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February 17, 2022

The Honorable C.T. Wilson  
Chairman, House Economic Matters Committee  
Room 231, House Office Building  
Annapolis, Maryland 21401

RE: House Bill 436- Motor Vehicle Insurance - Use of Credit History Rating Policy - UNFAVORABLE

Dear Chairman Wilson, and Members of the Committee,

I am writing on behalf of my client, Agency Insurance Company of Maryland (AIC) in opposition to House Bill 436 - 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.

AIC has been deeply involved in the legislative debate in Maryland on credit based insurance scoring (CBIS) since the passage of House Bill 521 in 2002. The use of this important rating tool is essential to allow this small, Maryland-based company to compete with the largest automobile insurers in America. The reason is simple: rating factors are valuable only if they correlate to a propensity for future loss. In other words, rating factors must accurately predict the likelihood of future losses so that an insurer may accurately establish the price of its product. If the price is too high, the insurer cannot sell its product. If the price is too low, the insurer runs the risk of losing money on claims that it did not accurately forecast.

This year, I am presenting two additional documents for consideration by the Committee. Each was produced by a member of the American Property Casualty and Insurance Association (APCIA), of which AIC is also a member. We believe, and respectfully submit, that the data contained in these documents reinforce our testimony over the years about the validity of CBIS in predicting loss.

The first document, "Credit-based insurance scores tell us a lot about how someone drives," expands the information we provided to the Committee on similar legislation last year. That information showed the correlation between CBIS and a particular, risky driving behavior – hard braking. That chart is reprinted for you this year, accompanied by a chart demonstrating the correlation between CBIS and hard acceleration.

The second document, "The impact of the credit-based insurance score ban in Washington," is a cautionary tale for the members of this Committee. In the state of Washington last year, the legislature considered and rejected a CBIS ban. The Washington Insurance Commissioner then issued an emergency rule to ban CBIS. While the legal dispute

continues, the Commissioner's action has created substantial automobile insurance market disruption in Washington. The document provided to you summarizes the Washington experience. We urge you not to repeat that experience in Maryland, and to reject House Bill 436 with an unfavorable report.

Very truly yours,

A handwritten signature in black ink, reading "Bryson Popham". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Bryson F. Popham