

**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 18% of its total portfolio with minority investment manager firms. Additionally, Maryland Auto has reached out to the minority investment community to establish relationships when future opportunities become available. The outreach program and retention efforts have proven to be a strong social model and good business practice.

**RESPONSE BY THE MARYLAND AUTOMOBILE INSURANCE FUND**

1. Maryland Auto, through the use of investment managers, invests in equities, fixed income securities, and alternative assets. 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. Any new investment manager selection process includes at least one minority own firm if available for consideration. In Fiscal Year 2021, Maryland Auto continued to use minority and/or women owned investment firms.
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 2021, \$34.7 million was managed by MBEs, a decrease of \$9.3 million over fiscal year 2020:

FYE	Total Amount	Asset Class	Classifications
2021	\$34,750,724	Fixed Income	African American

- 8. One (1) MBEs was retained directly by Maryland Auto in 2021.

FYE	Number	Manager Name	Amount	Classifications
2021	1	The Swarthmore Group	\$34,750,724	African American

- 9. None retained indirectly.

10. The chart below shows the management fees paid in fiscal year 2021:

FYE	Manager Name	Management Fees	Classifications
2021	The Swarthmore Group	\$77,433	MBE

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

11. – 14. No brokerage fees are paid.

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

Brokerage and Investment Management Services - Use of Minority Business Enterprises

**ANNUAL REPORT TEMPLATE - FY2021**

**Asset Management**

Agency	FY 2017			FY 2018			FY 2019			FY 2020			FY 2021		
	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%
-	\$195.6	\$63.7	32.6%	\$189.5	\$43.0	22.7%	\$194.0	\$42.8	22.1%	\$194.4	\$44.0	22.6%	\$189.9	\$34.7	18.3%
<b>Total</b>	<b>\$195.6</b>	<b>\$63.7</b>	<b>\$0.3</b>	<b>\$189.5</b>	<b>\$43.0</b>	<b>\$0.2</b>	<b>\$194.0</b>	<b>\$42.8</b>	<b>\$0.2</b>	<b>\$194.4</b>	<b>\$44.0</b>	<b>\$0.2</b>	<b>\$189.9</b>	<b>\$34.7</b>	<b>\$0.2</b>

**MBE Investment Managers Utilized**

Agency	FY 2017	FY 2018	FY 2019	FY 2020	FY2021
-					
Emerging MBE Managers	3	1	1	1	1
Emerged MBE Managers	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

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 2017			FY 2018			FY 2019			FY 2020			FY 2021		
	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%
-	\$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!
<b>Total</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>#DIV/0!</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>#DIV/0!</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>#DIV/0!</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>#DIV/0!</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>#DIV/0!</b>

**Total MBE Investment Brokers Utilized**

Agency	FY 2017	FY 2018	FY 2019	FY 2020	FY2021
-	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Brokerage and Investment Management Services - Use of Minority Business Enterprises

**INVESTMENT PORTFOLIO TEMPLATE - FY2021**

Portfolio by Asset Class	Market Value (\$ millions)	Actual Allocation	Strategic Allocation	Emerging MBE Managers	Emerged MBE Managers
Domestic Large Cap	25.3	13.3%	-	-	-
Domestic Small/Mid Cap	8.0	4.2%	-	-	-
Total Domestic Equity	12.5	6.6%	-	-	-
Core Fixed Income	137.5	72.4%	-	-	-
Corporate - Oriented	-	-	-	-	-
Convertible Bonds	-	-	-	-	-
Total Domestic Fixed Income	-	-	-	-	-
International Fixed Income	6.5	3.5%	-	-	-
Total	189.8	100.0%	-	-	-

**Emerged MBE Investment Managers Utilized**

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

**Emerging MBE Investment Manager Utilized**

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class
The Swarthmore Group	34.7	0.1	-
-	-	-	-
-	-	-	-
-	-	-	-
Subtotal	34.7	0.1	-

Total      \$34.70      \$0.08

Brokerage and Investment Management Services - Use of Minority  
Business Enterprise

**BROKERAGE SERVICES TEMPLATE - FY2021**

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