

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.