

KATIE FRY HESTER
Legislative District 9
Carroll and Howard Counties

Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
and Biotechnology



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 5, 2020

Honorable Delores G. Kelley
Chair, Finance Committee
3 East Miller Senate Office Building
11 Bladen Street
Annapolis, MD 21401 Annapolis, MD 21401

Re: SB470, Motor Vehicle and Homeowners Insurance - Use of Claim History in Rating Policies

Position: Favorable

Good afternoon, Chair Kelley and members of the committee:

Senate Bill 470 would prohibit an insurance company from using a consumer's automobile accident to increase that consumer's homeowner insurance rates while that consumer is insured with that company. Conversely, it would prohibit a homeowner's insurance claim from increasing that consumer's auto insurance rates. This bill is supported by the Maryland Insurance Administration.

Currently when quoting new clients, insurance companies may raise homeowner rates based on an automobile claim. There are at least two national carriers that do this. This bill would prevent this practice from expanding to renewal policies.

For the past several years, non-traditional 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? Is it that if you crash your car while driving on ice, that you will have a house fire? Or if you have a burglary in your home, you are more likely to have a fender bender? Clearly the common sense answer to those two questions is no.

Perhaps the assumed correlation is that if you file a claim on your auto insurance, you are more likely to file a claim on homeowners. If that is the correlation, doesn't that have a disparate impact on the homes of the poor, who may have no choice but to file an auto claim when they have an accident?

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, and they then also see their home insurance rates increase, it's a double penalty.

For multiple reasons, this rating factor has a disparate impact which in my view makes it unfairly discriminatory.

There are two national carriers with healthy market shares in Maryland currently raising home insurance rates because of auto claims when writing new business. The concern is that this could expand to renewal policies and to other carriers.

You will hear from insurance companies that they are not currently using this rating factor on renewal policies, therefore this requirement will not impact their current operations. Consequently, it is the perfect time to draw the line in the sand without affecting their current practices.

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.

Finally, as I stated earlier, the Maryland Insurance Commission is taking a rare stance *in favor* of a non-administration bill before the Senate Finance committee.

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, and that do not reflect an inappropriate disparate impact.

We as legislators have the right to use our judgment as to whether rating factors are appropriate. I hope you agree with me and the Maryland Insurance Administration that using auto claims to increase home insurance and vice versa is not appropriate, and **respectfully request a favorable report for SB470.**

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, flowing style.

Senator Katie Fry Hester
Howard and Carroll Counties