
By: **Delegates Krysiak, Kirk, Love, McHale, Moe, Taylor, and Vaughn**
Introduced and read first time: February 13, 2004
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Private Passenger Motor Vehicle Insurance - Use of Credit History -**
3 **Prohibition**

4 FOR the purpose of prohibiting an insurer, with respect to private passenger motor
5 vehicle insurance, from rating a risk based on the credit history of certain
6 individuals; repealing certain provisions of law that authorize an insurer, under
7 certain circumstances, to use the credit history of an applicant to rate a new
8 policy of private passenger motor vehicle insurance; repealing certain provisions
9 of law that authorize certain insurers to provide certain discounts or surcharges
10 with respect to private passenger motor vehicle insurance under certain
11 circumstances; providing for the application of this Act; and generally relating to
12 prohibiting the use of credit history in underwriting, cancelling, refusing to
13 renew, or rating private passenger motor vehicle insurance.

14 BY repealing and reenacting, with amendments,
15 Article - Insurance
16 Section 27-501(e-2)
17 Annotated Code of Maryland
18 (2002 Replacement Volume and 2003 Supplement)

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

21 **Article - Insurance**

22 27-501.

23 (e-2) (1) In this subsection, "credit history" means any written, oral, or other
24 communication of any information by a consumer reporting agency bearing on a
25 consumer's creditworthiness, credit standing, or credit capacity that is used or
26 expected to be used, or collected in whole or in part, for the purpose of determining
27 personal lines insurance premiums or eligibility for coverage.

28 (2) With respect to homeowner's insurance AND PRIVATE PASSENGER
29 MOTOR VEHICLE INSURANCE, an insurer may not:

1 (i) refuse to underwrite, cancel, or refuse to renew a risk based, in
2 whole or in part, on the credit history of an applicant or insured;

3 (ii) rate a risk based, in whole or in part, on the credit history of an
4 applicant or insured in any manner, including:

- 5 1. the provision or removal of a discount;
- 6 2. assigning the insured or applicant to a rating tier; or
- 7 3. placing an insured or applicant with an affiliated
8 company; or

9 (iii) require a particular payment plan based, in whole or in part, on
10 the credit history of the insured or applicant.

11 [(3) (i) With respect to private passenger motor vehicle insurance, an
12 insurer may not:

13 1. refuse to underwrite, cancel, refuse to renew, or increase
14 the renewal premium based, in whole or in part, on the credit history of the insured or
15 applicant; or

16 2. require a particular payment plan based, in whole or in
17 part, on the credit history of the insured or applicant.

18 (ii) 1. An insurer may, subject to paragraphs (4) and (5) of this
19 subsection, use the credit history of an applicant to rate a new policy of private
20 passenger motor vehicle insurance.

21 2. For purposes of this subsection, rating includes:

- 22 A. the provision or removal of a discount;
- 23 B. assigning the applicant to a rating tier; or
- 24 C. placing an applicant with an affiliated company.

25 (4) With respect to private passenger motor vehicle insurance, an insurer
26 that rates a new policy based, in whole or in part, on the credit history of the
27 applicant:

28 (i) may not use a factor on the credit history of the applicant that
29 occurred more than 5 years prior to the issuance of the new policy;

30 (ii) 1. shall advise an applicant at the time of application that
31 credit history is used; and

32 2. shall, on request of the applicant, provide a premium
33 quotation that separately identifies the portion of the premium attributable to the
34 applicant's credit history;

1 (iii) may not use the following factors in rating the policy:
2 1. the absence of credit history or the inability to determine
3 the applicant's credit history; or
4 2. the number of credit inquiries about an applicant's credit
5 history;

6 (iv) 1. shall review the credit history of an insured who was
7 adversely impacted by the use of the insured's credit history at the initial rating of the
8 policy:

9 A. every 2 years; or

10 B. on request of the insured; and

11 2. shall adjust the premium of an insured whose credit
12 history was reviewed under this subparagraph to reflect any improvement in the
13 insured's credit history; or

14 (v) shall disclose to the applicant at the time of the issuance of a
15 policy that the insurer is required to:

16 1. review the credit history of an insured who was adversely
17 impacted by the use of the insured's credit history at the initial rating or underwriting
18 of the policy:

19 A. every 2 years; or

20 B. on request of the insured; and

21 2. adjust the premium of an insured whose credit history was
22 reviewed to reflect any improvement in the insured's credit history.

23 (5) With respect to private passenger motor vehicle insurance, an insurer
24 that rates a new policy based, in whole or in part, on the credit history of the
25 applicant may, if actuarially justified, provide a discount of up to 40% or impose a
26 surcharge of up to 40%.]

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
28 all private passenger motor vehicle insurance policies and contracts issued, delivered,
29 or renewed on or after October 1, 2004.

30 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
31 effect October 1, 2004.