Prince George's County Executive_SUPPORT_SB17
Uploaded by: Alsobrooks, Prince George'S County Executive
Position: FAV

THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL:	**Senate Bill 17 – Motor Vehicle Insurance - Use of Credit History in Rating Policies**
SPONSOR:	**Senator Young, et al.**
HEARING DATE:	**January 29, 2020**
COMMITTEE:	**Finance**
CONTACT:	**Intergovernmental Affairs Office, 301-780-8411**
POSITION:	**SUPPORT**

The Office of the Prince George's County Executive **SUPPORTS Senate Bill 17,** which prohibits a private passenger motor vehicle insurer from rating an insurance policy for a private passenger automobile using the credit history of an applicant .

Access to affordable automobile insurance is critical for many individuals who rely on their vehicles to transport them to and from work. Affordable automobile insurance is even more crucial to individuals who live in low and moderate income communities, where there is a lack of access to reliable public transportation. Similar to a majority of states, Maryland requires all drivers to purchase liability coverage. Even though a mandate exists, there are still barriers to affordable automobile insurance for many consumers.

Using rating factors that can be based on the socioeconomic characteristics of an individual, such as credit history, occupation, or education can disadvantage consumers in low or moderate income communities. Removing credit history as a rating factor allows insurers to focus on more important patterns regarding the insurability of an applicant, like driving history.

For the reasons stated above, the Office of the Prince George's County Executive **SUPPORTS Senate Bill 17** and asks for a **FAVORABLE** report.

JOTF_Fav_SB017
Uploaded by: Dews, Christopher
Position: FAV

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

<u>TESTIMONY IN SUPPORT OF SB017:</u>

Motor Vehicle Administration - Authority to Suspend Registration for Violations Recorded by Traffic Control Signal Monitoring Systems - Repeal

TO: Senator Smith, Chair, and Members of the Judicial Proceedings Committee

FROM: Christopher Dews, Policy Advocate

DATE: January 29, 2020

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-wage workers and job seekers in Maryland. JOTF supports Senate Bill 17 as a means to reduce discriminatory practices by insurers that result in disproportionately high auto insurance premiums and denials of coverage for individuals who are low-income, have limited education, and lack access to opportunities that can generate higher credit scores.

Mobility is a vital factor for working families, yet the insurance industry practice of using credit history, and other non-driving factors, targets individuals who are low-income, have limited education and do not have the means to change their financial state. Currently, the law permits insurers to determine eligibility for coverage and insurance premiums on the basis of education, place of residence, occupation, and most notably, credit history.

The effects of using these non-driving factors, specifically credit history, results in extreme racial disparities in auto insurance premiums and further perpetuates a cycle that many low-income workers are desperately trying to break. A 2013 study by the Consumer Federation of America (CFA) showed that several major auto insurers charge higher rates to drivers with less education and lower-status jobs, who also, undoubtedly, have a poor credit history. Lack of access to banking institutions, financial literacy, and the mounting fees associated with poverty, cause many low-income families to fall victim to predatory lending and debt that tank their credit. A 2012 CFA study also showed that insurers' use of credit scores, which are a proxy for income, show disparate treatment of low- and moderate-income drivers, with low-income drivers in Baltimore - the majority of whom are African American - being asked to pay significantly higher premiums due to their low-income status.

Contrary to this practice, a national survey in 2012 revealed that, by large majorities (68%), the public rejects the use of education and occupation by auto insurers in setting rates. Therefore, this practice is against good public policy and public opinion. Because of the discriminatory effect of using credit history in setting insurance premiums, California, Massachusetts, and Hawaii have banned insurer use of credit scores in pricing. Since Maryland law mandates that drivers purchase at least a basic liability insurance policy that covers accidents caused by the driver, it is imperative that the unjust, discriminative practice of insurers using an individual's credit history to determine coverage and premiums for auto insurance be eliminated. The disproportionately high auto insurance premiums placed on low-income individuals, individuals of color, and individuals with limited educational attainment are regressive and present a great financial barrier in not only obtaining and securing employment, but survival on a limited income, for the individuals who are least able to afford it.

Senate Bill 17 seeks to address this issue. The bill prohibits insurers from using an applicant's credit history in determining their level of risk. While insurance companies must charge different premiums to different groups based on their risk, there must be limits to the types of discrimination we allow insurers to engage in, to ensure a system that minimizes *actual* risk and provides protection in a fair and equitable manner. As Senate Bill 17 seeks to ensure that low-income and low-skill Marylanders are not unfairly denied coverage or saddled with high insurance premiums simply because they are poor, we respectfully urge the committee to issue a favorable report.

MDDC AFLCIO_FAV_SB17
Uploaded by: Edwards, Donna
Position: FAV

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SB 17 – Motor Vehicle Insurance – Use of Credit History in Rating Policies
Senate Finance Committee
January 29, 2020

SUPPORT

Donna S. Edwards
President
Maryland State and DC AFL-CIO

Madam Chair and members of the Committee, thank you for the opportunity to provide testimony in support of SB 17 – Motor Vehicle Insurance – Use of Credit History in Rating Policies. My name is Donna S. Edwards, and I am the President of the Maryland State and DC AFL-CIO. On behalf of the 340,000 union members in the state of Maryland, I offer the following comments.

The old saying goes "It's expensive to be poor". If you have had a bad run economically, or have had medical bills that you are unable to pay, or are struggling to stay afloat month-to-month, your credit rating will suffer. When your credit is bad, you pay higher interest on your loans, costing you even more money to dig yourself out of the hole.

SB 17 provides some relief to workers who experienced hard economic times and have taken a hit to their credit, by banning the use of credit history in rating policies for auto insurance plans. Low-income workers have enough roadblocks, without being forced to pay more for auto insurance based on their credit history. We need to craft policies that help lift people out of poverty, by removing more barriers to success, and SB 17 is a step in the right direction.

We urge a favorable report on SB 17.

Irwin_FAV_SB 17
Uploaded by: Irwin, Laura
Position: FAV

Testimony in Support of SB0017
Motor Vehicle Insurance – Use of Credit History in Rating Policies
Wednesday, January 29, 2020

TO: The Honorable Delores Kelley, Chair; The Honorable Brian Feldman, Vice Chair; and Members of the Senate Finance Committee
FROM: Laura E. Irwin, Chair, Montgomery County Community Action Board

The Montgomery County Community Action Board, the County's federally designated anti-poverty group and the governing body for Head Start and the Community Action Agency, strongly supports SB0017. Currently, auto insurance companies are allowed to use a driver's credit history (or the lack thereof) to set ratings and insurance premiums. Since car insurance is required by state law, such policies negatively impact low-income individuals who are often the victims of predatory lending practices, resulting in lower credit scores. Many low-income individuals lack credit history altogether because their circumstances prevent them from qualifying for any type of formal loan or credit. The current rules surrounding auto insurance result in too many Marylanders being stuck in a vicious cycle: they cannot take a higher-wage job or pursue an educational program that could help them achieve self-sufficiency because such opportunities often require them to drive and therefore have insurance. Without such opportunities, they have no chance to improve their credit, one of the major factors preventing them from obtaining affordable car insurance.

Our Board supports policies that remove unnecessary barriers for individuals who are striving to become self-sufficient. Requirements such as car insurance should be more affordable, not less, so that it will be easier for individuals to pursue workforce development trainings and higher paying jobs. We know that in an expensive area like Montgomery County, a single parent with an infant and a preschooler needs to earn $103,322 to meet the Self-Sufficiency Standard.1 It can be challenging enough for a County resident to obtain employment that offers this level of income; avoidable obstacles like the lack of car insurance should not stand in someone's way.

We encourage the Committee to support SB0017 and to explore other policies that will make it easier for all residents to move towards self-sufficiency.

[1] http://www.selfsufficiencystandard.org/

AutoConsumerAlliance_FAV_SB17

Uploaded by: Schneiderman, Franz

Position: FAV

Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

Testimony to the Senate Finance Committee
SB 17 – Motor Vehicle Insurance
Use of Credit History in Rating Policies
Position: Favorable

January 29, 2020
The Honorable Delores G. Kelley
Senate Finance Committee
3 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a group that brings together consumer-friendly auto dealers and consumer advocates to work for safety, transparency, and fair treatment for Maryland drivers and car buyers.

Consumer Auto supports S**B 17** because allowing credit history to play an important role in setting insurance rates is deeply and punishingly unfair to many drivers – especially to drivers who have a thin credit history or have suffered an economic reversal or medical hardship or other misfortune that has badly damaged their credit score. While such misfortunes bear no obvious relationship to a driver's risk to others on the road, they can costs drivers many hundreds extra on their car insurance bills – and, paradoxically, often leave good drivers with poor credit paying much more than drivers with troubling records on the road but stronger credit histories.

The price gaps here – which average more than $1,000/year in excess costs for people with poorer credit or no credit – go well beyond the modest ones that might make sense in terms of the cost of collecting premiums from people with poor payment history. And because car insurance is a very unusual product – one the state requires people to purchase purchase to drive legally – that excess cost imposes a very serious cost burden that most consumers have very little choice but to pay.

Since the state effectively requires purchase of thise product, the state ought also to make every effort to protect consumers against price surcharges that may be discriminary and unduly burdensome.

And indeed the surcharges people pay with poor credit pay for car insurance are very large. While many factors impact insurance rates, a 2015 Consumer Reports study found that "your credit score could have more impact on your premium than any other factor."[1] In Maryland, Consumer Reports found that, on average, a driver with a poor credit rating will pay almost $1,800 more per year for car insurance than one with excellent credit ($2,904 vs. $1,145). In fact, CR's data shows, rather shockingly, that a driver with poor credit pays, on average, more than twice as much for insurance than a driver with excellent credit, and a DWI conviction on his or her record will pay.[2]

California, Massachusetts, and Hawaii prohibit the use of credit scores in setting car insurance rates. But a 2018 NerdWallet study of the 47 states and the District of Columbia that allow its use found

1 https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm.
2 Ibid.

Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

that drivers with weak credit pay, on average $1,270 more/year for car insurance and that Maryland drivers with poor credit pay $1,098 more/year.[3] 2018 reporting from WalletHub found that drivers without a credit score paid, on average, 67% more for car insurance than those with good credit did, and that Maryland drivers with no credit score paid 41% more.[4]

But while it's clear that your credit rating has a huge impact on your car insurance rates, just how the process works is far from transparent. Car insurers don't use the FICO or other credit ratings that many consumers loosely understand (or at least know how to get a copy of) to set those rates; they use a different "insurance score" derived from that credit record through some proprietary formula. As Consumer Reports explains the process:"Cherry-picking about 30 of almost 130 elements in a credit report, each insurer creates a proprietary score that's very different from the FICO score you might be familiar with, so that one can't be used to guess the other reliably.[5] Different insurers use different factors – and the process is largely a black box to consumers and outside analysts.

We do know a great deal, however, about the questionable reliability of the credit scores that underlie these insurance scores. Mistakes on those reports are all too common – indeed one recent study found that the credit records of one in five consumers contained serious mistakes and that such errors cause 5% of consumers to be in a higher risk tier than they ought to be.[6] And, and as many consumers have learned the hard way, those mistakes are often quite difficult and time-consuming to fix.

Mistaken medical bills are another common distortion of the process. A Commonwealth Fund study found that 7 million U.S. adults have alleged medical debts they don't really owe wrongly sent to collection each year – and a bill in collection can take 100 points off a person's credit score.[7] And of course falling victim to identity theft can have a devastating impact on a consumer's credit score. But even if all the information they're based on is accurate, credit scores very often take serious hits simply because a person (or his or her family member) suffers a serious illness that leads to unmanageable medical bills or an unforeseen layoff or the death of a spouse or other misfortune.

That kind of reversal can happen to any of us; it does not make a person a deadbeat – and certainly does not make that person more risky to others on the road.

Allowing insurers to charge drivers more than $1,000/year because of such credit issues often makes insurance very difficult to afford for those who can least afford the added cost, without any clear relationship to risk. The state should follow the lead of California and other jurisdictions by acting to protect drivers against this kind of price discrimination for a product we all need to purchase.

Consumer Auto supports SB 17 and urges a FAVORABLE report.

Sincerely,
Franz Schneiderman
Consumer Auto

3 https://www.nerdwallet.com/blog/insurance/car-insurance-rate-increases-poor-credit/
4 https://wallethub.com/edu/ci/car-insurance-by-credit-score-report/4343/
5 https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm
6 Errors and Gotchas: How Credit Report Errors and Unreliable Credit Scores Hurt Consumers," Consumers Union, April. 9, 2014.
7. Ibid.

OAG-CPD_FAV_ SB 17
Uploaded by: Straughn, Karen
Position: FAV

Brian E. Frosh
Attorney General

Elizabeth F. Harris
Chief Deputy Attorney General

Carolyn Quattrocki
Deputy Attorney General

William D. Gruhn
Chief
Consumer Protection Division

State of Maryland
Office of the Attorney General
Consumer Protection Division

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January 29, 2020

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 17 – Motor Vehicle Insurance – Use of Credit History in Rating Policies (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 17 submitted by Senators Ronald N. Young, Jill P. Carter, and Mary Washington. The bill prohibits the use of credit history in the rating of a private passenger auto insurance policy. Proponents of using credit history to rate insurance policies often argue that a low credit rating is indicative of an increased risk of loss. But driving habits do not factor in any way into an individual's credit history and, likewise, one's credit history does not affect one's driving habits.

When the economy takes a downturn, such as during the financial crisis, many people experience a negative impact to their credit due to circumstances beyond their control. Unemployment increases and the dramatic impact to the housing market alone caused many people to suffer losses to their credit rating through little fault of their own. Others have suffered illnesses with large medical bills, many of which may not be covered by insurance, once again striking a blow to an otherwise healthy credit rating. In addition, studies have shown that credit history is negatively impacted simply by becoming a widow.

However, these difficulties do not necessarily translate to a higher risk of an automobile loss. When the economy suffers, individuals often experience financial setbacks that could easily affect their credit history in ways that do not justify an increase in their auto insurance rates. Even if an individual is financially struggling for reasons of his or her own making, this does not necessarily mean that he or she is not a good driver. Instead, those rates should be based on the driving history and rating characteristics of the individuals and their vehicles. This is the only way of truly ensuring that the individual is properly rated for the risk he or she presents, rather than his or her current financial circumstances.

For these reasons, we ask that the Finance Committee return a favorable report on this bill.

cc: The Honorable Ronald N. Young
The Honorable Jill P. Carter
The Honorable Mary Washington
Members, Finance Committee

MarylandConsumerRightsCoalition_FAV_SB17
Uploaded by: White, Marceline
Position: FAV

Maryland Consumer Rights Coalition

Testimony to the Senate Finance Committee
SB 17 Motor Vehicle Insurance - Use of Credit History in Ratings Policy
Position: Favorable

January 29, 2020

Senator Delores Kelley, Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, MD 21401
Cc: Members, Senate Finance

Honorable Chairwoman Kelley and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

I write today in strong support of SB 17.

SB 17 removes the use of credit from ratings factors in auto insurance. This is a critical and sensible solution to make auto insurance more affordable for working families in our state.

The Maryland Insurance Administration (MIA) prohibits the use of race and income but allows a slew of other factors including credit. MIA's consumer guide states that an auto insurance company can use factors to "assist insurers in predicting the likelihood that you will be in an auto accident in the future or *will file a claim for damages*."

Credit is one of the most egregious factors which disproportionately affects low income drivers and working families. Insurance companies review individuals' credit scores to try to predict the likelihood of which drivers might file a claim. Insurance companies cherry-pick 30 of 130 elements of a credit report, creating a proprietary score different than the FICO score.

A 2018 report from WalletHub found that the average premium fluctuation between moderate and good credit is 41% with a maximum fluctuation of 95% difference. A 2019 Zebra study found someone with moderate credit would be charged $696 more than someone with excellent credit[1].

1

According to a 2015 *Consumer Reports* study[2], a Maryland driver with good credit will pay $255 more than a driver with excellent credit, while a driver with poor credit will pay $1,759 more than a driver with excellent credit. At the same time, a Maryland driver with excellent credit and a DUI will pay $1,636 *less* than a driver with poor credit but a perfect driving record. These are the wrong incentives – when someone with poor credit pays more than someone with a DUI, this is a policy problem.

The majority of Maryland drivers with poor credit see a 40% increase in their auto insurance rates, regardless of their driving record. This policy disproportionately impacts low-income drivers and drivers of color who tend to have less access to credit. It also impacts women, particularly single heads of households, who tend to have less access to credit.

Maryland has already banned the use of credit in setting home insurance rates because it was found to be discriminatory. California, Massachusetts, and Hawaii ban the use of credit in auto insurance.

If the use of credit is removed from consideration, insurance firms will have to consider and weight non-driving related factors. Insurance companies will have to assess and weigh different factors, leading to DUIs and accidents appropriately taking on a higher risk. This gets the incentives right – those with accidents and DUIs *should* pay more for insurance, while drivers with poor credit will pay based on their profile as a driver, rather than their profile as a person.

We strongly support SB 17 and urge a favorable report.

Best,

Marceline White
Executive Director

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https://www.consumerreports.org/car-insurance/car-insurance-money-savers-surprises/?EXTKEY=EE9141.IBAC&utm_source=acxiom&utm_medium=email&utm_campaign=20190205_cromc_engagewkly

[2] https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm

AndrewKirkner_UNF_SB17
Uploaded by: Kirkner, Andrew
Position: UNF

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

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Miller Senate Office Building, 3 East Wing
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January 29, 2020

Re: NAMIC Opposed to SB 17 – Use of Credit History in Rating Policies

Chairwoman Kelley and Members of the Senate Finance Committee:

The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to register its opposition to SB 17.

NAMIC is the largest property/casualty insurance trade association in the country with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members represent roughly 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly $225 billion in annual premiums. At present, 11 NAMIC member companies are domiciled in Maryland and more than 200 member companies do business here, comprising a market share of approximately 40%.

NAMIC asks the committee to return an unfavorable report on SB 17 for the following reasons:

1. **The use of credit history, *as a portion of a credit-based insurance score*, is predictive of an insured's risk.** A number of independent studies have confirmed this:

   - First, the U.S. Federal Trade Commission, and the Texas Department of Insurance, have found that credit-based insurance scores help insurers accurately assess risk and develop rates that are actuarially sound. Indeed, these studies concluded that credit may be more strongly correlated with risk than other, more traditional factors that are used in underwriting and rating. The Texas study found that "for both personal auto liability and homeowners, credit score was related to claim experience even after considering other commonly used rating variables. This means that credit score provides insurers with additional predictive information distinct from other rating variables. By using credit score, insurers can better classify and rate risks based on differences in claim experience."[1]

   - The FTC study concluded that insurers' "use of credit-based insurance scores may result in benefits for consumers. For example, scores permit insurance companies to evaluate risk with greater accuracy, which may make them more willing to offer insurance to higher-risk consumers for whom they would otherwise not be able to determine an appropriate premium. Scores also may make the process of granting and pricing insurance quicker and cheaper, cost savings that may be passed on to consumers in the form of lower premiums."[2]

   - While some critics have argued that credit-based insurance scoring adversely affects low-income consumers, recent scholarly research has disproved this claim. A seminal paper published in 2015 by the Georgetown University Law Center found that "insurance scoring does not always or necessarily have a disparate impact on low

[1] Texas Department of Insurance, "Supplemental Report to the 79th Legislature: Use of Credit Information by Insurers in Texas: The Multivariate Analysis" (Jan. 31, 2005).

[2] Federal Trade Commission, "Credit-Based Insurance Scores: Impacts on Consumers of Automobile Insurance (July 2007).

income policyholders." In light of the evidence they analyzed, the authors concluded that "our results […] undermine the case for regulatory or legal restrictions on insurance scoring."[3]

2. **Insurance discriminates against risk, not people.** All underwriting and rating factors must be actuarially sound in order to be used by law. The Maryland Insurance Administration already has the appropriate authority to disallow any factor that is unfairly discriminatory. In addition, existing Maryland law already protects consumers and places ***significant*** restrictions on an insurer for a private passenger motor vehicle insurance may not use credit history to refuse to underwrite, cancel, refuse to renew, or increase a renewal premium. See Md. Code, Ins. § 27-501, *et seq*. The further restrictions proposed by SB 17 will take another predictive tool from the insurers and will decrease the accuracy of premiums in relation to risk. This change could also disproportionately impact smaller companies domesticated in Maryland.

3. **HB SB 17 goes against the fundamental notions of risk-based insurance requires drivers with less risk to subsidize drivers who have more risk.** Simply put, insurers price insurance premiums to the risk that a policyholder presents. When an insurer is able to use factors that allow it to improve the accuracy of its ability to assess risk, it can more closely align the price it charges for coverage with the cost of providing that coverage. Insurers who succeed are those that predict claim costs better than their competitors. This market-driven incentive to accurately assess risk ensures that the price of insurance will be commensurate with the level of risk that a particular policyholder presents.

4. **Prohibiting the use of credit could hurt many more people than it helps.** A 2017 study by the Arkansas Department of Insurance found that 80% of consumers whose premium involved a credit component either received a lower premium or their premium was unaffected. Further, the study found that "54.5% of consumers received some decrease in their premium as opposed to only 19.8% who received some increase in their premium."[4] Arkansas has largely adopted the NCOIL use of credit and insurance scoring model which allows for use of a credit-based insurance score with some exceptions. Prohibiting the use of credit in Maryland, as SB 17 proposes to do, will inject uncertainty into the underwriting and rating process, and may have the consequence of raising costs for many drivers in Maryland.

Thank you again for the opportunity to lend feedback on SB 17. Please contact me if you have questions or comments about our position.

Sincerely,

Andrew Kirkner
Regional Vice President, Government Affairs Mid-Atlantic and Ohio Valley
(540) 440-0360
Akirkner@namic.org

[3] D. Morris, D. Schwarcz, and J. Teitelbaum, "Do Credit-Based Insurance Scores Proxy for Income in Predicting Auto Claim Risk?" Georgetown University Law Center (Oct. 2015). Available at: http://scholarship.law.georgetown.edu/facpub/1521.

[4] Arkansas Insurance Department, "Use and Impact of Credit in Personal Lines Insurance Premiums Pursuant to Ark. Code Ann. § 23-67-415" (June 2017). Available at: https://insurance.arkansas.gov/uploads/resource/documents/2017credit.pdf

Ind Ins Agents of Md_UNF_SB17

Uploaded by: Lininger, Brett

Position: UNF

Independent Insurance Agent
The Trusted Choice

Written Testimony from the
Independent Insurance Agents of Maryland
Senate Bill 17

Motor Vehicle Insurance – Use of Credit History in Rating Policies

Position: Oppose

Dear Chairman Kelley and members of the Senate Finance Committee

Thank you for the opportunity to provide this testimony in support of Senate Bill 17. The Independent Insurance Agents of Maryland (IIAM) is the State's oldest trade association of independent insurance agents. It represents 200 independent agencies, which employ over 2000 people in the state. IIAM represents independent insurance agents and brokers who present consumers with a choice of policy options from a variety of different insurance companies. These small, medium, and large businesses offer a variety of insurance products – including property, casualty, life, health, employee benefit plans, and retirement products.

Senate Bill 17 seeks to prohibit an insurer, with respect to private passenger motor vehicle insurance, from rating a risk based on the credit history of an applicant in any manner. Maryland residents who purchase private passenger motor vehicle insurance have enjoyed a very competitive market with a tremendous amount of choice of products and carriers. The carriers use highly sophisticated computer programs to underwrite the risk of each insured. Each carrier uses its own "special sauce" to determine the best way to assess risk. Any effort to inhibit a carrier from using certain underwriting factors may have the unintended consequence of disrupting this vibrant market.

As independent insurance agents, we shop multiple carriers for our clients to determine which carrier offers the best product for our individual clients. We think the system works very well today and urge an unfavorable report for this bill.

IIA Maryland's Legislative Representation

Legislative Committee Chair
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MIA_INFO_SB17
Uploaded by: Paddy, Michael
Position: INFO

LARRY HOGAN
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BOYD K. RUTHERFORD
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AL REDMER, JR.
Commissioner

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TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE

JANUARY 29, 2020

SENATE BILL 17 – MOTOR VEHICLE INSURANCE - USE OF CREDIT HISTORY IN RATING POLICIES

LETTER OF INFORMATION

Thank you for the opportunity to provide written comments regarding Senate Bill 17. Senate Bill 17 prohibits a private passenger motor vehicle insurer from making certain underwriting and rating decisions based upon the applicant or policyholder's credit history.

The passage of Senate Bill 17 will require all private passenger motor vehicle insurers that presently utilize credit history as a rating factor to submit a new rate / rule filing to the Maryland Insurance Administration (MIA). The MIA will be required to review these filings in advance of the effective date of the legislation. Thus, the MIA is requesting an amendment to delay the effective date from October 1, 2020 until October 1, 2021. This will allow insurers sufficient time to perform the necessary rate-making due diligence and submit their filings and allow the MIA to complete the necessary thorough filing reviews in the course of normal business without creating a backlog in the review of filings for other lines of business.

While the MIA has no policy position on this legislation, for administrative reasons, the MIA urges the committee's adoption of this amendment if it elects to pass Senate Bill 17.