

HOUSE BILL 521

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C4

2002 Regular Session  
(21r2309)

*ENROLLED BILL*  
*-- Economic Matters/Finance --*

Introduced by Delegates Krysiak and Kirk, Kirk, Barve, Donoghue, Fulton, and Harrison

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Property and Casualty Insurance - ~~Discrimination in Underwriting or~~**  
3 **~~Premium Increase - Credit History Use of Credit History - Prohibition~~**

4 FOR the purpose of ~~prohibiting an insurer from refusing to underwrite a property and~~  
5 ~~casualty insurance risk or increasing the premium because of the credit history~~  
6 ~~of the applicant or named insured; and generally relating to discrimination in~~  
7 ~~underwriting and increasing premiums for property and casualty insurance~~  
8 ~~altering the termination date of certain provisions of law prohibiting an insurer~~  
9 ~~from refusing to underwrite a certain insurance risk solely because of an~~  
10 ~~applicant's or named insured's credit history and authorizing an insurer to~~  
11 ~~request a certain finding; prohibiting an insurer from using the credit history of~~  
12 ~~a certain applicant or insured, in whole or in part, to cancel, refuse to renew, or~~  
13 ~~refuse to underwrite a certain insurance risk; prohibiting an insurer from using~~  
14 ~~the credit history of a certain applicant or insured, in whole or in part, to rate a~~  
15 ~~certain insurance risk in any manner; providing for the application of this Act~~  
16 ~~prohibiting an insurer, with respect to homeowner's insurance, from refusing to~~

1 underwrite, cancel, or refuse to renew a risk based on a certain credit history;  
 2 prohibiting an insurer, with respect to homeowner's insurance, from rating a risk  
 3 based on a certain credit history; prohibiting an insurer, with respect to  
 4 homeowner's insurance, from requiring a particular payment plan based on a  
 5 certain credit history; prohibiting an insurer, with respect to private passenger  
 6 motor vehicle insurance, from refusing to underwrite, cancel, refuse to renew, or  
 7 increase the renewal premium based on a certain credit history; prohibiting an  
 8 insurer, with respect to private passenger motor vehicle insurance, from requiring  
 9 a particular payment plan based on a certain credit history; authorizing a  
 10 certain insurer to use the credit history of a certain applicant in a certain  
 11 manner; providing that rating includes certain practices; prohibiting an insurer,  
 12 with respect to private passenger motor vehicle insurance, from using a certain  
 13 factor on a certain credit history; requiring a certain insurer to advise a certain  
 14 applicant about a certain credit history; prohibiting an insurer from using  
 15 certain factors in rating a certain policy; requiring an insurer to disclose to a  
 16 certain applicant certain information about a certain credit history; allowing a  
 17 certain insurer to provide an actuarially justified discount in the rate or a  
 18 surcharge in the rate; defining a certain term; requiring the Insurance  
 19 Commissioner to conduct a certain study to be reported by a certain date;  
 20 providing for the application of the Act; providing for the termination of certain  
 21 provisions of this Act; and generally relating to ~~prohibiting~~ the use of credit  
 22 history in the underwriting or rating of personal lines property and casualty  
 23 insurance.

24 BY repealing and reenacting, ~~with~~ without amendments,  
 25 Chapter 576 of the Acts of the General Assembly of 1998  
 26 Section 3

27 BY ~~repealing and reenacting, with amendments,~~ adding to  
 28 Article - Insurance  
 29 Section 27-501(e) (e-1)  
 30 Annotated Code of Maryland  
 31 (1997 Volume and 2001 Supplement)  
 32 (As enacted by Chapter 576 of the Acts of the General Assembly of 1998)

33 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 34 MARYLAND, That the Laws of Maryland read as follows:

35 **Chapter 576 of the Acts of 1998**

36 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take  
 37 effect October 1, 1998. It shall remain effective for a period of ~~{4}~~ 3 years ~~AND 9~~  
 38 ~~MONTHS~~ and, at the end of ~~{September}~~ JUNE 30, 2002, with no further action  
 39 required by the General Assembly, this Act shall be abrogated and of no further force  
 40 and effect.

1

## Article - Insurance

2 27-501.

3 (e) (1) ~~An insurer may not refuse to underwrite a private passenger motor~~  
 4 ~~vehicle insurance risk solely because the applicant or named insured previously~~  
 5 ~~obtained insurance coverage from any authorized insurer or the Maryland~~  
 6 ~~Automobile Insurance Fund.~~

7 (2) ~~AN INSURER MAY NOT REFUSE TO UNDERWRITE A PROPERTY AND~~  
 8 ~~CASUALTY INSURANCE RISK OR INCREASE THE PREMIUM BECAUSE OF THE CREDIT~~  
 9 ~~HISTORY OF THE APPLICANT OR NAMED INSURED.~~

10 (2) ~~AN INSURER MAY NOT USE THE CREDIT HISTORY OF AN APPLICANT~~  
 11 ~~OR INSURED, IN WHOLE OR IN PART:~~

12 (I) ~~TO CANCEL, REFUSE TO RENEW, OR REFUSE TO UNDERWRITE A~~  
 13 ~~PERSONAL LINES PROPERTY AND CASUALTY INSURANCE RISK; OR~~

14 (II) ~~TO RATE A PERSONAL LINES PROPERTY AND CASUALTY~~  
 15 ~~INSURANCE RISK IN ANY MANNER, INCLUDING:~~

16 ~~1. THE PROVISION OR REMOVAL OF A DISCOUNT;~~

17 ~~2. ASSIGNING THE INSURED OR APPLICANT TO A RATING~~  
 18 ~~TIER; OR~~

19 ~~3. PLACING AN INSURED OR APPLICANT WITH AN~~  
 20 ~~AFFILIATED COMPANY.~~

21 (E-1) (1) ~~IN THIS SUBSECTION "CREDIT HISTORY" MEANS ANY WRITTEN,~~  
 22 ~~ORAL, OR OTHER COMMUNICATION OF ANY INFORMATION BY A CONSUMER~~  
 23 ~~REPORTING AGENCY BEARING ON A CONSUMER'S CREDITWORTHINESS, CREDIT~~  
 24 ~~STANDING, OR CREDIT CAPACITY THAT IS USED OR EXPECTED TO BE USED, OR~~  
 25 ~~COLLECTED IN WHOLE OR IN PART, FOR THE PURPOSE OF DETERMINING PERSONAL~~  
 26 ~~LINES INSURANCE PREMIUMS OR ELIGIBILITY FOR COVERAGE.~~

27 (2) ~~WITH RESPECT TO HOMEOWNER'S INSURANCE, AN INSURER MAY~~  
 28 ~~NOT:~~

29 (I) ~~REFUSE TO UNDERWRITE, CANCEL, OR REFUSE TO RENEW A~~  
 30 ~~RISK BASED, IN WHOLE OR IN PART, ON THE CREDIT HISTORY OF AN APPLICANT OR~~  
 31 ~~INSURED;~~

32 (II) ~~RATE A RISK BASED, IN WHOLE OR IN PART, ON THE CREDIT~~  
 33 ~~HISTORY OF AN APPLICANT OR INSURED IN ANY MANNER, INCLUDING:~~

34 ~~1. THE PROVISION OR REMOVAL OF A DISCOUNT;~~

35 ~~2. ASSIGNING THE INSURED OR APPLICANT TO A RATING~~  
 36 ~~TIER; OR~~



1 (IV) 1. SHALL REVIEW THE CREDIT HISTORY OF AN INSURED  
 2 WHO WAS ADVERSELY IMPACTED BY THE USE OF THE INSURED'S CREDIT HISTORY  
 3 AT THE INITIAL RATING OF THE POLICY:

4 A. EVERY 2 YEARS; OR

5 B. ON REQUEST OF THE INSURED; AND

6 2. SHALL ADJUST THE PREMIUM OF AN INSURED WHOSE  
 7 CREDIT HISTORY WAS REVIEWED UNDER THIS SUBPARAGRAPH TO REFLECT ANY  
 8 IMPROVEMENT IN THE INSURED'S CREDIT HISTORY; OR

9 (V) SHALL DISCLOSE TO THE APPLICANT AT THE TIME OF THE  
 10 ISSUANCE OF A POLICY THAT THE INSURER IS REQUIRED TO:

11 1. REVIEW THE CREDIT HISTORY OF AN INSURED WHO WAS  
 12 ADVERSELY IMPACTED BY THE USE OF THE INSURED'S CREDIT HISTORY AT THE  
 13 INITIAL RATING OR UNDERWRITING OF THE POLICY:

14 A. EVERY 2 YEARS; OR

15 B. ON REQUEST OF THE INSURED; AND

16 2. ADJUST THE PREMIUM OF AN INSURED WHOSE CREDIT  
 17 HISTORY WAS REVIEWED TO REFLECT ANY IMPROVEMENT IN THE INSURED'S  
 18 CREDIT HISTORY.

19 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
 20 read as follows:

21 **Article - Insurance**

22 27-501.

23 (E-1) (5) WITH RESPECT TO PRIVATE PASSENGER MOTOR VEHICLE  
 24 INSURANCE, AN INSURER THAT RATES A NEW POLICY BASED, IN WHOLE OR IN PART,  
 25 ON THE CREDIT HISTORY OF THE APPLICANT MAY, IF ACTUARIALLY JUSTIFIED,  
 26 PROVIDE A DISCOUNT OF UP TO 40% OR IMPOSE A SURCHARGE OF UP TO 40%.

27 SECTION 3. AND BE IT FURTHER ENACTED, That the Maryland Insurance  
 28 Commissioner shall conduct a study on whether the use of credit scoring in the State  
 29 has an adverse impact on any demographic group defined by race or socio-economic  
 30 status. In conducting the study, the Commissioner shall consult with representatives of  
 31 the property and casualty insurance industry, insurance producer organizations,  
 32 consumer organizations, consumer reporting agencies, and any other person that the  
 33 Commissioner considers necessary to assist the Commissioner in conducting the study.  
 34 The Commissioner shall also study the impact of premium rates on policies issued by  
 35 the Maryland Automobile Insurance Fund on the insurance market. The  
 36 Commissioner shall report on the results of these studies to the Governor and, in

1 accordance with § 2-1246 of the State Government Article, the General Assembly, on or  
2 before January 1, 2004.

3 ~~SECTION 2:~~ 4. AND BE IT FURTHER ENACTED, That this Act shall apply  
4 to all personal lines property and casualty insurance policies and contracts issued,  
5 delivered, or renewed on or after ~~July~~ October 1, 2002.

6 SECTION 5. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
7 take effect October 1, 2002. Section 2 of this Act shall remain effective for a period of 2  
8 years and, at the end of September 30, 2004, with no further action required by the  
9 General Assembly, Section 2 of this Act shall be abrogated and of no further force and  
10 effect.

11 ~~SECTION 2:~~ ~~3:~~ 6. AND BE IT FURTHER ENACTED, That this Act shall take  
12 effect ~~October 1, 2002~~ July October 1, 2002.