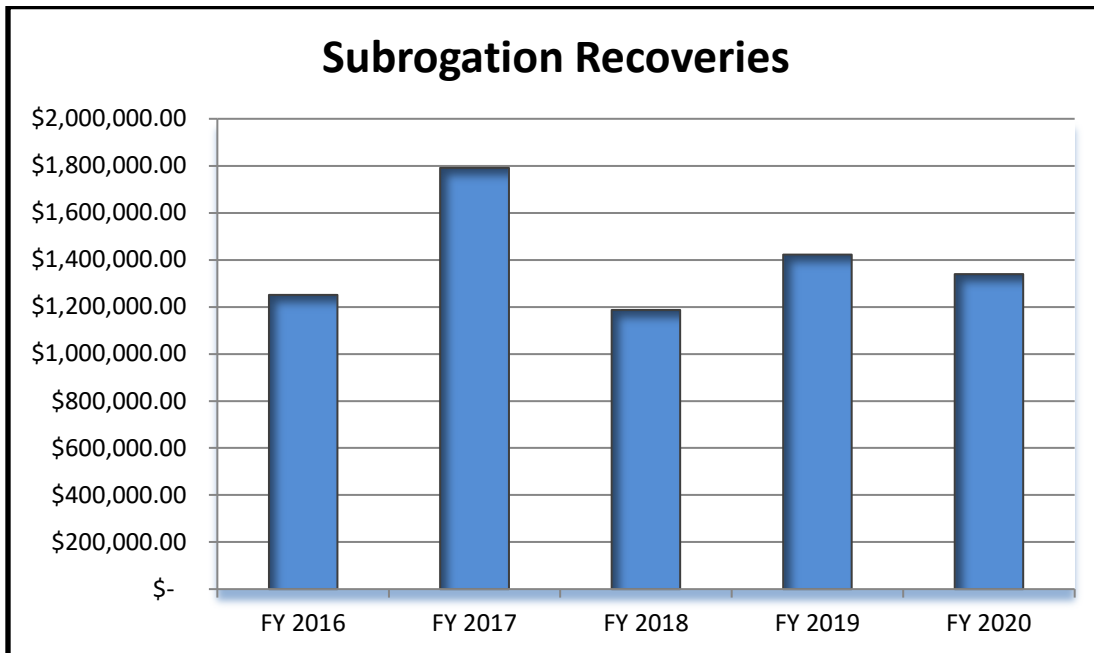
On May 13, 2020, the University of Maryland College Park reported a fire in Calvert Hall which occurred on May 9, 2020. Building and contents damages estimated at \$125,000.

On June 3, 2020, Morgan State University reported a fire in the Earl Richardson Library that occurred on May 21, 2020, resulting in fire and water damage to a hydraulic pump and 4th floor elevator lobby. Damages estimated at \$225,000. The claim is currently being investigated.

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 as of May 31, 2020 totals \$1,339,667. This is an increase of \$16,891 over this same date in 2019. Subrogation continues to be an area of focus and priority within the Claims Unit.

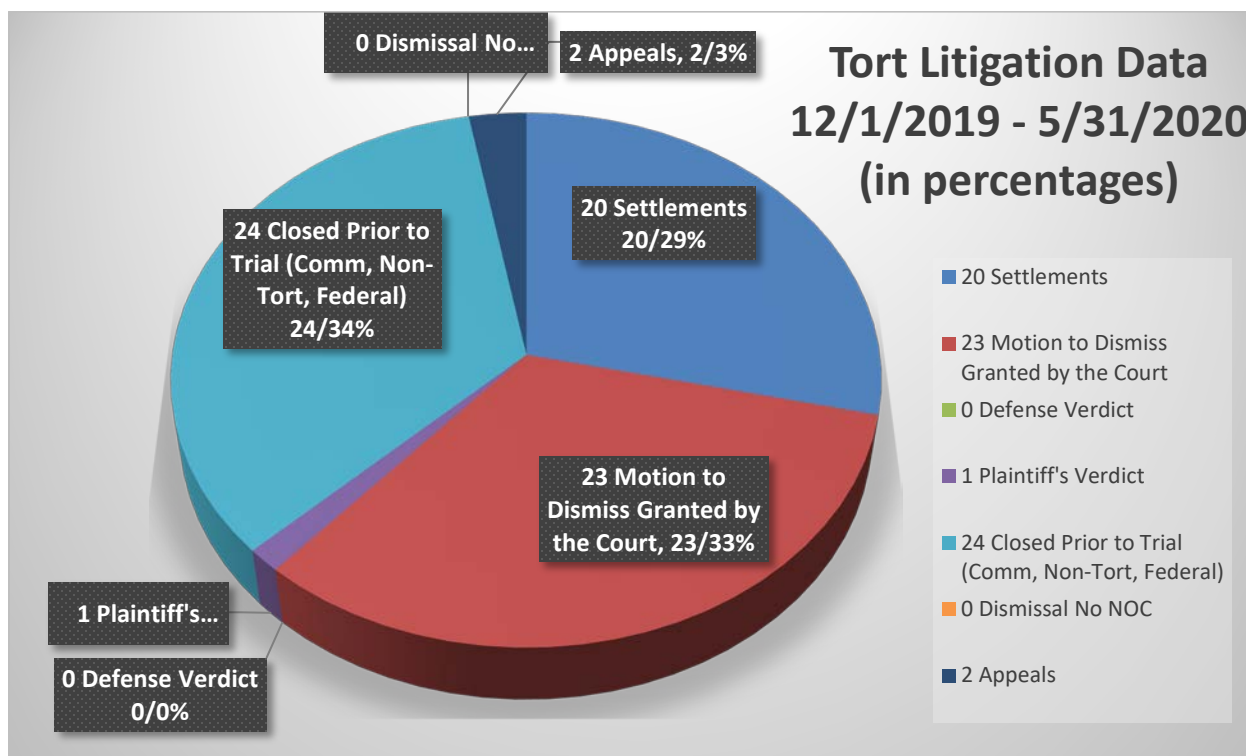


Tort Litigation Management

The Litigation Manager works closely with the Office of the Attorney General to proactively resolve cases in litigation. The Litigation Manager investigates, evaluates and extends settlement authority on behalf of the Treasurer to the Office of the Attorney General. In cases valued over \$400,000, the Litigation Manager briefs the Insurance Review Committee, which includes the Chief Deputy Treasurer, the Director of the Insurance Division, Deputy Director of the Insurance Division, the Tort Attorneys, and other stakeholders requesting settlement authority.

Settlement costs for the period of December 1, 2019 through May 31, 2020, totaled 1,231,202, litigation expense costs were \$16,144, for a total of \$1,247,346. The Litigation Manager attends settlement conferences and other court-mandated activities and provides periodic updates on the status of litigation claims, as requested. The Litigation Manager provides feedback to adjusters during the discovery process and upon resolution, as required.

The Tort Unit handles a rolling docket of approximately 100 - 150 litigation claims. The current litigation caseload is approximately 142, as of May 31, 2020. The Litigation Manager actively monitors trial verdicts and appeals and assesses the potential impact on the State Insurance Trust Fund. The Litigation Manager also analyzes the data in order to track the litigation outcomes.



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

Loss Prevention Unit

The goal of the Loss Prevention Unit is to help State agencies develop specific action plans and safety practices to mitigate or eliminate the most frequent or severe sources of preventable losses.

Our Office recognizes the importance of meeting in person and working directly with representatives of state agencies and universities. This effort helps to facilitate partnerships and establish and strengthen relationships. Additionally, together, we develop knowledge and gain an understanding of mutual objectives.

In an effort to reduce claims, several meetings with various agency representatives and insurance coordinators have occurred this fiscal year to learn about operations and primary objectives, and to discuss historical loss trends, loss cost opportunities, prevention programs, and mitigation strategies.

The Treasurer appreciates the opportunity to provide this Report to the Legislative Policy Committee on a regular schedule. A copy of this Report is also available on the State Treasurer's website: www.treasurer.state.md.us. If the Committee or its members would care to pursue these or other STO developments further, or any other aspects of the Treasurer's activities, please call the Treasurer at (410) 260-7160 or Chief Deputy Treasurer Bernadette T. Benik at (410) 260-7390.