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TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
HOUSE ECONOMIC MATTERS COMMITTEE

FEBRUARY 5, 2020

HOUSE BILL 431 – MOTOR VEHICLE AND HOMEOWNER'S INSURANCE - USE OF CLAIM
HISTORY IN RATING POLICIES

POSITION: SUPPORT

Thank you for the opportunity to provide written comments regarding House Bill 431. House Bill 431 would place limits on an insurer's ability to increase the premium for an insured under one line of insurance due to claims made by the same insured under a policy issued for another line of insurance. Specifically, the new §27-501(e-2)(8) of the Insurance Article would prohibit insurers from increasing the private passenger motor vehicle premium for an insured due to that insured's homeowners insurance claim(s); and, the new §27-501(e-2)(9) of the Insurance Article would prohibit insurers from increasing an insured's homeowners insurance premium due to that insured's private passenger motor vehicle insurance claim(s).

Currently, the Maryland Insurance Administration (MIA) is aware of only one major market participant that is engaged in this type of cross factor rating. That insurer's use is limited to new business pricing for homeowners coverage only and does not affect renewal business pricing, or its automobile pricing. The MIA interprets House Bill 431 as a prohibition on this type of cross factor rating for renewal business only. The MIA believes that House Bill 431 provides a strong consumer protection and does not harm an insurer's ability to segment risks for pricing in a significant way.

The Maryland Insurance Administration supports House Bill 431 and urges the Committee to give House Bill 431 a favorable report.