HOUSE BILL 1459

By: **Delegates Krysiak, Barve, Donoghue, Guzzone, Harrison, Kirk, Love, McHale, Pendergrass, and Stukes**
Introduced and read first time: February 14, 2008
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1   AN ACT concerning

2   **Motor Vehicle Insurance – Use of Credit History in Rating Policies**

3   FOR the purpose of prohibiting an insurer, with respect to private passenger motor
4   vehicle insurance, from rating a risk based, in whole or in part, on the credit
5   history of an applicant or insured in any manner; repealing certain provisions of
6   law authorizing an insurer to use the credit history of an applicant or insured to
7   rate a new policy of private passenger motor vehicle insurance subject to certain
8   limitations and requirements; making conforming and clarifying changes;
9   providing for the application of this Act; and generally relating to rating policies
10   of private passenger motor vehicle insurance.

11   BY repealing and reenacting, with amendments,
12   Article – Insurance
13   Section 27–501(e–2)
14   Annotated Code of Maryland
15   (2006 Replacement Volume and 2007 Supplement)

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

Article – Insurance

19   27–501.

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

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
     [Brackets] indicate matter deleted from existing law.

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

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

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

6   1.   the provision or removal of a discount;

7   2.   assigning the insured or applicant to a rating tier; or

8   3.   placing an insured or applicant with an affiliated
9   company; or

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

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

14   **[**1.**] (I)**   refuse to underwrite, cancel, **OR** refuse to renew**[**,
15   or increase the renewal premium**] A RISK** based, in whole or in part, on the credit
16   history of **[**the insured or**] AN** applicant **OR INSURED**; **[**or**]**

17   **(II)   RATE A RISK BASED, IN WHOLE OR IN PART, ON THE**
18   **CREDIT HISTORY OF AN APPLICANT OR INSURED IN ANY MANNER, INCLUDING:**

19   **1.   THE PROVISION OR REMOVAL OF A DISCOUNT;**

20   **2.   ASSIGNING THE INSURED OR APPLICANT TO A**
21   **RATING TIER; OR**

22   **3.   PLACING AN INSURED OR APPLICANT WITH AN**
23   **AFFILIATED COMPANY; OR**

24   **[**2.**] (III)**   require a particular payment plan based, in
25   whole or in part, on the credit history of the insured or applicant.

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

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

30   A.   the provision or removal of a discount;

1   B.   assigning the applicant to a rating tier; or

2   C.   placing an applicant with an affiliated company.

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

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

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

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

13   (iii)   may not use the following factors in rating the policy:

14   1.   the absence of credit history or the inability to
15   determine the applicant's credit history; or

16   2.   the number of credit inquiries about an applicant's
17   credit history;

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

21   A.   every 2 years; or

22   B.   on request of the insured; and

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

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

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

31   A.   every 2 years; or

1   B.   on request of the insured; and

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

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

8   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
9 private passenger motor vehicle insurance policies issued, delivered, or renewed in the
10 State on or after the effective date of this Act.

11   SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 October 1, 2008.