

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE

House Bill 1516 (Delegate Nathan-Pulliam, *et al.*)  
Health and Government Operations and Economic Matters

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**Credit Insurance - Refusal to Issue Policies Based on Age - Prohibited**

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This bill prohibits an insurer that delivers or issues policies of credit life insurance, credit health insurance, or credit involuntary unemployment insurance from refusing to issue a policy to an applicant based solely on the applicant's age.

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**Fiscal Summary**

**State Effect:** Special fund revenues would increase minimally in FY 2006 from filings with the Maryland Insurance Administration (MIA). General fund revenues from the 2% insurance premium tax could increase to the extent insurers increase rates because of the bill. Any increase in workload to review filings and insurance rates could be handled with MIA's existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Current Law:** A policy of credit life insurance, credit health insurance, or credit involuntary unemployment insurance must be delivered or issued for delivery by an insurer authorized to do business in the State and issued only through a holder of a license or certificate issued by the Maryland Insurance Commissioner.

An insurer or insurance producer may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk for a reason based on race, color, creed, sex, or

blindness of an applicant or policyholder or for any arbitrary, capricious, or unfairly discriminatory reason. Generally, an insurer is prohibited from canceling or refusing to underwrite or renew a particular insurance risk except by standards that are reasonably related to the insurer's economic and business purposes.

By regulation for credit life insurance and credit health insurance, an insurer may either not have any age restrictions or, at the option of the insurer, the insurer may refuse to cover individuals who have reached age 65.

**Background:** "Credit life insurance" is insurance on the life of a debtor in connection with a specific loan or other credit transaction. "Credit health insurance" is insurance on a debtor that provides indemnity for payments that are due on a specific loan or other credit transaction while the debtor is disabled as defined under the policy. "Credit involuntary unemployment insurance" provides indemnity for payments that are due on a specific loan or other credit transaction while the debtor is involuntarily unemployed as defined under the policy.

**State Revenues:** Insurers that sell credit life or credit health insurance may have to file an additional form in fiscal 2006 with MIA if they exclude individuals who have reached age 65 from coverage. Each form filed would be subject to the \$125 filing fee. The number of filings cannot be accurately predicted. MIA advises that in practice most insurers exclude individuals who have reached age 65 from eligibility for credit life or credit health insurance.

Because credit insurance is not rated based on the age of the insured, the number of payouts could increase and insurers could increase rates for all insureds. General fund revenues from the 2% insurance premium tax would increase to the extent insurers increase rates because of the bill. The amount of revenue that would be generated cannot be accurately estimated but is assumed to be minimal.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 21, 2005  
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