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March 23, 2021

To: The Honorable Delores G. Kelley  
Chair, Finance Committee

From: Karen S. Straughn  
Consumer Protection Division

Re: House Bill 221 – Motor Vehicle Insurance – Use of Credit History in Rating Policies  
(SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of House Bill 221 submitted by Delegate Veronica Turner. The bill prohibits the use of credit history to refuse to underwrite, cancel, refuse to renew, or increase the renewal premium for a private passenger auto policy. It further provides an insured or an applicant the ability to request an exception to the rating of a policy based on credit history. 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. When the economy suffers, individuals often experience financial setbacks that could easily affect their credit history in ways that do not justify an increase in their auto insurance rates. Instead, those 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

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financial circumstances. By permitting an individual to request an exception based on factors that are outside of the control of the individual, the problem of an unfair impact can be reduced.

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

cc: The Honorable Veronica Turner  
Members, Finance Committee