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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 F. Popham, Esq.

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