



## *The Maryland House of Delegates*

ANNAPOLIS, MARYLAND 21401

Testimony in Support  
Of

HB 221 - Motor Vehicle Insurance - Use of Credit History in Rating Policies

I am here today to request your favorable report on House Bill 221, a bill that requires insurance companies to consider an applicant's Extraordinary Life Circumstances when they apply for auto insurance.

As this Committee knows, the law is well-established in Maryland as it relates to credit in insurance. In 2012, Maryland was the first state in the country to pass comprehensive laws limiting the use of credit in insurance.

The law only allows the use of credit history in auto insurance. Insurers may not use it in homeowner's insurance; they may not use credit history to decide whether to insure an applicant; they may not use credit history to cancel a policy; they may not use the absence of credit history as a factor.

For auto insurance, if an insurance company uses credit, they are **required** to review a policyholder's credit every two years or on request of a policyholder. If the policyholder's credit has improved, the insurance company is **required** to adjust the policyholder's premium to reflect the improvement. An insurance company **cannot** increase a policyholder's premium because of any deterioration in credit history.

So, under current law, on renewal, policyholders can only benefit from their good credit and some 75% of Marylanders currently benefit from their good credit and receive a discount on their auto insurance.<sup>1</sup>

But as this Committee knows, this last year has proved challenging to many of our constituents with some suffering personal and economic hardships. Over a year after the first diagnosed case of COVID-19 in the United States, we have seen close to 400,000 cases of COVID-19 infections in Maryland and thousands of Marylanders have died. Record numbers have filed for unemployment.

However, personal and economic hardships aren't limited to the pandemic. Losing one's job, a sudden illness or injury to oneself or to an immediate family member, the death of a family member, and divorce happened before the pandemic, happens now, and will happen after our country and State recover.

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<sup>1</sup> (2019) *Use of Occupation and Education Level as Rating Factors in Private Passenger Motor Vehicle Insurance*.

Maryland Insurance Administration.

<https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Private-Passenger-Motor-Vehicle-Ins-Rating-Factors-Report.pdf>

How do we address the impact of life's circumstances in insurance?

House Bill 221 is language from the National Conference of Insurance Legislators (NCOIL) Model Act Regarding Use of Credit in Personal Insurance<sup>2</sup> and requires an insurance company to provide a reasonable exception to their rates, rating classifications, company or tier placement, or underwriting rules for an applicant of auto insurance who has experienced and whose credit information has been directly influenced by, an Extraordinary Life Circumstance.

Under the bill, an Extraordinary Life Circumstance is:

- A catastrophic event declared by the federal or state government
- A serious illness or injury, or serious illness or injury to an immediate family member
- Death of a spouse, child, or parent
- Divorce or involuntary interruption of legally owed alimony or support payments
- Identity theft
- Temporary loss of employment
- Military deployment overseas,
- Or other events, as determined by the insurance company.

The bill requires insurance companies to provide notice to applicants that reasonable exceptions are available along with information about how they may inquire further.

At policy renewal, current law protects consumers who experience a hardship that negatively impacts their credit score. House Bill 221 will go further by helping consumers experiencing hardships when they apply for a *new* policy.

Thank you and hope that the Committee gives House Bill 221 a favorable report.

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<sup>2</sup> The Extraordinary Life Circumstances provision is in Section 6 of the National Council of Insurance Legislators' (NCOIL) Model Act Regarding Use of Credit Information in Personal Insurance.