CFA Testimony in Support of SB 552-Motor Vehicle I

Uploaded by: DeLong, Michael
Position: FAV

Testimony on Behalf of Consumer Federation of America to Senate Finance Committee in Support of SB 552-Motor Vehicle Insurance-Use of Credit History in Rating Policies
February 17, 2021

Chair Kelley, Vice Chair Feldman, members of the Committee, thank you for hearing our testimony. My name is Michael DeLong. I am a Research and Advocacy Associate here on behalf of Consumer Federation of America (CFA). CFA is an association of over 250 national, state, and local non-profit consumer organizations that was founded in 1968 to advance the consumer interest through advocacy, research and education. We support SB 552, which would ban the use of credit history in private passenger auto insurance rates.

This proposal bans auto insurers from basing insurance rates, in whole or in part, on the credit history of applicants or current policyholders, including providing or removing any discounts, assigning policyholders to rating tiers, or placing applicants or policyholders with an affiliated company. CFA supports this bill because credit history has nothing to do with driving behavior, is unfairly discriminatory for consumers, raises costs for those low income consumers who can least afford it, and perpetuates systemic racism.

Americans believe that the cost of auto insurance should be based on your driving record and actions, which means whether you are a good driver and whether you have any tickets, accidents, or convictions of driving under the influence of alcohol. However auto insurers use numerous socioeconomic factors to unfairly discriminate against consumers and charge them higher rates. These factors serve as proxies for income and race that consistently leave people of color and lower-income drivers paying more for coverage, even if they maintain perfect driving records.

The use of credit information in underwriting and premium setting has a significant and harmful impact on consumers. Marylanders often face massive increases on their auto insurance premiums based on credit. This is quite harmful, especially because many credit reports have substantial errors. People also often have bad credit for a variety of reasons and or may struggled with payments because of unemployment (which is often not their fault) or caring for a family member. In fact, the primary reasons for low credit scores are major life events like a divorce, an illness or injury, or a period of unemployment.

To understand the scale of the problem of the use of credit history in auto insurance, Consumer Federation of America recently purchased data on auto insurance premiums which includes premiums in every zip code in Maryland from 10 of the state's largest insurers. We found that across the state, people are charged far higher premiums if they have bad credit.

Here are a couple of examples: In the zip code 20901 in Silver Spring, drivers pay an average annual premium of $962.40 for basic insurance coverage as long as they have excellent credit. But if they only have fair credit, that average annual premium rises to $1,295.45-over $300 more. And if drivers have poor credit, their annual premium rises to $1,672.70-a further increase of almost $400 and about 74% more than an excellent credit driver with the same driving history pays for the exact same coverage.

We see similar patterns in other parts of the state. In the zip code 21216 in Baltimore, a low income zip code, the average annual premium is $1,760.70 for drivers with excellent credit. But drivers with fair credit pay an average of $2,399.25 per year in premium-an increase of over $600. And drivers with poor credit pay $3,114.80-a total credit penalty of more than $1300.

The use of credit scores leads to higher premiums for drivers and it can even make auto insurance unaffordable. In most areas people need a car to get to and from work, pick up groceries and run errands, and generally move around. Public transportation is time consuming and often unavailable. Auto insurance is required for Maryland drivers, but if it is too expensive, many people will opt to go without and drive anyway. This puts them and others at risk should they get into an accident.

Credit information also contributes to racial bias and systemic racism. African Americans and Latinos are significantly more likely to have lower credit scores, according to data from the Federal Reserve and Federal Trade Commission. CFA collected data over the summer of 2020 and found that the average credit score for white Americans is 734, and 5.4% of white Americans have a credit score below 620 (meaning a significant penalty). By contrast, the average credit score for African-Americans is 677, and 21.3% of African-Americans have a credit score below 620. As a result, when auto insurers use credit scores to calculate rates, they are disproportionately harming people of color. This is a racial justice issue.

Because drivers are required to buy coverage, the Legislature has a special responsibility to ensure that this mandatory product is affordable. SB 552 will help accomplish that goal. It will ban the use of credit scores in auto insurance, thereby reducing premium costs, lowering unfair discrimination in insurance markets, and promoting racial justice.

Thank you very much, and we thank Senator Young for his work on this bill. Please contact us at mdelong@consumerfed.org if you have any questions.

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

TESTIMONY IN SUPPORT OF SENATE BILL 0552:

Motor Vehicle Insurance - Use of Credit History in Rating Policies

TO: Hon. Delores Kelley, Chair, and Members of the Senate Finance Committee

FROM: Christopher Dews, Policy Advocate

DATE: February 17, 2021

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 552 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. The same study found that good drivers with low credit scores are charged as much as **123 percent more** than drivers with high credit scores, controlling for all other factors including driving record. 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 insurers' use of credit scores in pricing. When CFA ranked all 50 states' by the rise in auto insurance rate rates since the 1990s, both California and Hawaii had the lowest rates of increase (12.5% and 13.6%, respectively) which was significantly less than the national average of 61%. This metric shows that eliminating the use of credit history and various other non-driving factors will *not dramatically increase* the rates of *all* drivers as some opponents have claimed.

Maryland Code Ann., Transportation §17–707 states that driving without auto insurance in Maryland is a crime punishable by up to (1) one year in jail, a $1000 fine, or both. As such, drivers must purchase at least a basic liability insurance policy that covers accidents caused by the driver, but with factors like credit history and zip code factored, even this basic coverage becomes unaffordable for lower-income families.

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 552 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, and to ensure a system that minimizes *actual* risk and provides protection in a fair and equitable manner. Senate Bill 552 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.

SB 552 - Motor Vehicle Insurance Use of Credit His
Uploaded by: Edwards, Donna
Position: FAV

MARYLAND STATE & D.C. AFL-CIO

AFFILIATED WITH NATIONAL AFL-CIO

7 School Street • Annapolis, Maryland 21401-2096

Office. (410) 269-1940 • Fax (410) 280-2956

President
Donna S. Edwards

Secretary-Treasurer
Gerald W. Jackson

SB 552 – Motor Vehicle Insurance – Use of Credit History in Rating Policies
Senate Finance Committee
February 17, 2021

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 552 – 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 552 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 552 is a step in the right direction.

We urge a favorable report on SB 552.

PGCYD Press Release 1_21_21 (1).pdf
Uploaded by: Elliott, Richard DeShay
Position: FAV

NEWS RELEASE
FOR IMMEDIATE RELEASE
2021 LEGISLATIVE SESSION

Contact: Martin Mitchell
President
410-493-7966/president@pgcyd.com

Prince George's County Young Democrats

Prince George's County, MD - The membership of the Prince George's County Young Democrats Legislative Committee have unanimously supported the following coalitions and policy resolutions.

Coalitions

- **Medical Aid in Dying (MAID) Bill Coalition**
- **Essential Worker's Coalition**
- **Maryland Rise - Paid Family Leave Coalition**

Policy Resolutions

In Support Of:

- **The expulsion of Delegate Mary Ann Lisanti. Lisanti referred to District 25 as a "nigger district" in the company of several state legislators. She was censured for this act in February 2019 but has refused to resign.**
- **The renaming of the House Office Building to honor Congressman Elijah Cummings. Former Chair of the Legislative Black Caucus of Maryland, first Black legislator to be named Speaker Pro Tempore, Congressman from Maryland's 7th Congressional District from 1996-2019, Chair of the Oversight & Reform Committee during the Trump presidency, and leading figure in Trump's impeachment by the House of Representatives.**
- **Banning the Maryland state government and local governments from the sale or purchase of items produced by prison labor unless paid prevailing wages.**
- **The Housing Justice package (HB52; HB18/SB154; HB104/SB401). Sponsored by Delegates Vaughn Stewart, Jheanelle K. Wilkins, Melissa Wells, Wanika Fisher and Senators Jill P. Carter, Will Smith, Charles Sydnor, & Shelly Hettleman.**
- **The Tax Fairness package (HB215; HB262; HB319; HB201). Sponsored by Delegate Julie Palakovich Carr to make Maryland's local property taxes & capital gains taxes are assessed in a progressive manner that lowers the burden for working families and ends tax loopholes in "opportunity zones" & carried interest.**
- **HB120/SB178. Sponsored by Delegate Gabriel Acevero & Senator Jill P. Carter, to expand public transparency of police data.**
- **HB15. Sponsored by Delegate Joseline Peña-Melnyk, to create a Governor's Office of Immigrant Affairs.**

Written By:

Phylicia Henry, *Chair of Legislative Affairs as a Whole.*
Janna Parker, *Chair of County Affairs.*
Richard DeShay Elliott, *Chair of State Affairs.*

Interested members of the general public are encouraged to join the Prince George's County Young Democrats, regardless of geographic location, as long as they meet two criteria: they are registered Democrats or Independents, and they are below the age of 40.

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- **HB28. Sponsored by Delegate Joseline Peña-Melnyk, to require Implicit Bias Training for medical professionals.**
- **HB309. Sponsored by Delegate Joseline Peña-Melnyk, to require a racial and ethnic health breakdown in state medical data.**
- **HB227. Sponsored by Delegate Nick Charles, to establish civil liability for improper police calls.**
- **HB82. Sponsored by Delegate Wanika Fisher, to amend the Maryland Constitution to guarantee a clean and safe environment for all Marylanders. HB82**
- **HB375. Sponsored by Delegate Kriselda Valderrama, to expand paid family leave in Maryland.**
- **HB124. Sponsored by Delegate Kriselda Valderrama, to protect employees from aerosol-transmitted diseases, including COVID-19.**
- **HB411. Sponsored by Delegate Nicole Williams, to prohibit sexual contact between law enforcement and those under arrest. HB411**
- **HB63. Sponsored by Delegate Nicole Williams, to prohibit state expenditures on magnetic levitation transportation systems. HB63**
- **HB171. Sponsored by Delegate Alonzo Washington, to study school discipline statistics in Maryland. HB171**
- **HB206. Sponsored by Delegate Alonzo Washington. to expand Early Voting hours in Maryland.**
- **HB153. Sponsored by Delegate Julian Ivey, to expand vote by mail in Maryland.**
- **HB24. Sponsored by Delegate Julian Ivey, to make primary and general Election days as state holidays in Maryland.**
- **HB336/SB276. Sponsored by Delegate Julian Ivey & Senator Jill P. Carter. to ban private police departments for universities.**
- **HB168/HB221. Sponsored by Delegates Julian Ivey & Veronica Turner, to address credit discrimination in motor vehicle insurance.**
- **HB51. Sponsored by Delegate Veronica Turner to require environmental justice analysis during the zoning process for landfills.**
- **HB172. Sponsored by Delegate Mary Legman to require combined reporting of corporate income taxes, as is practice in 29 states and DC.**
- **HB341. Sponsored by Delegate Mary Lehman, to begin the tabulation of absentee ballots 14 days before Election Day, as is practice in Arizona.**
- **HB524. Sponsored by Delegate Mary Lehman, to require the presentation of rental licensing during court proceedings involving rental properties.**
- **HB194. Sponsored by Delegate Melissa Wells, to require implicit bias training for police officers.**
- **HB413. Sponsored by Delegate Melissa Wells, to require implicit bias training for**

judges.

- **HB355/SB37. Introduced by Delegate Sheila Ruth & Senator Jill P. Carter, to ensure electronic collection of ballot signatures and expand the public's ability to gather signatures.**
- **HB89/SB397. Sponsored by Delegate Jheanelle K. Wilkins & Senator Jill P. Carter, to shorter incarceration sentences with academic options.**
- **HB222/SB224. Sponsored by Delegate Jheanelle K. Wilkins & Senator Chris West, to ensure that incarcerated individuals are aware of their voting rights and are given the opportunity to vote.**
- **HB155/SB98. Sponsored by Delegate Jheanelle K. Wilkins & Senator Cory McCray, to ban discrimination in pre-k programs and schools.**
- **HB41. Sponsored by Delegate Stephanie Smith, to establish a state banking taskforce.**
- **HB320. Sponsored by Delegate Stephanie Smith, to ease the transfer of credits.**
- **Legislation to shield eviction proceedings from the general public and protect the credit and financial history of tenants. Sponsored by Delegate Nicole Williams.**

Favorable With Amendments

- **HB238. Sponsored by Delegate Melissa Wells, to automatically expunge certain crimes after a certain period of time, expanding job opportunities for returning citizens.**
  Amendment, introduced by Janna Parker:
  "Crimes that have been expunged or not found guilty for, should be retroactively removed from the Maryland CaseSearch database."
- **HB269. Sponsored by Delegate Melissa Wells, to create urban agriculture grants.**
  Amendment, introduced by Richard DeShay Elliott:
  "Prince George's County will be included in the implementation of this bill, following upcoming rezoning"

In Opposition Of:

- **The nomination of Bryon Bereano to the Circuit Court. Prince George's County voters did not nominate him to the Court in the 2020 elections. His Senate confirmation should be denied.**

"The members of PGCYD remain committed to amplifying their voices on potential policy decisions that could impact their communities and daily life. We look forward to working with our elected leaders to ensure that public policy presented before us, is for us and for the betterment of everyone, and not just a select few", Henry said.

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Written By:

Phylicia Henry, *Chair of Legislative Affairs as a Whole.*

Janna Parker, *Chair of County Affairs.*

Richard DeShay Elliott, *Chair of State Affairs.*

Interested members of the general public are encouraged to join the Prince George's County Young Democrats, regardless of geographic location, as long as they meet two criteria: they are registered Democrats or Independents, and they are below the age of 40.

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SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Fertig, Benjamin
Position: FAV

SURJ
BALTIMORE
showing up for racial justice

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District **11.** I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

What does the number of credit cards or loans a person has reveal about their driving safety? Not much; however, it does reveal a lot about their financial situation.

What this means is that those with the lowest incomes, persons tend to pay the highest insurance rates when all other factors are kept the same. A person with low income has more need for credit. Higher insurance premiums make owning and driving a private car more difficult. Low wage workers need more--not fewer--transportation options. This reinforces the cycle of poverty by making it harder for those who don't have much to pay for the transportation they need to access more and better job opportunities. Moreover, given the relationship between race and income in Maryland, this also means that black and brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Benjamin Fertig
2722 Quarry Heights Way, Baltimore, MD 21209
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Hauck, Barbara
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 43. I am also a longtime member of Baltimore's vibrant theater community and the Artistic Director at the Fells Point Corner Theatre. I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history — how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

The number of credit cards or loans a person has doesn't reveal much about their driving safety, but it does reveal a lot about their financial situation.

This means that folks with the lowest incomes tend to pay the highest insurance rates when all other factors are the same. Higher insurance premiums make owning and driving a private car more difficult. This reinforces the cycle of poverty by making it harder for those who don't have much to pay for the transportation they need to access more and better job opportunities. Low wage workers need more — not fewer — transportation options.

Moreover, given the relationship between race and income in Maryland, this also means that Black and brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates — California, Hawaii and Massachusetts currently outlaw consideration of credit history. Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past five years. Yet this limit could, and should, go further. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I urge you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Barbara Hauck (she/her)
3420 Harford Road
Baltimore, MD 21218
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto

Uploaded by: Holt, Arthur

Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District **30A**. **I am very active in racial equality efforts.** I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

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What this means is that those with the lowest incomes, persons tend to pay the highest insurance rates when all other factors are kept the same. A person with low income has more need for credit. Higher insurance premiums make owning and driving a private car more difficult. Low wage workers need more--not fewer--transportation options. This reinforces the cycle of poverty by making it harder for those who don't have much to pay for the transportation they need to access more and better job opportunities. Moreover, given the relationship between race and income in Maryland, this also means that black and brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Arthur Holt
8 Fisk Circle
Annapolis, MD 21401

Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Hood, Amelia
Position: FAV

Dear Members of the Finance Committee,

SURJ BALTIMORE
showing up for racial justice

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 43. I am **testifying in support of Senate Bill 552.**

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What this means is that those with the lowest incomes tend to pay the highest insurance rates when all other factors are kept the same. A person with low income has more need for credit. Higher insurance premiums make owning and driving a private car more difficult. Low wage workers need more--not fewer--transportation options. This reinforces the cycle of poverty by making it harder for those who don't have enough to pay for the transportation they need to access more and better job opportunities. Moreover, given the relationship between race and income in Maryland, this also means that Black and Brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Amelia Hood, MA
336 E 27^{th} St
Baltimore, MD 21218
Showing Up for Racial Justice Baltimore

MAP - SB 552 Credit History Rating- Support.pdf
Uploaded by: Jefferson , Stacey
Position: FAV

MARYLANDERS AGAINST POVERTY

Member Agencies:

Advocates for Children and Youth
Baltimore Jewish Council
Behavioral Health System Baltimore
CASH Campaign of Maryland
Catholic Charities
Episcopal Diocese of Maryland
Family League of Baltimore
Fuel Fund of Maryland
Health Care for the Homeless
Homeless Persons Representation Project
Job Opportunities Task Force
League of Women Voters of Maryland
Loyola University Maryland
Maryland Catholic Conference
Maryland Center on Economic Policy
Maryland Community Action Partnership
Maryland Family Network
Maryland Hunger Solutions
Paul's Place
Public Justice Center
St. Vincent de Paul of Baltimore
Welfare Advocates

Marylanders Against Poverty

Stacey Jefferson, Co-Chair
P: 410-637-1900 ext 8578
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Julia Gross, Co-Chair
P: 410-528-0021x6029
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TESTIMONY IN SUPPORT OF SB 552

Motor Vehicle Insurance Use of Credit History Rating Policy

Senate Finance Committee
February 17, 2021

Submitted by Stacey Jefferson and Julia Gross, Co-Chairs

Marylanders Against Poverty (MAP) strongly supports SB 552, which limits insurance companies' ability to adjust auto insurance rates based on a driver's credit history.

Lack of affordable auto insurance is a significant barrier to obtaining employment in Maryland. Nationally, Maryland ranks 2nd behind New York in the longest commute to work, as Marylanders spend an average of 32 minutes driving to their job[1]. Workers in Maryland need a car to access employment opportunities, and to support their families. Unfortunately, the high cost of car insurance often makes reliable transportation too expensive for low-income families and is a leading reason why some Maryland drivers don't have even the minimum liability insurance state law requires.

Currently, auto insurance companies are permitted to use factors unrelated to a person's driving record in determining rates. As a result, major insurance companies in Maryland increase rates based on gender, homeownership status, marital status, employment and occupation, education level, and credit score. In fact, companies can issue a surcharge for as much as 40% for a person who has a low credit score. Further, poor credit has a bigger impact on your premium than a DWI conviction for Maryland drivers[2]. Such policies disproportionately harm drivers who face financial hardship.

SB 552 promotes access to transportation for low-income drivers by prohibiting insurance companies from using credit history to establish rates. Hawaii, California, and Massachusetts restrict the use of credit in auto insurance rate setting and we believe Maryland should as well. By amending what factors are allowed to be considered in calculating auto insurance rates, SB 552 will simultaneously increase safety standards as more Marylanders will be insured, while eliminating barriers to employment and economic stability for low-income Marylanders.

MAP appreciates your consideration and urges the committee to issue a favorable report for SB 552.

Marylanders Against Poverty (MAP) *is a coalition of service providers, faith communities, and advocacy organizations advancing statewide public policies and programs necessary to alleviate the burdens faced by Marylanders living in or near poverty, and to address the underlying systemic causes of poverty.*

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[1] US Census. American Community Survey – 2016. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_5YR_S0802&prodType=table

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

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Keipper, Lindsay
Position: FAV

Dear Members of the Economic Matters Committee,

This testimony is being submitted by residents of District 46 who are also community leaders in Showing Up for Racial Justice Baltimore. SURJ is a group of community members supporting local groups working for greater racial justice in Baltimore and the State of Maryland. We are also working in collaboration with Out for Justice.We are **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

What does the number of credit cards or loans a person has reveal about their driving safety? Not much; however, it does reveal a lot about their financial situation.

What this means is that those with the lowest incomes, persons tend to pay the highest insurance rates when all other factors are kept the same. A person with low income has more need for credit. Higher insurance premiums make owning and driving a private car more difficult. Low wage workers need more--not fewer--transportation options. This reinforces the cycle of poverty by making it harder for those who don't have much to pay for the transportation they need to access more and better job opportunities. Moreover, given the relationship between race and income in Maryland, this also means that black and brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that we are encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,

SURJ District 46 Community Leaders
Sarah Goldman
Christina Pham Linhoff

Ben Goldberg
Liz Simon-Higgs
Brian Seel
Lilly Chappa
Natalia Skolnik
Lindsay Keipper

SURJ Credit history separate SB 554 2021 2 15.pdf
Uploaded by: Kleinman, Jan
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 43. As it happens, I have a decent credit history yet I am a poor driver. Nonetheless, I am offered an auto insurance rate that is lower than someone with a poor credit history. This is unfair. I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

What does the number of credit cards or loans a person has reveal about their driving safety? Not much; however, it does reveal a lot about their financial situation.

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Insurance companies argue that if credit history is banned from underwriting consideration, then insurance rates for everyone could go up. Given the discriminatory manner in which the higher rates are now applied to persons of color disproportionately, we as a society will have to accept that consequence. Justice is not always convenient or easy, yet it is still right.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Jan Kleinman
2700 Remington Avenue, Apt 504
Baltimore, MD 21211
Showing Up for Racial Justice Baltimore

SB 552- Motor Vehicle Insurance Use of Credit Hist
Uploaded by: McKinney, Robin
Position: FAV

SB 552 - Motor Vehicle Insurance - Use of Credit History in Rating Policies
Senate Finance Committee
February 17th, 2021
SUPPORT

Chairwoman Kelley, Vice-Chair and members of the committee, thank you for the opportunity to support Senate Bill 522. This policy limits insurance companies' ability to adjust auto insurance rates based on a driver's credit history.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than $10,000 annually. More than half earn less than $20,000.**

Under current law, auto insurance companies are permitted to use factors unrelated to a person's driving record in determining rates. As a result, major insurance companies in Maryland currently increase rates based on gender, homeownership status, marital status, employment and occupation, education level, and credit score. In fact, companies can issue a surcharge for as much as 40% for a person who has a low credit score. Today, insurance companies increase rates based on non-driving factors by anywhere from 4% to 76%.[1] **In Baltimore, area's that have a majority of residents that are racial minorities have an average credit score that is 125 points lower than white areas**[2]. Car insurance companies that use credit scores to determine price will end up charging racial minorities more, not because of negative driving records, but due to the likelihood of them having subprime credit. This puts an undue burden on racial minorities to be able to afford car insurance.

<u>SB 522 reduces discriminatory practices in establishing rates and promotes access to transportation by prohibiting insurance companies from using credit history to establish rates.</u>

Right now, 12.2% of Maryland drivers are uninsured, often barred by the cost of insurance.[3] This policy does not seek to provide a discount to those currently insured, but promotes access to auto insurance for those who are currently left out. Other states, like California and Massachusetts already prohibit the use of some non-driving related factors in setting auto insurance rates, and we believe Maryland should follow their example.

<u>As such, we encourage you to return a favorable report of Senate Bill 522. Thank you.</u>

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1 http://www.marylandconsumers.org/penn_station/folders/consumer_education/reports/Auto_Insurance_Gender_Discrimination_Research_Report___Color.pdf

2 https://apps.urban.org/features/city-financial-health/city.html?city=baltimore-md

3 http://www.iii.org/fact-statistic/uninsured-motorists

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Murray, Kerriann
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 10. I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

What does the number of credit cards or loans a person has reveal about their driving safety? Not much; however, it does reveal a lot about their financial situation.

What this means is that those with the lowest incomes, persons tend to pay the highest insurance rates when all other factors are kept the same. A person with low income has more need for credit. Higher insurance premiums make owning and driving a private car more difficult. Low wage workers need more--not fewer--transportation options. This reinforces the cycle of poverty by making it harder for those who don't have much to pay for the transportation they need to access more and better job opportunities. Moreover, given the relationship between race and income in Maryland, this also means that black and brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Kerriann Murray
221 Northway Rd, Reisterstown, MD 21136
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Palmisano, Erica
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 12. I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history — how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Erica Palmisano
5580 Vantage Point Rd, Apt 5, Columbia, MD 21044
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Pereschuk, Alicia
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 43. I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
404 W 29th St
Baltimore MD 21211
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Powell, Holly
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District **3.** I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Holly Powell
2308 Cambridge Street
Baltimore, Maryland 21224
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Rehr, Nathan
Position: FAV

Dear Members of the Finance Committee,

SURJ BALTIMORE
showing up for racial justice

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District **45**. I am an active member of my community association and a health professional who is interested in eliminating the health disparities that occur with racial discrimination in our society. I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Nathan Rehr
450 E. Federal Street Baltimore, MD 21202
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Rochkind, Jonathan
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 43. I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance. **I currently have a "good" credit history and have benefited from this system, and yet I *still* support banning this practice out of fairness, to make Maryland safer for all of us, and try to eliminate a cycle of poverty which threatens us all.**

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,

Jonathan Rochkind, 755 Melville Ave, Baltimore MD 21218
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Rosenthal, Anne
Position: FAV

Dear Members of the Finance Committee,

SURJ
BALTIMORE
showing up for racial justice

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 40. I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Anne Rosenthal
810 Cathedral St. Baltimore, MD 21201
Showing Up for Racial Justice Baltimore

testimony2021sb552ltr.pdf
Uploaded by: Schneiderman, Franz
Position: FAV

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

Testimony to the Senate Finance Committee Committee
SB 552 – Motor Vehicle Insurance
Use of Credit History in Rating Policies
Position: Favorable

February 17, 2021

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 **SB 552** 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 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 cost 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 can often impose more than $1,000/year in excess costs on people with poorer credit or no credit – go well beyond those that might make sense given 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 for many consumers (including many with very good driving records) that they have little choice but to absorb..

A Wallet Hub study published in December found, for instance, that a driver with no credit will pay, on average, nationally, 67% more than one with excellent credit for car insurance.[1] Its data shows that the average price fluctuation based on credit in Maryland is 41%, with some companies charging as much as 95% more on this basis.[2] New data from NerdWallet (published in January) finds that consumers with poor credit will pay, on average, more than $1,300 more for full coverage and more than $400/year more for minimum coverage than drivers with strong credit will pay.[3]

1 https://wallethub.com/edu/ci/car-insurance-by-credit-score-report/4343
2 Ibid.
3 https://www.nerdwallet.com/blog/insurance/car-insurance-basics/how-much-is-car-insurance/?utm_campaign=ct_prod&utm_content=938046&utm_medium=wire&utm_source=syndication&utm_term

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

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."[4] 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.[5]

A 2018 NerdWallet study Maryland drivers with poor credit pay, on average, $1,098 more for car insurance than those with excellent credit do.[6] 2018 reporting from WalletHub found that, nationally, 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.[7]

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.[8] 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.[9] 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

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=thestreet

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

5 Ibid.

6 https://www.nerdwallet.com/blog/insurance/car-insurance-rate-increases-poor-credit/

7 https://wallethub.com/edu/ci/car-insurance-by-credit-score-report/4343/

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

9 Errors and Gotchas: How Credit Report Errors and Unreliable Credit Scores Hurt Consumers," Consumers Union, April. 9, 2014.

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

score.[10] 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.

Since the state effectively requires purchase of this product, it also ought to make every effort to protect consumers against price surcharges that may be discriminatory and unduly burdensome. But given the huge penalty that drivers with poor credit pay, that is not at all how our rate system works today. From a public safety standpoint, it's also irrational for car insurance rates to be so strongly contingent on a factor that has nothing to do with road safety. A rate-setting system that focused more clearly on safe driving practices would not only be fairer to consumers but would do more to incentivize and reward safer driving practices that would prevent people from getting killed and maimed on our roads.

Four states (Calif., Mass., Hawaii and Michigan) have now moved strongly toward such a system by banning the use of credit scores in setting car insurance rates. Michigan joined that list last year. In January, the New Jersey Senate passed legislation that would bar its use – and the Washington state legislature is considering similar legislation. And, far from causing chaos in car insurance rates, California has experienced among the lowest rates of growth in car insurance rates since barring the use of credit scores (and other non-driving factors) in rate-setting in 1988.

Maryland should follow the lead of California and other jurisdictions – by acting to protect drivers against unfair and burdensome price discrimination for a product most of us must purchase and that is so important to the mobility that can open the door to job opportunities and economic mobility for low-income residents.

Consumer Auto supports SB 552 and urges a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

10. Ibid.

SB552_FAV_VFC.docx.pdf
Uploaded by: Schwartz, Martin
Position: FAV

VFC is a nonprofit organization that provides low-cost automobiles to qualified individuals in Maryland and trains and places individuals with criminal backgrounds to be auto mechanics. We have 21 years of experience working with more than 4,000 unemployed and underemployed families in Maryland.

Transportation is one of the main barriers to employment for individuals living in poverty. The Brookings Institute identified 60,000 low-income households in the Baltimore Metropolitan region who did not have a car and were without access to public transportation to get to a job within a 90-minute ride. In the rural parts of our state, there is typically no opportunity to gain employment, thus escaping poverty, without a car.

Unfortunately, the cost of auto insurance is usually the most expensive part of car ownership for these individuals and the prohibitive factor for them. If they do own a car the high cost of insurance will often put them in a decision dilemma…… do I feed my family, pay my rent or, pay my car insurance. The choice for someone in daily financial survival mode is not a difficult one and one of the reasons we have so many uninsured motorists on the road.

VFC guarantees a loan through Sandy Spring Bank for the minimal fee of $900 the families pay for their car. Based on their credit score, none of our families would qualify for a loan on their own. So it is obvious that the use of credit scores, as a determining factor in the cost of car insurance will drive the cost, for our families and most all low-income families, to an unaffordable amount!

But this is much more than about providing employment opportunities for those in need in our state. Transportation costs are a major barrier to get Marylanders back to work. This bill will get more individuals back to work, help employers gain access to a whole new workforce, increase the tax base of the state and reduce the number of families relying on state support for survival. This is potentially a Statewide economic revival plan. That is a win-win-win for all the residents of Maryland!

For that reason, Vehicles for Change strongly supports SB552 and urge a favorable report.

Thank you

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Shillenn, Rebecca
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 43. I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

What does the number of credit cards or loans a person has reveal about their driving safety? Not much; however, it does reveal a lot about their financial situation.

What this means is that those with the lowest incomes, persons tend to pay the highest insurance rates when all other factors are kept the same. A person with low income has more need for credit. Higher insurance premiums make owning and driving a private car more difficult. Low wage workers need more--not fewer--transportation options. This reinforces the cycle of poverty by making it harder for those who don't have much to pay for the transportation they need to access more and better job opportunities. Moreover, given the relationship between race and income in Maryland, this also means that black and brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Rebecca Shillenn
5401 Elsrode Ave. Baltimore 21214
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto

Uploaded by: Simmons, Christina

Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 42A. For years I rode public transit in the city and county, and I have experienced first hand, the frustration of having no car and trying to do simple tasks like visit a friend, go out at night, get groceries home, or just go to work on time. I've stood in the cold and rain waiting. I've waited for too long and had no bus come, or a bus pass because it was too full. Luckily, I did not have to carry and keep track of children while doing this. Most of the time, I was the only white person aboard. I now have a car with low insurance rates, but there are many folks, most of them black, having to plan an extra hour or two, to complete simple tasks. For these reasons, I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

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It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Christina Simmons
304 Stevenson Lane,
Towson, MD 21204
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Smeton, Jonathan
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 43. I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

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It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Jonathan Smeton
3140 Ellerslie Avenue, Baltimore, MD 21218
Showing Up for Racial Justice Baltimore

SB552_MCRC_FAV.pdf
Uploaded by: Stern, Isadora
Position: FAV

Maryland Consumer Rights Coalition

Testimony to the Senate Finance Committee
SB 552: Motor Vehicle Insurance Use of Credit History Rating Policy
Position: Favorable

February 17, 2021

The Honorable Delores Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Finance Committee

Honorable Chair 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.

We are writing today in support of SB 552.

SB 552 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 from 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]

According to a 2015 Consumer Reports study, 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.[2] 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 552 and urge a favorable report.

Best,
Isadora Stern
Economic & Tenants' Rights Organizer
Maryland Consumer Rights Coalition

[1]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

SB 552 Support Letter 2021.pdf
Uploaded by: Straughn, Karen
Position: FAV

BRIAN E. FROSH
Attorney General

ELIZABETH F. HARRIS
Chief Deputy Attorney General

CAROLYN QUATTROCKI
Deputy Attorney General

Writer's Fax No.

WILLIAM D. GRUHN
Chief
Consumer Protection Division

Writer's Direct Dial No.

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

410-576-7942
kstraughn@oag.state.md.us
Fax: 410-576-7040

February 17, 2021

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

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 552 – Motor Vehicle Insurance – Use of Credit History Rating Policy (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 552 submitted by Senator Ronald N. Young. The bill prohibits the use of credit history in the rating of a private passenger automobile 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 and the pandemic, 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 have 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.

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
Members, Finance Committee

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Todd, Tamara
Position: FAV

Dear Members of the Finance Committee,

SURJ
BALTIMORE
showing up for racial justice

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 10. I am **testifying in support of Senate Bill 552.**

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

What does the number of credit cards or loans a person has reveal about their driving safety? Not much; however, it does reveal a lot about their financial situation.

What this means is that those with the lowest incomes, persons tend to pay the highest insurance rates when all other factors are kept the same. A person with low income has more need for credit. Higher insurance premiums make owning and driving a private car more difficult. Low wage workers need more--not fewer--transportation options. This reinforces the cycle of poverty by making it harder for those who don't have much to pay for the transportation they need to access more and better job opportunities. Moreover, given the relationship between race and income in Maryland, this also means that black and brown folks pay the highest insurance rates.

Some states have already determined that credit history should not be a factor that affects auto insurance rates. California, Hawaii and Massachusetts currently outlaw consideration of credit history.

Maryland, along with a handful of other states, limits the use of credit history by insurance companies. Current law allows insurance companies to use only credit history from the past 5 years. Yet this limit could, and should, go farther. Maryland should join its fellow progressive states and ban credit history from use in insurance premium decisions altogether.

It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Tamara Todd
221 Northway Rd, Reisterstown, MD 21136
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto

Uploaded by: Wilkins, Katherine

Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District **12.**. I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Katherine Wilkins
10651 Gramercy Pl, Unit 257, Columbia, MD 21044
Showing Up for Racial Justice Baltimore

SB 552 - Eliminate Credit History in Setting Auto
Uploaded by: Yoder, Daryl
Position: FAV

Dear Members of the Finance Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice. I am a resident of MD District 12. I am **testifying in support of Senate Bill 552.**

SURJ BALTIMORE
showing up for racial justice

Senate Bill 552 would prohibit insurance companies from using an applicant's credit history to decide how much to charge them for insurance.

Current Maryland law allows insurance companies to examine a person's credit history--how long a person has had credit, how often they seek credit, what types of credit they have, how often and how timely they pay, and how many credit accounts they have. Along with other variables, like age, gender, zip code and type of vehicle, insurance companies use this credit history to set rates for automobile insurance. The law allows the insurance companies to offer discounts of up to 40% or to increase rates by up to 40%, depending on credit history.

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It is for these reasons that I am encouraging you to vote **in support of Senate Bill 552**.

Thank you for your time, service, and consideration.

Sincerely,
Daryl Yoder
309 Glenmore Ave.
Catonsville, MD 21228
Showing Up for Racial Justice Baltimore

SB 552 Credit History in Rating Policies Oppose 0
Uploaded by: Egan, Nancy
Position: UNF

Testimony of

American Property Casualty Insurance Association (APCIA)
before the
Senate Finance Committee

Senate Bill 552-Motor Vehicle Insurance Use of Credit History Rating Policy

February 17, 2021

<u>Letter of Opposition</u>

The American Property Casualty Insurance Association (APCIA) is a national trade organization representing nearly 60 percent of the U.S. property casualty insurance market. APCIA appreciates the opportunity to provide written opposition to Senate Bill 552 which would ban the use of credit history in rating a private passenger auto policy. Senate Bill 552 prohibit a private passenger motor vehicle insurer from using an applicant's or insured's credit history to rate a risk in any matter.

APCIA and the property casualty insurance industry recognize that today, there is greater scrutiny of racial and social equity, justice, and inclusion issues. The industry is committed to creating a more diverse and inclusive workforce, providing fair treatment to all customers, and helping provide our unique expertise in risk mitigation, risk management and loss prevention to make insurance more affordable in low income, minority and traditionally underserved communities. APCIA is aligned with the National Association of Insurance Commissioners (NAIC) and National Council of Insurance Legislators on the need to have hard conversations together about how to directly tackle concerns related to fairness and preventing unlawful discrimination to determine if there are improvements that could both strengthen competitive markets and address inequities while preserving the risk-based foundation of insurance. Last year the NAIC announced the formation of a special committee focused on Race & Diversity. The committee is charged with the following: 1) Conduct research and analyze the level of diversity and inclusion within the insurance sector; 2) Engage with a broad group of stakeholders on issues related to race, diversity, and inclusion in the insurance sector; 3) Determine whether current practices exist in the insurance sector that potentially disadvantage minorities; 4) Make recommendations to the Executive Committee and membership by year-end regarding steps: (a) both insurance regulators and the insurance industry can take to increase diversity and inclusion; (b) that should be taken to address practices that potentially disadvantage minorities; and (c) to ensure ongoing engagement of the NAIC on these issues through charges to existing committees, task forces and working groups.

Use of Credit in Maryland

Maryland laws provide very specific criteria and restrictions in the use of credit in rating Maryland private passenger auto policies. Section § 27-501(e-2) of the Maryland Insurance Article provides the guidelines for the use of credit. An insurer may not refuse to underwrite, cancel, refuse to renew, or increase the renewal premium based, in whole or part, on the credit history of an application. An insurer may use credit to rate a **new policy** but 1) may only use credit history going back five years; 2) advise the applicant that credit is used and if requested identify the portion of premium based on credit; 3) may not use the lack of credit or number of credit inquiries as a factor in rating; 4) must review an insured's credit history every two years or by request; and if there is an improvement adjust the premium to reflect the improvement.

Maryland laws provide very specific criteria in regulating underwriting practices of private passenger auto insurers. Section § 27-501(a)(1) of the Maryland Insurance Article prohibits unfair discrimination in underwriting by making clear that an insurer or insurance producer may not cancel or refuse to underwrite or renew a risk or class of risk based wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder or for any arbitrary, capricious or unfairly discriminatory reason. Further, this Section states that an insurer or insurance producer may not cancel or refuse to underwrite or renew a risk or class of risk except by the application of standards that are reasonably related to the insurer's economic and business purpose. In addition, Maryland only permits the use of credit for underwriting private passenger auto but does not permit it for the use of homeowner's insurance.

Insurers Use of Credit

It is important to understand how insurers use credit information and to note that there are significant differences between the credit scores used by lenders and the credit-based insurance scores used by many insurers. Although both are derived from information found on credit reports, the information is measured differently. Insurers use credit information in developing insurance scores to predict the likelihood of future insurance loss. Credit-based insurance scores provide an objective measurement of how one manages the risk of credit. Lending institutions, on the other hand, use credit scores to determine the availability, amount and price of credit products offered to the consumer. Lending institutions use credit to determine the likelihood of repayment. The most significant difference between insurers and lending institutions is that insurers never consider income.

In addition to income level, one's address, ethnicity, religion, gender, familial status, nationality, age education, occupation and marital status are also not considered within a credit score calculation. Further, there is no reliable evidence that points to insurance scoring resulting in higher insurance rates for any specific class of individual. Low credit scores do not correlate to a specific territory or class of individuals. On the contrary, both high and low scores are found across all income levels, and territories.

Every serious and reputable actuarial study on the issue, including a study released in 2007 by the Federal Trade Commission[1], has reached the same conclusion: there is a very high correlation between insurance scores and the likelihood of insurance claims. A number of states have reached the same conclusion is in conducting their own studies. The Virginia Bureau of Insurance[2] concluded in 1999 that "[i]n every case where insurers have proposed to use credit scoring as a rating factor…the use of credit scoring has been found to be statistically correlated to losses." More recently, the Vermont Department of Financial Regulation stated, in a 2016 report, that "[c]redit-based insurance scores are a predictor of claims risk that appears to provide a financial benefit to many Vermont policy holders.[3]

Credit-based insurance scores allow insurers to write business that they may not have accepted in the past, and to offer lower rates to many insureds. The majority of consumers have good credit-based

[1] [1]https://www.ftc.gov/news-events/press-releases/2007/07/ftc-releases-report-effects-credit-based-insurance-scores
[2] Available upon request.
[3] https://legislature.vermont.gov/assets/Legislative-Reports/Credit-based-Insurance-Scoring-Report-12-15-16.pdf

insurance scores and benefit accordingly – with rates refined to reduce disproportionate subsidies of higher risk individuals. An annual survey released by the Arkansas Insurance Department between 2005 and 2017[4] consistently found approximately 50 percent of consumers in that state save money due to insurers' use of credit information while only 20 percent pay more because of that same use. The remaining 30 percent are otherwise unaffected. To put it another way, policies decreasing in premium due to insurance scoring outnumbered policies increasing in premium by a factor of 3 to 1.

Greater access to information allows insurers to "grant and price coverage more efficiently, producing cost savings that could result in lower premiums," and permits insurers to "evaluate risk with greater accuracy, which may make them more willing to offer insurance to higher-risk consumers for whom they otherwise would not be able to determine an appropriate premium."[5] An indicator of the competitiveness is the market share of Maryland Automobile Insurance Fund, (MAIF) who is the writer of auto insurance of last resort. MAIF's market share has dropped from 4.69% of the total written premium for private passenger auto in 2005 to 1.40% in 2019.[6] The fact that MAIF's market share has decreased while other writers have increased would indicate that insurers are willing to accept more risk because they can better evaluate risk using various risk factors. Thus, more and more Marylanders are no longer being insured through MAIF.

Further demonstrating the value of the use of credit, APCIA has been analyzing data demonstrating that credit-based insurance scores correlate to specific risky driving behavior. For example, consumers with higher credit scores are less likely to brake hard or excessively accelerate -- risky driving behavior associated with higher loss costs.

Contrary to the claim that credit-based insurance scores do not predict risky behavior but instead unfairly discriminate against groups, when our analysis is complete, this data could provide a real-world demonstration that certain driving behavior is in fact captured by credit. Prohibiting the consideration of these factors, as Senate Bill 552 would, creates inequity by leading to pricing that is not risk-based.

We understand the desire of legislators to address social inequities, but undermining risk-based pricing by prohibiting the use of certain actuarially justified rating factors could actually exacerbate those inequities. If credit information is eliminated from consideration, it is highly probably that auto insurers will come to rely even more heavily on other factors like driving history as recorded in motor vehicle records (MVRs).

MVRs are notoriously incomplete, In fact, it is these very deficiencies with MVRs that lead to, in part, the widespread use of credit-based insurance scores. Overreliance on MVRs can be especially harmful for minorities who are more likely to be the subject of traffic law enforcement actions, as shown by multiple studies, including the Stanford Open Policing Project[7].

Placing greater weight on a consumer's prior driving history by eliminating the use of other factors more predictive of risk not only harms the very consumers the proposed legislation seeks to protect,

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[4] https://insurance.arkansas.gov/uploads/resource/documents/2017credit.pdf

[5] Id. Federal Trade Commission, July 24, 2007

[6] "Id. The Maryland Insurance Administration's 2006 Report on the Effect of Competitive Rating in the Marketplace" & '2019 NAIC Annual Statement data calculated by APCIA using the S&P Global Market Intelligence database.

[7] https://openpolicing.stanford.edu/

but also undermines the fairness and solvency purposes of state regulations that require rates to reflect the risk of future losses. Although helpful, over-reliance on motor vehicle records or prior accidents diminishes insurers ability to accurately predict future claims experience.

Impact of COVID-19 Pandemic on Average Credit Scores

Despite widespread expectations that the economic slowdown brought about by the pandemic would lead to a cratering in average credit scores, in fact, just as during the Great Recession, average credit scores are about the same if not improving in some states.

Why is this? A number of reasons. A wide range of financial services institutions, such as banks, credit card companies, insurance companies, home finance companies and auto lenders, are granting leniency around payments due to COVID-19. And, under the federal CARES Act, if an account is up-to-date and a consumer enters into a debt-relief program with a debtor, the creditor must continue to report the account as current.[8] This means there will be no negative impact on that consumer's credit history.

In addition, consumers in general are changing their behavior as a result of the changed economic circumstances. They are becoming more conservative in their spending habits and paying down debt, which is stabilizing if not improving credit score.

That is why it would be particularly unfortunate to ban the use of credit-based insurance scores at this time. As a 2019 report from the Maryland Insurance Administration points out, "the use of credit results in a premium decrease for substantially more policyholders than those that experience a premium increase due to credit," **a percentage the report pegs at 75%.** [9]

If either of these bills were to pass, it could possibly result in an increase in premium for a substantial number of policyholders at precisely the wrong time to do it, in the middle of a pandemic when so many are dealing with economic uncertainty.

What Happens When a State Bans Credit?

It's important to note that only three states prohibit consideration in the underwriting and/or rating of auto insurance: California; Hawaii and Massachusetts. However, because those restrictions were put in place before insurers began using credit on a widespread basis, they do not provide a good case study of the impact of a ban on insurance. Maryland, however, adopted a ban on the use of credit in homeowners insurance in 2002. What was the impact of Maryland's ban? Homeowners' insurance rates went up. In fact, they went up at a faster rate than the rest of the country (53% to 36%) between 2002 and 2007, and they went up faster than they did in neighboring states and at least one company left the market.

Summary

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[8] https://www.transunion.com/legal/covid-19-data-furnishers

[9] https://pilot-insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Private-Passenger-Motor-Vehicle-Ins-Rating-Factors-Report.pdf

Restrictions on the use of underwriting factors such as credit could harm the marketplace, thereby negatively impacting a state's economy. Such limits create unfair subsidies among consumers, stifle competition, limit innovation, and force insurers to be more cautious about writing new business or expanding into new markets. As a direct result, consumers enjoy less choice, less availability, and higher average costs. This not only increases the uncertainty risk premium, but insurers are further forced to rely on a decreasing number of legitimate predictive factors, factors that are not necessarily proportionately distributed among different groups. Individual consumers who fare poorly with a small range of very limited factors may have vastly fewer and affordable insurance coverage options without the use of a multiplicity of factors.

For these reasons, APCIA asks the Committee to provide unfavorable report on Senate Bill 552
.

Respectfully submitted,

Nancy J. Egan, AVP, State Government Relations Counsel
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2021-02-17 MD SB552 - PROHIBIT CREDIT - SF OPPOSIT
Uploaded by: Harting, Marta
Position: UNF

STATE FARM INSURANCE COMPANIES

TESTIMONY IN OPPOSITION TO SENATE BILL 552 (MOTOR VEHICLE INSURANCE – USE OF CREDIT HISTORY RATING POLICY)

State Farm opposes Senate Bill 552, which would prohibit the use of credit information in rating for private passenger automobile insurance. State Farm and its affiliates are the largest providers of auto and home insurance in the United States. Its nearly 19,000 agents and nearly 65,000 employees serve more than 81 million auto, fire, life, health and commercial policies and investment accounts.

The cost of insurance should be neither more nor less than the amount necessitated by the character of the risk. Numerous studies (including by government agencies) demonstrate that credit-based insurance scores allow for more accurate underwriting and rating. Use of these scores, along with other factors, help to better match price to risk. This, in turn, supports insurance availability and affordability for the needs of all consumers in Maryland.

State Farm's practices do not unfairly discriminate against consumers. To the contrary, our underwriting and rating practices are cost-based, comply with the law, actuarial principles and other regulatory standards. We support the ability of insurers to consider underwriting and rating criteria, such as credit-based insurance scores, that are objective and supported by actuarial and statistical evidence. Having data drive our decisions is critical to help us avoid having lower risk customers subsidizing higher risk customers.

In State Farm's commitment to match price to risk, we use credit-based insurance scores along with many factors, including telematics through our Drive Safe & Save™ program. This program allows many consumers to save on their auto insurance by collecting and using basic driving characteristics to help determine rates.

In Maryland, as permitted by law, State Farm provides an exception from the use of credit information for customers who suffer an "Extraordinary Life Event" (i.e. job loss or income reduction due to a pandemic; death of a spouse/child/parent; divorce; military deployment, etc.). The National Conference of Insurance Legislators (NCOIL) Model Act regarding the Use of Credit in Personal Insurance includes a list of "Extraordinary Life Event" provisions to protect insurance consumers.

In 2020, State Farm directed $5.9 million in charitable giving and $10 million in low interest loans tied directly to COVID-19 relief, reduced auto insurance rates, giving over $2 billion in dividends back to our customers, and extended grace periods for premium payments.

It is important to note that Maryland already has one of the most restrictive laws on the use of credit in the country. Insurance Article §27-501(e-2) limits the impact that a new customer's credit information can have on his or her rates, and thereafter the customer's credit information cannot be used again by the insurer when the policy is renewed unless it benefits the customer (i.e., lowers rates).

The mission of State Farm is to help people manage the risks of everyday life, recover from the unexpected, and realize their dreams. 2020 forced American society to take a hard look in the mirror. What we saw was injustice, inequity and inequality facing many communities across the country, including those in the state of Maryland. State Farm has a long history of commitment to social justice. As part of an ongoing effort to promote change, in 2020 State Farm pledged $100 million over five years to support minority communities and issues of racial equality and justice. Make no mistake about this: State Farm condemns unlawful and unfair discrimination as unacceptable and intolerable in insurance marketplaces, as well as in all aspects of society. Insurance promotes and enhances socio-economic mobility. The transfer of an individual's risk of loss to a larger, financially secure organization, provides the individual with the financial freedom to drive a vehicle or own a home. So at its core, the function of insurance is absolutely contrary to inhibiting socio-economic mobility for anyone, regardless of their race, income level, or economic situation.

Credit-based insurance scores do not consider race, ethnicity, income level, address, religion, or nationality, and insurers are prohibited by Maryland law from considering those characteristics in establishing rates. Credit-based insurance scores, like all of the other factors, are used because they are related to risk and make rates more fair for all consumers.

For these reasons, State Farm urges an unfavorable vote on Senate Bill 552.

HB 552 Written Testimony - Use of Credit MD 2021.p

Uploaded by: Kirkner, Andrew
Position: UNF

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Re: NAMIC Opposed to SB 552 – 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 552.

The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of more than 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner's insurance market and 53 percent of the auto market. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies. At present, 11 NAMIC member companies are domiciled in Maryland and more than 200 member companies do business in the state.

NAMIC asks the committee to vote unfavorably on SB 552 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 academic and insurance regulator 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]

[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).

- While some critics argue 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 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.** Under existing Maryland law, underwriting and rating factors must be actuarially sound. 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 552 will take yet another predictive tool from the insurers and will decrease the accuracy of premiums in relation to risk.

3. **SB 552 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 match 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 552 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 552.

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
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[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

SB 552 - Motor Vehicle - Credit History.pdf
Uploaded by: Nickerson, Sherry
Position: UNF

Written Testimony from the
Independent Insurance Agents of Maryland
Senate Bill 552

Motor Vehicle Insurance – Use of Credit History in Rating Policies

Position: Oppose

Dear Chairman Kelley and members of the Finance Committee:

Thank you for the opportunity to provide this testimony in opposition to Senate Bill 552. 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 552 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

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sb 552_AIC_UNF.pdf
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Position: UNF

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February 15, 2021

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 552 - Motor Vehicle Insurance Use of Credit History Rating Policy - UNFAVORABLE

Dear Chair Kelley, Senator Young and Members of the Senate Finance Committee,

I am writing on behalf of my client, Agency Insurance Company of Maryland (AIC) in opposition to Senate Bill 552 - Motor Vehicle Insurance Use of Credit History Rating Policy. AIC was founded in 1989 and has always been a Maryland domiciled insurer. Its core business has been private passenger automobile insurance in its home state. Maryland always has been, and continues to be, its largest market.

It is difficult for small insurers like AIC to compete successfully with much larger, national companies in the car insurance business. Notwithstanding that challenge, AIC is proud of its consistent record of job creation and organic growth, both in Maryland and our neighboring states of Pennsylvania and Virginia.

Car insurance is a commodity business, meaning that its price is of paramount importance to the consumer who must buy it. Insurance itself is a difficult product for a seller to price, because the ultimate price of an insurance policy depends on losses that may occur in the future. For a small insurer like AIC, they must get the price right the first time.

Rating factors are used to accurately price car insurance. Credit based insurance scoring (CBIS) is a highly predictive rating factor, objectively measuring each individual's commitment to responsible behavior. That is why CBIS is used in the overwhelming majority of states throughout the country.

CBIS was almost eliminated in Maryland in 2002. Instead, the Maryland General Assembly decided to create one of the most comprehensive (and toughest) credit scoring laws in the country. We have lived with that law for nearly 20 years. It has served Maryland consumers well, bringing predictability to our rate-making process, and it permits small companies like AIC to continue to compete and grow.

Very truly yours,

Bryson Popham

Bryson F. Popham

cc: The Honorable Ronald N. Young
ronald.young@senate.state.md.us

sb 552_IAB_UNF.pdf
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February 15, 2021

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 552 - Motor Vehicle Insurance Use of Credit History Rating Policy - UNFAVORABLE

Dear Chair Kelley, Senator Young and Members of the Senate Finance Committee,

My client, the Insurance Agents and Brokers of Maryland (IA&B), wishes to register its opposition to Senate Bill 552. IA&B is a trade association of independent insurance agencies whose members do business in Maryland.

My client's opposition may be expressed in a single word: competition.

The principal problem with automobile insurance is not the method by which rates are set or the rating factors that are used. Those features are already heavily regulated by our Maryland Insurance Commissioner to protect automobile insurance consumers.

Instead, the problem with automobile insurance is its high cost. Although we have many insurance companies doing business in Maryland, a number of factors (not rating factors) combine to make its cost high. And because buying automobile insurance has been compulsory for car owners in Maryland since 1972, the only way that consumers can effectively drive down the cost of this mandatory product is through shopping for it.

The rating factors used in automobile insurance have all been reviewed repeatedly by our State insurance regulators. With respect to credit-based insurance scoring (CBIS), it has been used without interruption for 25 years or more. During that time, the math has not changed: the use of CBIS means that, all other factors being equal, approximately two-thirds of policyholders will benefit by paying less for their automobile insurance, while one-third of them will pay more.

CBIS is used in almost every other state. It helps insurers set prices more accurately, meaning they are more willing to accept risk. This willingness exerts downward pressure on all car insurance prices.

If CBIS is prohibited in Maryland, fewer insurers will be willing to accept risk, and prices will go up. IA&B members believe that a healthy car insurance market has many competitors, and for that reason IA&B opposes Senate Bill 552. On their behalf, we respectfully request an unfavorable report.

Thank you for your consideration.

Very truly yours,

Bryson Popham

Bryson F. Popham, Esq.
cc: The Honorable Ronald N. Young
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February 15, 2021

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 552 - Motor Vehicle Insurance Use of Credit History Rating Policy - UNFAVORABLE

Dear Chair Kelley, Senator Young and Members of the Senate Finance Committee,

I am writing on behalf of the Maryland Association of Mutual Insurance Companies (MAMIC) in opposition to Senate Bill 552 -Motor Vehicle Insurance Use of Credit History Rating Policy.

MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of MAMIC members are domiciled in Maryland and are key contributors and employers in their local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

MAMIC members, and the agents who represent them, are close to the customer. They provide products like automobile insurance – required of every vehicle owner in Maryland – offered by stable, high-quality companies at competitive rates. MAMIC members are an important part of the community of insurers in our State. MAMIC is concerned that the removal of credit-based insurance scoring (CBIS) from the rating of automobile insurance will make it more difficult to accurately price their policies for the benefit of their customers. Inaccurate pricing, whether too high or too low, is a problem for everyone. MAMIC believes that the public policy of Maryland should be to permit rating practices and factors that are accurate, and to rely on your state insurance commissioner to ensure that automobile insurance rating plans are fairly applied.

Although several MAMIC members are Maryland domestic companies, most MAMIC members do business in surrounding states as well. These states permit the use of CBIS, together with an overwhelming majority of all other states. MAMIC does not believe that Maryland should deprive its citizens of the same advantages in automobile insurance rating that other states have.

For these reasons, we respectively request an unfavorable report on Senate Bill 552.

Very truly yours,

Bryson Popham

Bryson F. Popham

cc: The Honorable Ronald N. Young
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sb 552_PROGRESSIVE_UNF.pdf
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February 15, 2021

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 552 - Motor Vehicle Insurance Use of Credit History Rating Policy - UNFAVORABLE

Dear Chair Kelley, Senator Young and Members of the Senate Finance Committee

I am writing on behalf Progressive Insurance (Progressive) in opposition to Senate Bill 552 -Motor Vehicle Insurance Use of Credit History Rating Policy.

Progressive is a national automobile insurer, and has been a leader in developing innovations in the pricing of automobile insurance. The Committee will recall the passage last year of legislation, supported by Progressive to provide greater flexibility in automobile insurance that includes usage-based rating factors in a rating plan.

Progressive was also pioneer in the use of credit-based insurance scoring (CBIS). CBIS has been, and remains, a highly effective tool to ensure the application of rates that are commensurate to risk. Both risk and the rates that are used are data-driven; i.e., Progressive collects information that has a proven correlation to losses it expects to incur. Accuracy in automobile insurance rating is of paramount importance. If rates are too low, the insurer's losses will be too high. If rates are too high, the insurer will write less insurance business than it should. This explains Progressive's singular focus on rating accuracy.

CBIS is an important tool that allows an insurer to arrive at the correct rate for automobile insurance. It is not the only tool, but its removal would mean that a substantial majority of policyholders would pay more than they should, while a much smaller number of policyholders would pay less than they should. The result would be unfair to all.

In 2002, the Maryland legislature comprehensively examined the subject of credit scoring, and House Bill 521 was one of the most stringent CBIS laws in the country. It remains the law today in Maryland, notwithstanding several regulatory and legislative reviews over the past 20 years. It should be retained.

For these reasons, Progressive Insurance respectfully requests an unfavorable report on Senate Bill 552.

Very truly yours,

Bryson F. Popham

cc: The Honorable Ronald N. Young
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SB 552 LOI MIA.pdf
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Position: INFO

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**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE**

FEBRUARY 17, 2021

SENATE BILL 552 – 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 552. Senate Bill 552 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. Senate Bill 552 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 Senate Bill 552 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 Senate Bill 552.