

# SENATE BILL 785

C4  
SB 15/10 – FIN

2lr2701

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By: **Senator Muse**  
Introduced and read first time: February 3, 2012  
Assigned to: Finance

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## 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 (2011 Replacement Volume)

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

18 **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.

25 (2) With respect to homeowner’s insurance, an insurer may not:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

18 1. THE PROVISION OR REMOVAL OF A DISCOUNT;

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

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

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

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

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

29 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

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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, 2012.