

HB 221_Del Davis_FAV

Uploaded by: Davis, Delegate Dereck

Position: FAV



The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

Testimony in Support
Of

HB 221 - Motor Vehicle Insurance - Use of Credit History in Rating Policies

I am here today to request your favorable report on House Bill 221, a bill that requires insurance companies to consider an applicant's Extraordinary Life Circumstances when they apply for auto insurance.

As this Committee knows, the law is well-established in Maryland as it relates to credit in insurance. In 2012, Maryland was the first state in the country to pass comprehensive laws limiting the use of credit in insurance.

The law only allows the use of credit history in auto insurance. Insurers may not use it in homeowner's insurance; they may not use credit history to decide whether to insure an applicant; they may not use credit history to cancel a policy; they may not use the absence of credit history as a factor.

For auto insurance, if an insurance company uses credit, they are **required** to review a policyholder's credit every two years or on request of a policyholder. If the policyholder's credit has improved, the insurance company is **required** to adjust the policyholder's premium to reflect the improvement. An insurance company **cannot** increase a policyholder's premium because of any deterioration in credit history.

So, under current law, on renewal, policyholders can only benefit from their good credit and some 75% of Marylanders currently benefit from their good credit and receive a discount on their auto insurance.¹

But as this Committee knows, this last year has proved challenging to many of our constituents with some suffering personal and economic hardships. Over a year after the first diagnosed case of COVID-19 in the United States, we have seen close to 400,000 cases of COVID-19 infections in Maryland and thousands of Marylanders have died. Record numbers have filed for unemployment.

However, personal and economic hardships aren't limited to the pandemic. Losing one's job, a sudden illness or injury to oneself or to an immediate family member, the death of a family member, and divorce happened before the pandemic, happens now, and will happen after our country and State recover.

¹ (2019) *Use of Occupation and Education Level as Rating Factors in Private Passenger Motor Vehicle Insurance*. Maryland Insurance Administration.

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

How do we address the impact of life's circumstances in insurance?

House Bill 221 is language from the National Conference of Insurance Legislators (NCOIL) Model Act Regarding Use of Credit in Personal Insurance² and requires an insurance company to provide a reasonable exception to their rates, rating classifications, company or tier placement, or underwriting rules for an applicant of auto insurance who has experienced and whose credit information has been directly influenced by, an Extraordinary Life Circumstance.

Under the bill, an Extraordinary Life Circumstance is:

- A catastrophic event declared by the federal or state government
- A serious illness or injury, or serious illness or injury to an immediate family member
- Death of a spouse, child, or parent
- Divorce or involuntary interruption of legally owed alimony or support payments
- Identity theft
- Temporary loss of employment
- Military deployment overseas,
- Or other events, as determined by the insurance company.

The bill requires insurance companies to provide notice to applicants that reasonable exceptions are available along with information about how they may inquire further.

At policy renewal, current law protects consumers who experience a hardship that negatively impacts their credit score. House Bill 221 will go further by helping consumers experiencing hardships when they apply for a *new* policy.

Thank you and hope that the Committee gives House Bill 221 a favorable report.

² The Extraordinary Life Circumstances provision is in Section 6 of the National Council of Insurance Legislators' (NCOIL) Model Act Regarding Use of Credit Information in Personal Insurance.

X HB 221 - Motor Vehicle Insurance Use of Credit H

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

HB 221 – Motor Vehicle Insurance Use of Credit History Rating Policy
Senate Finance Committee
March 23, 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 HB 221 – Motor Vehicle Insurance Use of Credit History Rating Policy. 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, have had medical bills that you are unable to pay, or you 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.

HB 221 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 HB 221 is a step in the right direction.

We urge a favorable report on HB 221.

Cross of HB 221 Support Letter.pdf

Uploaded by: Straughn, Karen

Position: FAV

financial circumstances. By permitting an individual to request an exception based on factors that are outside of the control of the individual, the problem of an unfair impact can be reduced.

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

cc: The Honorable Veronica Turner
Members, Finance Committee

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Brown, Kerianne

Position: UNF

Dear Members of the Senate 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 45. I am **testifying in opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

Sincerely,

Kerianne Brown

4404 Bayonne Avenue

Baltimore, MD 21206

Showing Up for Racial Justice Baltimore

Testimony from CFA to Senate Finance Committee in

Uploaded by: DeLong, Michael

Position: UNF



Consumer Federation of America

Testimony on Behalf of Consumer Federation of America to Senate Finance Committee in Opposition to HB 221-Motor Vehicle Insurance-Use of Credit History in Rating Policies

March 23, 2021

Chair Kelley, Vice Chair Feldman, members of the Committee, thank you for hearing our testimony. My name is Michael DeLong and I am a Research and Advocacy Associate submitting this testimony 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 oppose HB 221, which would require auto insurers that use credit information to provide reasonable exceptions to consumers. This bill was changed by the House Economic Matters Committee, and in its current form it would not meaningfully help consumers, reduce unfair discrimination in auto insurance, or promote racial equality.

CFA strongly opposes this bill as it provides no meaningful protection or relief for consumers who face rate penalties due to less than excellent credit scores, even if they have never caused an auto accident or filed a homeowners claim. The use of credit scoring in setting insurance premiums causes great harm to consumers, especially Black and Latinx consumers. The measure does not address that harm and is a distraction from the real problem Maryland residents face, which is that credit scoring in insurance is unfairly discriminatory and should be prohibited.

The bill places a substantial burden on consumers by requiring them to file a request to their insurer during their extraordinary life circumstance and wrangle with the insurer during that event in order to prevent being overcharged. Most consumers do not even know that insurance companies use credit information to charge them higher premiums, though survey data show that people are generally outraged when they are told their credit history impacts their insurance rates.

The use of credit history in insurance pricing is unfairly discriminatory and particularly harms people of color in every state where it is permitted, regardless of whether that state has reasonable exceptions or not. Credit information is a proxy for income and race, and it is both impacted by and contributes to systemic racism.

In Maryland, the average annual premium with a driver with a perfect driving record and excellent credit is \$832.93. But if that same driver has fair credit, their premium increases to \$1,100.28, an increase of 32%, even if their driving record is flawless. And if that same driver

has poor credit, their average premium is \$1,401.26, an increase of 68% compared to if they had excellent credit. The use of credit scores in auto insurance greatly increases premiums for people with poor credit. And low income consumers and African-American consumers are disproportionately likely to have poor credit and to, on average, have lower credit scores.

Addressing the way unfair discrimination and systemic racism impact insurance markets requires real reform, and this bill is not real reform. This bill does nothing to take on that deeply unfair aspect of the state's insurance market.

HB 221 is not a good compromise between the status quo and a ban on the use of credit history. It is a fig leaf that offers no real protection to consumers and does nothing to reduce auto insurance costs or reform structural injustices and racism in the auto insurance market.

Consumer Federation of America urges the Committee to reject the bill. Thank you.

HB221(Crossover)_UNF_JOTF (2).pdf

Uploaded by: Dews, Christopher

Position: UNF



TESTIMONY IN OPPOSITION TO HB0221:

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: March 23, 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 opposes House Bill 221, as amended, as it fails to protect lower-income workers and job seekers from predatory pricing in auto insurance premiums.

Maryland Code Ann., Transportation §17-107 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. Yet factors like credit history make even basic coverage unaffordable for low-income families. When workers can't afford auto insurance due to non-driving factors, they simply drive without it. Thus, to maintain employment and care for their families, nearly 500,000 Marylanders opt to drive uninsured, risking hefty fines and incarceration. This is the very definition of the criminalization of poverty.

House Bill 221, as originally introduced, would remove the use of credit history in auto insurance premiums. However, the proposed legislation was amended to include language crafted by and favorable to The National Conference of Insurance Legislators (NCOIL), a special interest firm that advocates on behalf of insurance companies oftentimes at the expense of consumers and low-income drivers. NCOIL has introduced this same amendment in 30 other states solely for the purpose of stymying equitable auto insurance reform. The amended language fails to address any of the aforementioned issues. In fact, it undermines the intent of the legislation and replaces it with a provision that only allows consumers to request a reevaluation of the credit score under *limited* circumstances. The amended legislation simply maintains the status quo.

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 substantively 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

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

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. When examining quotes from Baltimore's 21215 zip code, CFA found that one insurer charged individuals with poor credit **171% more** than those with excellent credit (\$2788- poor credit / \$1030- excellent credit), holding all other factors constant- a difference of \$1758 annually. Essentially, someone with multiple DUIs but great credit will pay less than someone with poor credit and a perfect driving record. This is backward, wrong, and it moves away from the original intent of insurance pricing - which is to rate risk.

House Bill 221, as originally introduced, was designed to address unfair rates in the Maryland auto insurance market and, particularly, the disproportionate impact that credit scoring has on Black and Brown drivers. It would have made auto insurance more affordable for thousands of *good* drivers from low-income communities and reduce systemic racism in auto insurance ratings. **For these reasons and more, we strongly urge an unfavorable report.**

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Fertig, Benjamin

Position: UNF

Dear Members of the Senate 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 opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

Sincerely,

Ben Fertig

2722 Quarry Heights Way, Baltimore, MD 21209

Showing Up for Racial Justice Baltimore

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Hauck, Barbara

Position: UNF

Dear Members of the Senate 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 theatre community and the Artistic Director at the Fells Point Corner Theatre. I am **testifying in opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

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

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Palmisano, Erica

Position: UNF

Dear Members of the Senate 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 opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

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

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Rehr, Nathan

Position: UNF

Dear Members of the Senate 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 **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 opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

Sincerely,

Nathan Rehr

450 E. Federal Street Baltimore, MD 21202

Showing Up for Racial Justice Baltimore

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Rochkind, Jonathan

Position: UNF

Dear Members of the Senate 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 opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

Sincerely,

Jonathan Rochkind
755 Melville Ave
Baltimore MD 21218

Showing Up for Racial Justice Baltimore

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Seel, Brian

Position: UNF

Dear Members of the Senate 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 46, am on the board of my community association and am **testifying in opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

Sincerely,
Brian Seel 223 S Wolfe St
Showing Up for Racial Justice Baltimore

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Smeton, Jonathan

Position: UNF

Dear Members of the Senate 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 opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, thus it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

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

SenateHB221_MCRC_UNF.pdf

Uploaded by: Stern, Isadora

Position: UNF

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

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Wilkins, Katherine

Position: UNF

Dear Members of the Senate 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 opposition to House Bill 221**.



Unlike the original version of this bill House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently, it will have no meaningful impact.

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 their payments are, 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 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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

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

HB 221 (Crossover) - Toothless Amended Insurance I

Uploaded by: Yoder, Daryl

Position: UNF

Dear Members of the Senate 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 opposition to House Bill 221**.



Unlike the original version of this bill, House Bill 221 would fail to do anything meaningful to make insurance rates more equitable for those with low-incomes. As amended from the House, the weak provisions in HB 221, hand-written by The National Conference of Insurance Legislators (NCOIL), a firm formed to protect the profits of insurance industry at the expense of consumers, would allow consumers to ask insurance companies to reevaluate their credit score under limited circumstances. It was designed to stall equitable auto insurance reform and consequently it will have no meaningful impact.

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 either **1) return the bill to its original stance- or adopt the sponsor's sensible COVID-19 amendment, or 2) vote unfavorably on HB 221 with NCOIL's amendment.**

Thank you for your time, service, and consideration.

Sincerely,
Daryl Yoder

309 Glenmore Ave.

Catonsville, MD 21228

Showing Up for Racial Justice Baltimore

HB 221 MIA LOI - FIN.pdf

Uploaded by: Paddy, Michael

Position: INFO

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor



Maryland

INSURANCE ADMINISTRATION

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202

Direct Dial: 410-468-2007 Fax: 410-468-2020

1-800-492-6116 TTY: 1-800-735-2258

www.insurance.maryland.gov

KATHLEEN A. BIRrane
Commissioner

GREGORY M. DERWART
Deputy Commissioner

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

MARCH 23, 2021

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

LETTER OF INFORMATION

Thank you for the opportunity to provide relevant information regarding House Bill 221. House Bill 221 will require an insurer that uses credit as a factor in determining the premium of a private passenger motor vehicle insurance policy to provide, “reasonable exceptions to the insurer’s rates, ratings classifications, company or tier placement, or underwriting rules or guidelines for an **applicant or insured** who has experienced and whose credit information has been directly influenced by any of” a number of life circumstances” (emphasis added).

Under current law, insurers may use credit as a rating factor, subject to certain restrictions, **only** at the policy’s original inception. Use of credit is prohibited as the basis, in whole or in part, for a renewal premium increase; and, credit may not be used in any way to determine the eligibility of an applicant or insured. Because insurers are already prohibited from using credit as a rating factor for policy renewals (other than to provide a premium reduction), the phrase “applicant or insured” is in conflict with the rest of the statute and should be limited to an “applicant” only. Likewise, because current law prohibits the use of credit as a factor in determining eligibility for coverage, reference in the bill to an insurer’s “underwriting rules or guidelines” should be eliminated.

The Maryland Insurance Administration does not have a position with respect to House Bill 221, but requests the Committee consider the above in its deliberations.