

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1222
Economic Matters

(Delegate Krysiak, *et al.*)

Private Passenger Motor Vehicle Insurance - Use of Credit History - Prohibition

This bill prohibits an insurer, for private passenger motor vehicle insurance, from rating a risk based on the credit history of an applicant or insured. The bill then repeals the provisions that authorize an insurer to use an applicant's credit history to rate a new private passenger motor vehicle insurance policy.

The bill applies to private passenger motor vehicle insurance policies and contracts issued, delivered, or renewed on or after October 1, 2004.

Fiscal Summary

State Effect: Special fund revenues could increase minimally in FY 2005 from rate filing fees for rates filed with the Maryland Insurance Administration (MIA) under the bill. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: For private passenger motor vehicle insurance, an insurer may not: (1) refuse to underwrite, cancel, refuse to renew, or increase the renewal premium based on the credit history of the insured or applicant; or (2) require a particular payment plan based on the credit history of the insured or applicant.

An insurer may, subject to certain limitations, use an applicant's credit history to rate a new private passenger motor vehicle insurance policy. When an insurer does rate a new private passenger motor vehicle insurance policy based on an applicant's credit history, an insurer may, if actuarially justified, provide a discount of up to 40% or impose a surcharge of up to 40%. The provision that limits the amount of a discount or surcharge sunsets September 30, 2004.

State Revenues: Insurers that use credit history to set policy rates would be required to file new rates with MIA during fiscal 2005. Each rate filed would be subject to the \$125 rate filing fee. The number of rates that would be filed and the amount of the revenue derived from them cannot be accurately estimated but is assumed to be minimal.

Additional Information

Prior Introductions: A similar bill, SB 444, was introduced during the 2003 session and received an unfavorable report from the Senate Finance Committee. SB 444 would have only repealed the provision authorizing a private passenger motor vehicle insurer to charge a surcharge on a new policy based on credit history.

Cross File: None.

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

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Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510