

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 916
Economic Matters

(Delegate Sydnor, *et al.*)

Finance

Motor Vehicle Insurance - Discrimination in Underwriting and Rating -
Prohibitions

This bill prohibits the insurer of a private passenger motor vehicle insurance policy from increasing the premium for an insured who becomes a surviving spouse based solely on the insured's change in marital status.

Fiscal Summary

State Effect: Maryland Insurance Administration (MIA) special fund revenues may increase negligibly in FY 2018 due to \$125 rate and form filing fees; MIA can review any such filings using existing resources. General fund revenues decrease to the extent that less premium tax revenue is collected because insurers are prohibited from increasing premiums in the situation described by the bill; however, the total effect is expected to be negligible, as discussed below.

Maryland Automobile Insurance Fund Effect: Maryland Automobile Insurance Fund (MAIF) nonbudgeted revenues are not materially affected because the situation being prohibited by the bill rarely occurs, as discussed below. Nonbudgeted expenditures are not affected.

Local Effect: The bill does not affect local governmental finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law:

Required Security

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The security required must provide at least the payment of claims:

- for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons;
- for property of others damaged or destroyed in an accident of up to \$15,000;
- unless waived or exempt by Chapters 425 and 426 of 2016, for personal injury protection of \$2,500 per person; and
- for uninsured motorist coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

Credit History and Automobile Insurance Policies

Insurance law defines “credit history” to mean any written, oral, or other communication of any information by a consumer reporting agency that has bearing on a consumer’s creditworthiness, credit standing, or credit capacity used for the purpose of determining personal lines insurance premiums or eligibility for coverage.

The insurer of a private passenger motor vehicle insurance policy may not (1) refuse to underwrite, cancel, refuse to renew, or increase the renewal premium based, in whole or in part, on the credit history of the insured or applicant or (2) require a particular payment plan based, in whole or in part, on the credit history of the insured or applicant. However, an insurer may use the credit history of an applicant to rate a new policy of private passenger automobile insurance. An insurer that uses an applicant’s credit history to rate a policy must meet specified requirements to do so and may provide a discount of up to 40% or impose a surcharge of up to 40%.

Background: An insurer may, based on actuarial models, increase the premium of an insured as “single” immediately following the death of his or her spouse in the middle of a contract term. This could be done because some insurer’s models correlate being single with being at greater risk of filing a claim for loss under a private passenger motor vehicle insurance policy. Although losing a spouse is not something over which an insured has control, a premium increase may be actuarially supported.

State Revenues: Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues generally accrue to the general fund.

Currently available information suggests that increasing a policyholder's rates due solely to his or her change in marital status when he or she becomes a surviving spouse does not happen very often. Therefore, even though prohibiting the practice means an insurer may not increase a premium when it otherwise would have done so, the total effect on premium tax revenues in the State is expected to be negligible.

Maryland Automobile Insurance Fund Revenues: MAIF advises that it currently provides a discount based on marital status. This discount applies for about 15% of MAIF's policies and reduces premiums by about \$87 annually for eligible policyholders. Even so, MAIF advises that the situation being prohibited by the bill rarely occurs and, therefore, the bill is not expected to materially affect its revenues.

Additional Information

Prior Introductions: None.

Cross File: None designated; however, SB 534 (Senator Benson, *et al.* – Finance) is identical.

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

Fiscal Note History: First Reader - February 15, 2017
mm/ljm Third Reader - March 27, 2017
Revised - Amendment(s) - March 27, 2017

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