

COURTNEY WATSON
Legislative District 9B
Howard County

Economic Matters Committee

Subcommittees

Banking, Consumer Protection,
and Commercial Law

Property and Casualty Insurance

Vice Chair, Democratic Caucus



Annapolis Office
The Maryland House of Delegates
6 Bladen Street, Room 350
Annapolis, Maryland 21401
410-841-3077 · 301-858-3077
800-492-7122 Ext. 3077
Courtney.Watson@house.state.md.us

THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

February 5, 2020

Hon. Delegate Dereck E. Davis
Chair, Economic Matters Committee
Hon. Delegate Kathleen M. Dumais
Vice Chair, Economic Matters Committee
House Office Building, Room 231
6 Bladen Street
Annapolis, MD 21401

Re: HB431, Motor Vehicle and Homeowner's Insurance - Use of Claim History in Rating Policies

Position: Favorable

Good afternoon, Chairman Davis and members of the committee:

House Bill 431 would prohibit an insurance company from using a consumer's automobile accident to increase that consumer's homeowner insurance rates. Conversely, it would prohibit a homeowner's insurance claim from increasing that consumer's auto insurance rates.

For the past several years, nontraditional rating factors have been used by insurance companies in Maryland. These factors have to meet the requirements of the law to produce adequate, actuarially sound and not overly excessive rates, and of course, rates that are not unfairly discriminatory.

If the rating factor passes that legal hurdle, it is still up to us as legislators to determine whether a rating factor is appropriate and whether it represents an appropriate correlation to increased risk.

What is the correlation here? If you make a bad driving decision, does that mean your house will be struck by lightning? If you have a burglary in your home, does that mean you will have a

fender bender? Clearly the answer to those two questions is no, but the law allows the insurance company to increase rates on one policy for a loss on the other policy.

In addition, this rating factor can have a disparate impact, which in my view makes it unfairly discriminatory. We know that people driving in urban areas have more risk of automobile claims, and this is why we see higher automobile insurance rates in cities. But if these same city drivers have an auto claim and see their auto insurance rates increase, then also see their home insurance rates increase because of it, it's a double penalty. And it will impact urban areas more.

The fiscal note on this bill reports that the insurance administration is aware of only one carrier now using this factor, but I know of two national carriers with healthy market shares in Maryland currently doing this. I am concerned it could expand to other carriers or even other types of personal insurance.

What could be the next nexus to be made in this area? Will it be if a consumer has a health insurance claim that that consumer's auto insurance rates increase? What if you make a pet insurance claim, or an unemployment insurance claim - will your homeowners insurance rates increase?

Finally, in the commercial insurance industry, one does not see cross contamination of claims history. Workers comp claims count against the workers comp policy through what we call an "Experience Modification." Auto claims count against the commercial auto policy. Property and liability claims count against the package policy. Commercial insurance carriers do not use auto claims to increase a consumer's commercial building rates.

This bill is supported by the Maryland Consumer Rights Coalition, the Consumer Federation of America, the Attorney General's Consumer Protection Division, and the Attorney General's People's Insurance Counsel Division.

I believe we as legislators should draw the line with personal insurance carriers to prohibit the use of auto claims to increase homeowner's rates, and prohibit the use of homeowner's claims to increase auto insurance rates.

Consumers have a right to expect a predictable rating environment with factors that are closely correlated to risk, that do not reflect an inappropriate disparate impact.

And we as legislators have the right to use our judgment as to whether rating factors are appropriate. I hope you agree with me that using auto claims to increase home insurance and vice versa is not appropriate.