



**ANNUAL REPORT
MINORITY OWNED FINANCIAL SERVICES FIRM USAGE
SUMMARY STATEMENT**

Reporting Department/Agency: Maryland Automobile Insurance Fund
Fiscal Year: FY2017

IN THE ATTACHED DOCUMENTS, MY AGENCY HAS REPORTED THE FOLLOWING INFORMATION:	YES	NO
1. The identity of the minority business enterprise brokerage and investment management services firms used by the Agency in the immediately preceding fiscal year;	✓	
2. The percentage and dollar value of the assets under the custody of the Agency that are under the investment control of minority business enterprise brokerage and investment management services firms; and	✓	
3. The measures the Agency undertook in the immediately preceding fiscal year to increase the percentage and dollar value of the assets under the investment control of minority business enterprise brokerage and investment management services firms.	✓	

Agency Head/Secretary Name: Mark D. McCurdy
(Please Type/Print Here)

Agency Head/Secretary Signature: 
(Please Sign Here)

MINORITY OWNED FINANCIAL SERVICES FIRM USAGE
ANNUAL REPORT QUESTIONNAIRE

STATEMENT OF COMMITMENT

Maryland Auto has embraced both the spirit and the law in Insurance Article Section 20-303. Since the law's passage, Maryland Auto has placed as much as 34% of its total portfolio with minority investment manager firms. Additionally, Maryland Auto has reached out to the minority investment community to establish relationships that will bear fruit when future opportunities become available. The outreach program and retention efforts have proven to be a strong social model and good business practice.

RESPONSE BY THE MARYLAND AUTOMOBILE INSURANCE FUND

1. Maryland Auto, through the use of investment managers, invests in equities, fixed income securities, and alternative assets. Maryland Auto does not do any investing in-house.
 - a. Maryland Auto has included its asset allocations on the attached spreadsheets.
 - b. Maryland Auto investments are tracked, reconciled, and recorded by internal staff. Overall changes in investment strategy are determined by Maryland Auto management relying on investment managers and an investment advisor.
 - c. Maryland Auto does retain services indirectly through its investment managers and outside investment advisor.
2. In Fiscal Year 2017, Maryland Auto continued to aggressively use minority and/or women owned investment firms. Throughout the year Maryland Auto had three minority firms that managed 32.58% of the investment portfolio.
3. When Maryland Auto intends to hire a new investment manager, Maryland Auto puts out a Request-For-Proposal ("RFP"). In addition to publication, Maryland Auto also distributes the RFP to known minority firms. Maryland Auto also, through its Executive Director, reaches out to minority firms to exchange information, make connections, and forge future relationships.
4. Maryland Auto relies on its investment advisor to handle "cold calls" from investment firms. When the investment advisor identifies a bona-fide opportunity through a minority firm, the cold call information is referred to Maryland Auto's Executive Director for consideration.
5. Pursuant to State law, Insurance Article Section 20-303, Maryland Auto's Financial Management Committee approves all Maryland Auto's investment policies and decisions.

- a. Maryland Auto does not utilize different mechanisms for the various funds and/or asset classes, brokerage services, etc.
- 6. Maryland Auto uses a single outside investment advisor to assist with finding suitable investment services firms.
 - a. The Maryland Auto Financial Management Committee, which consists of Maryland Auto's Executive Director and two Maryland Auto board of trustee members, chooses the investment advisor through the RFP process.
 - i. The Maryland Auto Financial Management Committee has the final decision over which investment advisor is chosen.
 - b. Maryland Auto's investment advisor aids in determining the asset class mix and develops its *Statement of Investment Policy*. The investment advisor also attends Maryland Auto Financial Management Committee meetings, prepares monthly and quarterly portfolio performance reports, analyzes investment manager performance, and makes recommendations regarding retention of investment managers. With input from Maryland Auto staff, the advisor prepares RFPs when Maryland Auto is choosing new investment managers (all of which are posted on eMaryland Marketplace).
 - i. Preliminary screening is completed by the investment advisor and presented to the Financial Management Committee to determine the manager candidates to be interviewed. The Financial Management Committee has the responsibility for deciding which firms are ultimately chosen.
 - ii. The investment advisor is encouraged to pursue minority managers during the search for new managers.
 - c. The Maryland Auto Financial Management Committee evaluates the Investment Advisor's performance.
 - d. The investment advisor was originally hired in 2005 and the firm's services were renewed in 2016 for an additional 5-year period after being chosen through the RFP process. The current contract expires in 2021.

7. In fiscal year 2017, \$63.7 million was managed by MBEs:

FYE	Total Amount	Asset Class	Classifications
2017	\$42,245,998	Fixed Income	African American
	\$15,948,818	Alternative Asset	Asian
	\$ 5,536,932	Equity	African American

8. Three (3) MBEs were retained directly by Maryland Auto in 2017.

FYE	Number	Manager Name	Amount	Classifications
2017	3	Stoneridge Investment Partners	\$ 5,536,932	African American
		The Swarthmore Group	\$ 42,245,998	African American
		Leading Edge Investment Advisors	\$ 15,948,818	Asian

9. None retained indirectly.

10. The chart below shows the management fees paid in fiscal year 2017:

FYE	Manager Name	Management Fees	Classifications
2017	The Swarthmore Group	\$85,371	MBE
	Stoneridge Investment Partners	\$26,661	MBE

Fees paid to Leading Edge were deducted directly from the portfolio.

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

11. – 14. No brokerage fees are paid.

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

MARYLAND MBE INVESTMENT MANAGER ANNUAL REPORT TEMPLATE (FY17)

Asset Management

Agency	FY 2013			FY 2014			FY 2015			FY 2016			FY 2017		
	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%
Maryland Automobile Insurance Fund	\$246.9	\$65.6	26.6%	\$236.5	\$70.7	29.9%	\$219.3	\$64.9	29.6%	\$196.6	\$66.5	33.8%	\$195.6	\$63.7	32.6%
Total	\$246.9	\$65.6	\$0.3	\$236.5	\$70.7	\$0.3	\$219.3	\$64.9	\$0.3	\$196.6	\$66.5	\$0.3	\$195.6	\$63.7	\$0.3

MBE Investment Managers Utilized

Agency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Maryland Automobile Insurance Fund					
Emerging MBE Managers	0	0	0	0	0
Emerged MBE Managers	3	3	3	3	3
Total	3	3	3	3	3

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

Brokerage Services

Agency	FY 2013			FY 2014			FY 2015			FY 2016			FY 2017		
	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%
Maryland Automobile Insurance Fund	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!
Total	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!	\$0.0	\$0.0	#DIV/0!

Total MBE Investment Brokers Utilized

Agency	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Maryland Automobile Insurance Fund	0	0	0	0	0
Total	0	0	0	0	0

MARYLAND MBE INVESTMENT MANAGER ANNUAL REPORT TEMPLATE (FY17)

Portfolio by Asset Class	Market Value (\$ millions)	Actual Allocation	Strategic Allocation	Emerging MBE Managers	Emerged MBE Managers
Fixed Income	112.2	57.4%	55.0%	0.0	1.0
Large Cap	27.4	14.0%	13.0%	-	-
Mid Cap	-	0.0%	0.0%	-	-
Small Cap	13.1	6.7%	9.0%	0.0	1.0
Low Volatility	35.3	18.0%	20.0%	0.0	1.0
International Fixed Income	7.6	3.9%	3.0%	-	-
Cash & Liquidating Fund	-	0.0%	-	-	-
Total	195.6	100.0%	100%	-	-

Emerged MBE Investment Managers Utilized

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class
The Swarthmore Group	42.2	-	Fixed Income
Leading Edge Investment Advisors, LLC	15.9	-	Low Volatility
Stoneridge Investment Partners	5.5	-	Small Cap
-	-	-	-
Subtotal	63.6	0.0	-

Emerging MBE Investment Manager Utilized

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
Subtotal	0.0	0.0	-
Total	\$63.60	\$0.00	

MARYLAND MBE INVESTMENT MANAGER ANNUAL REPORT TEMPLATE (FY17)

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