

**Department of Legislative Services**

Maryland General Assembly

2002 Session

**FISCAL NOTE**

**Revised**

Senate Bill 157

(Chairman, Finance Committee)

(Departmental – Insurance Administration, Maryland)

Finance

Economic Matters

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**Homeowner's Insurance and Private Passenger Motor Vehicle Insurance -  
Standards for Cancellation and Nonrenewal - Repeal of Sunset and Credit History**

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This departmental bill prohibits an insurer from refusing to underwrite a homeowner's insurance risk solely because of the credit history of the applicant or named insured. The bill prohibits an insurer from canceling or amending an agreement with an independent insurance producer because of an applicant's or named insured's credit history. The bill also repeals the September 30, 2002 sunset provision applicable to: (1) the prohibition against refusing to underwrite a private passenger motor vehicle insurance risk solely because of the credit history of the applicant or named insured; and (2) the provision authorizing an insurer to request a finding by the Insurance Commissioner that a computer program, model, or algorithm used to develop or create a credit score for rating purposes be considered confidential commercial information. The bill requires the Commissioner to study the use of credit history for homeowner's insurance and private passenger motor vehicle insurance. The Commissioner must report to the Governor and the General Assembly by January 1, 2003 on the study's findings.

The bill is effective July 1, 2002.

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**Fiscal Summary**

**State Effect:** The bill would not materially affect the finances or operations of the Maryland Insurance Administration.

**Local Effect:** None.

**Small Business Effect:** The Maryland Insurance Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Current Law:** An insurer may not cancel, refuse to renew, or otherwise terminate coverage for a homeowner's insurance risk because of a claim that occurred more than three years before the effective date of the policy or renewal. An insurer may not refuse to underwrite a homeowner's insurance risk because of a claim that occurred more than three years before the date of application.

Chapter 576 of 1998 sunsets September 30, 2002. Chapter 576 establishes: (1) the prohibition against refusing to underwrite a private passenger motor vehicle insurance risk solely because of the credit history of the applicant or named insured; and (2) the provision authorizing an insurer to request a finding by the Insurance Commissioner that a computer program, model, or algorithm used to develop or create a credit score for rating purposes be considered confidential commercial information.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 29, 2002  
ncs/jr Revised - Senate Third Reader - March 20, 2002

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