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February 17, 2022

To: The Honorable C.T. Wilson
Chair, Economic Matters Committee

From: Karen S. Straughn
Consumer Protection Division

Re: House Bill 436 – 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 House Bill 436 submitted by Delegate Melissa Wells. The bill prohibits the use of credit history to rate a private passenger auto policy, in whole or in part. 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. Instead, automobile insurance 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.

HB 436 Support Letter
February 17, 2022
Page 2

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

cc: The Honorable Melissa Wells
Members, Economic Matters Committee