Testimony to the Senate Finance Committee
HB221: Motor Vehicle Insurance - Use of Credit History in Rating Policies
Position: Unfavorable

March 23, 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 inclusion and economic justice 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.

HB 221 was originally written to remove the use of credit from rating factors in auto insurance. This was a sensible solution to make auto insurance more affordable for working families in our state. As amended, the bill no longer serves this critical purpose.

As amended, HB221 is an industry serving bill that continues to reward good credit holders while doing nothing to support those in need.

Credit is one of the most egregious non-driving related 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.

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. 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.

The bill as amended, no longer raises protections for vulnerable Marylanders and continues the use of exploitive, non-driving related factors in auto insurance ratings. MCRC cannot support a bill that permits the use of economic profiling, and therefore opposes HB 221 as amended and urges an unfavorable report.

Best,
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Maryland Consumer Rights Coalition

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