

# Testimony of Consumer Federation of America to Maryland Senate Finance Committee on HB 436—Motor Vehicle Insurance—Use of Credit History Rating Policy—Unfavorable

March 29<sup>th</sup>, 2022

Chair Kelley, Vice Chair Feldman, members of the Committee:

Thank you for receiving our testimony. My name is Michael DeLong and this testimony is on behalf of Consumer Federation of America (CFA), an association of non-profit consumer organizations founded in 1968 to advance the consumer interest through research, advocacy, and education. We oppose this revised bill HB 436, which allows insurance companies to provide, on request, certain exceptions to insurance rate hikes for consumers who have gone through specific events that harmed their credit information.

CFA opposes this bill because it provides no meaningful protection or relief for consumers who face rate penalties when they have fair or poor credit scores, even if they have never been in an accident or filed a claim. As we have noted in prior testimony, the use of credit scores in setting auto insurance rates causes substantial harm to consumers, especially low income consumers and people of color. Unfortunately, HB 436 in its current form doesn't address those problems and is, instead, an industry-drafted distraction from the real problem Marylanders face—that credit scoring in insurance results in unfair discrimination and should be banned.

Originally HB 436 would have helped consumers by banning credit information in insurance, reducing premiums and making markets more fair and accurate. However, this version of the bill just permits insurance companies to grant exceptions to consumers under certain circumstances, placing the burden on consumers to identify the negative impacts on their credit, request relief, and prove that it was the extraordinary life events that harmed their credit scores, among other hurdles.

Since most consumers are unaware that insurance companies use their credit information to charge them higher premiums, they are very unlikely to ask about this, and so would receive no assistance. Additionally they must provide thorough written documentation of the event and show how it directly impacted their credit score. Finally, the bill does not prescribe the requirements for granting the exception or the level of relief insurers must provide once conditions are met. HB 436 does not fix the problem that is faced by Marylanders whose lower credit scores leave them either paying too much or entirely unable to access the private passenger auto insurance market, and are forced instead to buy a MAIF (Maryland Automobile Insurance Fund) policy.

The use of credit scores in insurance pricing is unfairly discriminatory and especially harmful to people of color and low-income people in every state where it is permitted, regardless of whether that state has exceptions for extraordinary life circumstances (ELC) or not. Credit

information is a proxy for income and race, and it is both impacted by and contributes to systemic racism. Establishing ELC exceptions will not have a meaningful impact for the vast majority of consumers. To really lower auto insurance premium costs and end systemic racism in auto insurance, consumers need strong reform proposals that go beyond this bill.

Maryland drivers with a perfect driving record and fair credit pay \$833 on average annually—32% more than drivers who have a perfect driving record and excellent credit. If they have poor credit, they pay \$1,401 annually—68% more on average, even if they have never been in an accident, gotten a ticket, or filed a claim. In fact, on average Maryland drivers pay far higher auto insurance premiums if they have bad credit with a perfect driving record than if they have a drunk driving conviction but excellent credit.

The original version of HB 436 would have ended this unfair discrimination and prohibited credit information from being used. We thank Delegate Wills for her work and advocacy. But HB 436 has been converted from meaningful reform to statutory symbolism that will not address structural injustice and racism in auto insurance markets, and is not likely to be useful in even a limited manner.

We urge the Committee to oppose this bill and work for protections that will make a difference. Please contact us at [mdelong@consumerfed.org](mailto:mdelong@consumerfed.org) with any questions.