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TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
HOUSE ECONOMIC MATTERS COMMITTEE

FEBRUARY 17, 2022

HOUSE BILL 436 – MOTOR VEHICLE INSURANCE - USE OF CREDIT HISTORY RATING POLICY

POSITION: LETTER OF INFORMATION

Thank you for the opportunity to provide written comments regarding HB 436.

HB 436 prohibits a private passenger motor vehicle insurer from making certain underwriting and rating decisions based upon the applicant or policyholder's credit history. Currently, insurers that issue private passenger motor vehicle policies in the State may not refuse to underwrite, cancel, refuse to renew or increase the renewal premium based in whole or in part on the credit history of an insured or applicant. However, subject to certain constraints¹, an insurer may use the credit history of an insured or applicant to establish the rate at initial policy inception. HB 436 will completely eliminate the use of credit as an underwriting and/or as a rating factor with respect to private passenger motor vehicle policies in Maryland.

The passage of HB 436 will require all private passenger motor vehicle insurers that presently utilize credit history as a rating factor to submit a new rate/rule filing to the Maryland Insurance Administration (MIA) that eliminates the use of credit. The MIA will be required to review these filings in advance of the effective date of the legislation. Thus, the MIA respectfully requests an amendment that would delay the effective date from October 1, 2022 until October 1, 2023 in the event HB 436 advances. This will allow insurers sufficient time to perform the necessary rate-making due diligence and to submit their filings over the course of a full year, which will allow the MIA to complete the necessary thorough

¹ For additional information regarding the use of credit as a rating factor, please refer to pages 12 – 14 of, the report dated December 31, 2019, prepared by the MIA at the Senate Finance and House Economic Matters Committee Chairs, which can be found here:

[Private-Passenger-Motor-Vehicle-Ins-Rating-Factors-Report.pdf \(maryland.gov\)](#)

filing reviews in the course of normal business without creating a backlog in the review of filings for other lines of business.

While the MIA has no policy position on this legislation, we are available to respond to any questions and we urge the committee to adopt an amendment with respect to the effective date as noted above if it elects to pass HB 436. Thank you again for the opportunity to provide information on this important public policy issue.