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**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
HOUSE ECONOMIC MATTERS COMMITTEE**

FEBRUARY 11, 2021

**HOUSE BILL 221 – MOTOR VEHICLE INSURANCE - USE OF CREDIT HISTORY IN RATING
POLICIES**

LETTER OF INFORMATION

Thank you for the opportunity to provide written comments regarding House Bill 221. House Bill 221 prohibits a private passenger motor vehicle insurer from making certain underwriting and rating decisions based upon the applicant or policyholder's credit history. Currently, insurers that issue private passenger motor vehicle policies in the State may not 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. However, subject to certain constraints, an insurer may use the credit history of an insured or applicant to establish the rate at initial policy inception. House Bill 221 will completely eliminate the use of credit as an underwriting and / or as a rating factor with respect to private passenger motor vehicle policies in Maryland.

The passage of House Bill 221 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) that eliminates the use of credit. 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, 2021 until October 1, 2022. This will allow insurers sufficient time to perform the necessary rate-making due diligence and to submit their filings over the course of a full year, which will 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 House Bill 221.