

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 120 (Senator Boozer)
Finance

**Private Passenger Motor Vehicle Insurance - Discrimination in Underwriting -
Credit History of Applicant**

This bill prohibits an insurer from refusing to underwrite a private passenger motor vehicle insurance risk solely because of the credit history of the applicant or named insured.

Fiscal Summary

State Effect: None. This bill would not directly affect the operations or finances of the Maryland Insurance Administration.

Local Effect: None.

Maryland Automobile Insurance Fund (MAIF): Potential minimal decrease in the number of MAIF insureds as discussed below.

Small Business Effect: Potential minimal impact on small businesses as discussed below.

Fiscal Analysis

Maryland Automobile Insurance Fund (MAIF): According to MAIF, a nonbudgeted independent State agency, there are about 200 MAIF three-year clean drivers (these are defined by statute as individuals who have been insured by MAIF continuously for the last three years and whose record during that period shows no motor vehicle point accumulation or at-fault accidents) who are unable to buy comparably priced insurance from the private market due, at least in part, to their credit records. This bill would increase the likelihood that these types of individuals would be able to obtain auto

insurance from private carriers. Any decrease would have a minimal effect on MAIF's

finances and operations since the total number of MAIF insureds is about 138,000.

Small Business Effect: Auto insurance premiums are based in part on the claims experience of the pool of insureds. There is some statistical evidence that poor credit correlates with a poor accident record. To the extent that claims paid increase as a result of insurers writing more poor risks, insureds, including small businesses and consumers, could realize increased premiums. Any impact is expected to be minimal because the bill would still allow credit history of the applicant to be one of several factors that is used in deciding whether to underwrite a risk.

Information Source(s): Maryland Insurance Administration, Maryland Automobile Insurance Fund, Department of Fiscal Services

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Analysis by: Sarah Dickerson
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710