By: **Senators Jacobs, Colburn, Hooper, and Stone** Introduced and read first time: January 27, 2003 Assigned to: Finance

# A BILL ENTITLED

1 AN ACT concerning

#### 2

## Property and Casualty Insurance - Use of Credit History

3 FOR the purpose of requiring an insurer, with respect to homeowners and motor

4 vehicle insurance, to obtain certain approval to use credit history to rate a risk

5 based on certain credit history; prohibiting an insurer, with respect to certain

6 insurance, from using a certain factor on a certain credit history; requiring a

7 certain insurer to advise a certain applicant or insured about a certain credit

8 history; prohibiting an insurer from using certain factors in rating a certain

9 policy; requiring an insurer to disclose to a certain applicant or insured certain

10 information about a certain credit history; allowing a certain insurer to provide

11 an actuarially justified discount in the rate or a surcharge in the rate for a

12 certain policy; providing for the application of this Act; and generally relating to

13 the use of credit history in the underwriting or rating of personal lines property

14 and casualty insurance.

15 BY repealing and reenacting, with amendments,

16 Article - Insurance

17 Section 27-501(e-2)

18 Annotated Code of Maryland

19 (2002 Replacement Volume and 2002 Supplement)

## 20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

21 MARYLAND, That the Laws of Maryland read as follows:

#### 22

## Article - Insurance

23 27-501.

24 (e-2) (1) In this [subsection] SUBSECTION, "credit history" means any 25 written, oral, or other communication of any information by a consumer reporting

26 agency bearing on a consumer's creditworthiness, credit standing, or credit capacity

27 that is used or expected to be used, or collected in whole or in part, for the purpose of

28 determining personal lines insurance premiums or eligibility for coverage.

29 (2) With respect to homeowner's insurance, an insurer [may not]:

# **SENATE BILL 174**

1 (i) 2 based, in whole or in part, on	IAY NOT refuse to underwrite, cancel, or refuse to r credit history of an applicant or insured;	enew a risk	
5 PARAGRAPH (4) OF THIS	HALL OBTAIN THE PERMISSION OF AN APPL IT HISTORY OF AN APPLICANT OR INSURED, 3SECTION, TO rate a risk based, in whole or in part nsured in any manner, including:	SUBJECT TO	
7	. the provision or removal of a discount;		
8	assigning the insured or applicant to a rating	tier; or	
9 10 company; [or] AND	. placing an insured or applicant with an affilia	ted	
11 (iii) MAY NOT require a particular payment plan based, in whole or 12 in part, on the credit history of the insured or applicant.			
13 (3) (i) 14 insurer may not:	Vith respect to private passenger motor vehicle insura	nce, an	
<ul><li>15</li><li>16 the renewal premium based,</li><li>17 applicant; or</li></ul>	refuse to underwrite, cancel, refuse to renew, whole or in part, on the credit history of the insured or		
18 19 part, on the credit history of	. require a particular payment plan based, in w insured or applicant.	hole or in	
<ul> <li>20 (ii) 1. An insurer [may] SHALL OBTAIN THE PERMISSION OF AN</li> <li>21 APPLICANT OR INSURED TO USE THE CREDIT HISTORY OF AN APPLICANT OR</li> <li>22 INSURED, subject to paragraphs (4) and (5) of this subsection, TO use the credit</li> <li>23 history of an applicant OR INSURED to rate a [new] policy of private passenger motor</li> <li>24 vehicle insurance.</li> </ul>			
25	. For purposes of this subsection, rating includ	es:	
26	the provision or removal of a discount;		
27	. assigning the applicant to a rating tier; or		
28	. placing an applicant with an affiliated compa	ny.	
<ul> <li>(4) With respect to HOMEOWNER'S INSURANCE AND private passenger</li> <li>motor vehicle insurance, an insurer that rates a [new] policy based, in whole or in</li> <li>part, on the credit history of the applicant OR INSURED:</li> </ul>			
32 (i) 33 INSURED that occurred more	hay not use a factor on the credit history of the applic han 5 years prior to the issuance of the [new] policy;	ant OR	
34(ii)35credit history is used; and	shall advise an applicant at the time of applic	ation that	

2

# **SENATE BILL 174**

		shall, on request of the applicant OR INSURED, provide a atifies the portion of the premium attributable HE APPLICANT OR INSURED;	
4 (iii)	may no	ot use the following factors in rating the policy:	
5 6 the [applicant's] credit history	1. 7 OF THE	the absence of credit history or the inability to determine E APPLICANT OR INSURED; or	
7 8 credit history OF AN APPLI	2. CANT OI	the number of credit inquiries about [an applicant's] THE R INSURED;	
9 (iv) 10 adversely impacted by the us 11 policy:	1. se of the in	shall review the credit history of an insured who was nsured's credit history at the initial rating of the	
12	A.	every 2 years; or	
13	B.	on request of the insured; and	
<ul><li>14</li><li>15 history was reviewed under the</li><li>16 insured's credit history; or</li></ul>	2. this subpa	shall adjust the premium of an insured whose credit ragraph to reflect any improvement in the	
17 (v) 18 policy that the insurer is requ		sclose to the applicant at the time of the issuance of a	
<ol> <li>review the credit history of an insured who was adversely</li> <li>impacted by the use of the insured's credit history at the initial rating or underwriting</li> <li>of the policy:</li> </ol>			
22	A.	every 2 years; or	
23	B.	on request of the insured; and	
<ul><li>24</li><li>25 reviewed to reflect any impre-</li></ul>	2. ovement i	adjust the premium of an insured whose credit history was in the insured's credit history.	
<ul> <li>(5) With respect to private passenger motor vehicle insurance, an insurer</li> <li>that rates a [new] policy based, in whole or in part, on the credit history of the</li> <li>applicant OR INSURED may, if actuarially justified, provide a discount of up to 40% or</li> <li>impose a surcharge of up to 40%.</li> </ul>			
1 0 1	40%.		

33 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect34 October 1, 2003.

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