

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 221
Economic Matters

(Delegate Turner)

Finance

Motor Vehicle Insurance - Use of Credit History in Rating Policies

This bill requires a private passenger motor vehicle insurer that uses credit information, on written request from an applicant or insured, to provide reasonable exceptions to the insurer's rates, ratings, classifications, company or tier placement, or underwriting rules or guidelines for an applicant or insured who has experienced and whose credit information has been directly influenced by specified events that are generally out of the control of the applicant or insured. The bill applies to all private passenger motor vehicle insurance policies issued, delivered, or renewed in the State on or after October 1, 2021.

Fiscal Summary

State Effect: Special fund revenues increase minimally from the \$125 rate and form filing fee in FY 2022 only to the extent that insurers make additional filings with the Maryland Insurance Administration. Expenditures are not materially affected.

Maryland Automobile Insurance Fund Effect: The bill does not directly affect Maryland Automobile Insurance Fund (MAIF) finances or operations; MAIF does not use an insured's or applicant's credit history to rate policies.

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

Small Business Effect: Minimal.

Analysis

Bill Summary: A private passenger motor vehicle insurer that uses credit information, on written request from an applicant or insured, must provide reasonable exceptions to the insurer's rates, ratings, classifications, company or tier placement, or underwriting rules or guidelines for an applicant or insured who has experienced and whose credit information has been directly influenced by:

- a catastrophic event declared by the federal or State government;
- serious illness or injury, or serious illness or injury to an immediate family member;
- death of a spouse, child, or parent;
- divorce or involuntary interruption of legally owed alimony or support payments;
- identify theft;
- temporary loss of employment for a period of three months or more, if it results from involuntary termination;
- military deployment overseas; or
- other events, as determined by the insurer.

An insurer must notify applicants and insureds that reasonable exceptions are available and include information about how the applicant or insured may inquire further regarding the exceptions.

If an applicant or insured submits a request for an exception, an insurer, in its sole discretion may (1) require written and independently verifiable documentation; (2) require the applicant or insured to demonstrate that the event had direct and meaningful impact on the applicant's or insured's credit information; (3) require the request to be made no more than 60 days from the date of application for insurance or the policy renewal; (4) grant an exception despite the applicant or insured not providing the initial request for an exception in writing; and (5) grant an exception where the applicant or insured asks for consideration of repeated events or the insurer has considered this event previously. These authorizations may not be construed to provide an applicant or other insured with a cause of action that does not exist absence the authorizations. An insurer is not out of compliance with any law or regulation relating to underwriting, rating, or rate filing as a result of granting an exception.

Within 30 days after an insurer receives sufficient documentation from an applicant or insured regarding a requested exception, the insurer must inform the applicant or insured of the outcome in writing or in the same medium in which the request was made.

Current Law: "Credit history" means any written, oral, or other communication of any information by a consumer reporting agency 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.

A private passenger motor vehicle insurer 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 an insured or applicant or (2) require a particular payment plan based, in whole or in part, on the credit history of an insured or applicant. However, an insurer may use the credit history of an applicant to rate a new policy; an insurer that does so:

- may not use a factor on the applicant's credit history that occurred more than five years prior to issuing the new policy;
- must advise the applicant that credit history is used and, at the applicant's request, provide a premium quote that separately identifies the portion of the premium attributable to the applicant's credit history;
- may not use the absence of or inability to determine the applicant's credit history or the number of credit inquiries about the applicant's credit history as factors in the rating;
- must review the credit history of an insured whose premium was raised due to credit history at initial rating every two years or on request of the insured (and disclose this requirement to the applicant); and
- based on this periodic review, must adjust the premium to reflect any improvement in the insured's credit history.

An insurer that uses an applicant's credit history to rate a policy may provide a discount of up to 40% or impose a surcharge of up to 40% based on the credit history.

Current law prohibits insurers, with respect to *homeowner's* insurance, from rating a risk based, in whole or in part, on the credit history of an applicant or insured in any manner.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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