

PGCCex_FAV_SB470

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THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL: Senate Bill 470 - Motor Vehicle and Homeowner's Insurance - Use of Claim History in Rating Policies

SPONSOR: Senator Hester

HEARING DATE: February 12, 2020

COMMITTEE: Finance

CONTACT: Intergovernmental Affairs Office, 301-780-8411

POSITION: SUPPORT

The Office of the Prince George's County Executive **SUPPORTS Senate Bill 470** which prohibits an insurer from increasing the premium for a private passenger motor vehicle insurance policy, because of a homeowner's insurance claim. In the reverse, the bill also prohibits an insurer from increasing the premium for a homeowner's insurance policy, because of a private passenger motor vehicle insurance claim.

Access to affordable automobile insurance is critical for many individuals who rely on their vehicles to transport them to and from work. Affordable automobile insurance is even more crucial to individuals who live in low and moderate income communities, where there is a lack of access to reliable public transportation. Similar to a majority of states, Maryland requires all drivers to purchase liability coverage. Even though a mandate exists, there are still barriers to affordable automobile insurance for many consumers.

Using homeowner's insurance claims can disadvantage consumers who are victims of natural disaster or environmental issues beyond the homeowner's control. Removing the ability to use homeowner's insurance claims as a rating factor allows insurers to focus on more important patterns regarding the insurability of an applicant, like driving history. For the reasons stated above, the Office of the Prince George's County Executive **SUPPORTS Senate Bill 470** and asks for a **FAVORABLE** report.

2020-02-12 SB 470 PICD McLane Support

Uploaded by: McLane, John

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Senate Bill 470
Motor Vehicle and Homeowner's Insurance – Use of Claim History
in Rating Policies

Senate Finance Committee – Hearing: February 12, 2020

SUPPORT

The People's Insurance Counsel Division ("PICD") supports Senate Bill 470 as it is written. This bill will prohibit an insurer, with respect to private passenger motor vehicle insurance, from increasing the premium for an insured based on a homeowner's insurance claim; and will prohibit an insurer, with respect to homeowner's insurance, from increasing the premium for an insured based on a private passenger motor vehicle insurance claim.

This is a common-sense approach to keep the means of determining homeowner's and motor vehicle insurance premiums separate and discrete. It is difficult to imagine how a claim on a homeowner's insurance policy, such as wind and hail damage, should impact a person's auto insurance premium. Likewise, it is difficult to envision how a claim on an auto insurance policy, such as for a fender bender, should affect a homeowner's insurance premium.

For the above reasons and in the interests of Maryland insurance consumers, the PICD supports Senate Bill 470 and urges a favorable report.

A handwritten signature in blue ink, appearing to read "J.P. McLane".

John P. McLane
Assistant Attorney General
People's Insurance Counsel Division



MIA_FAV_SB470

Uploaded by: Paddy, Michael

Position: FAV

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**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE**

FEBRUARY 12, 2020

**SENATE BILL 470 – 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 Senate Bill 470. Senate Bill 470 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 two 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 Senate Bill 470 as a prohibition on this type of cross factor rating for renewal business only. The MIA believes that Senate Bill 470 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 Senate Bill 470 and urges the Committee to give Senate Bill 470 a favorable report.

SenatorKatieHester_FAV_SB470

Uploaded by: Senator Hester, Senator Hester

Position: FAV

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, slightly slanted style.

Senator Katie Fry Hester
Howard and Carroll Counties

OAG_KarenStraughn_FAV_SB470

Uploaded by: Straughn, Karen

Position: FAV

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WILLIAM D. GRUHN
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STATE OF MARYLAND
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CONSUMER PROTECTION DIVISION

February 12, 2020

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To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 470 – Motor Vehicle and Homeowner's Use of Claim History in Rating Policies (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 470 submitted by Senator Katie Fry Hester. The bill prohibits consideration of a homeowner's loss in the rating of a private passenger auto insurance policy. Similarly, the bill prohibits consideration of an automobile loss in the rating of a homeowner's policy. Driving habits do not factor in any way into whether an individual will sustain a loss to their home and having a loss to their home does not reflect one's driving habits.

There are many factors that may determine whether an individual will sustain a loss to their home. Weather, poor construction, negligence, lack of maintenance, or many other factors can contribute. However, these factors do not necessarily translate to a higher risk of an automobile loss. Just because an individual suffers a loss to their home when lightning strikes, does not necessarily mean that they are not a good driver and any correlation between the two appears to be spurious. Instead, the rates for a private passenger auto policy should be based on the driving history and rating characteristics of the individual and their vehicle and the rates for a homeowner's policy should be based on the claims history and rating characteristics of the home. This is the only way of truly ensuring that the individual is properly rated for the risk they present.

For these reasons, we ask that the Finance Committee return a favorable report on this bill.

cc: The Honorable Katie Fry Hester
Members, Finance Committee



MCRC_Marcelline White_FAV_SB470

Uploaded by: White, Marcelline

Position: FAV



Maryland Consumer Rights Coalition

Testimony to the House Economic Matters Committee

SB 470: Motor Vehicle and Homeowner's Insurance - Use of Claim History in Rating Policies

Position: Favorable

February 12, 2020

Senator Delores G. Kelley, Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
Cc: Members, Finance Committee

Honorable Chair Kelley and Members of the Committee:

MCRC is a statewide coalition of individuals and organizations that advances economic inclusion and financial justice through research, consumer education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland. I write today in support of SB 470.

In the past few years, MCRC has been engaged in promoting policies to make auto and home insurance more affordable, increase protections for consumers, and promote the principle that insurance customers should be priced according to their risk of loss related to that coverage.

SB 470 exemplifies this principle by ensuring that, while drivers will face an increase in auto insurance premiums after an accident, they are not also faced with a rate hike in their home insurance for the car accident. Conversely, a flooded basement which is covered by homeowners insurance should not lead to an increase in auto insurance premiums. These factors are unrelated and Maryland consumers should not experience price increases for unrelated products held by the same insurance company.

SB 470 expands protections for Maryland consumers by prohibiting the practice of increasing rates on both auto and homeowners insurance due to a risk of loss on one policy. For all these reasons, MCRC supports SB 470 and asks for a favorable report.

Best,
Marceline White
Executive Director