

HOUSE BILL 436

C4

2lr2212

By: **Delegate Wells**

Introduced and read first time: January 20, 2022

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Motor Vehicle Insurance – Use of Credit History Rating Policy**

3 FOR the purpose of prohibiting an insurer, with respect to private passenger motor vehicle
4 insurance, from rating a risk based, in whole or in part, on the credit history of an
5 applicant or insured in any manner; repealing certain provisions of law authorizing
6 an insurer to use the credit history of an applicant or insured to rate a new policy of
7 private passenger motor vehicle insurance subject to certain limitations and
8 requirements; and generally relating to rating policies of private passenger motor
9 vehicle insurance.

10 BY repealing and reenacting, with amendments,
11 Article – Insurance
12 Section 27–501(e–2)
13 Annotated Code of Maryland
14 (2017 Replacement Volume and 2021 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
16 That the Laws of Maryland read as follows:

17 **Article – Insurance**

18 27–501.

19 (e–2) (1) In this subsection, “credit history” means any written, oral, or other
20 communication of any information by a consumer reporting agency bearing on a consumer’s
21 creditworthiness, credit standing, or credit capacity that is used or expected to be used, or
22 collected in whole or in part, for the purpose of determining personal lines insurance
23 premiums or eligibility for coverage.

24 (2) With respect to homeowner’s insurance, an insurer may not:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(i) refuse to underwrite, cancel, or refuse to renew a risk based, in whole or in part, on the credit history of an applicant or insured;

(ii) rate a risk based, in whole or in part, on the credit history of an applicant or insured in any manner, including:

1. the provision or removal of a discount;
2. assigning the insured or applicant to a rating tier; or
3. placing an insured or applicant with an affiliated company; or

(iii) require a particular payment plan based, in whole or in part, on the credit history of the insured or applicant.

(3) [(i)] With respect to private passenger motor vehicle insurance, an insurer may not:

[1.] (I) refuse to underwrite, cancel, **OR** refuse to renew[, or increase the renewal premium] **A RISK** based, in whole or in part, on the credit history of [the insured or] **AN** applicant **OR INSURED**; [or]

(II) RATE A RISK BASED, IN WHOLE OR IN PART, ON THE CREDIT HISTORY OF AN APPLICANT OR INSURED IN ANY MANNER, INCLUDING:

- 1. THE PROVISION OR REMOVAL OF A DISCOUNT;**
- 2. ASSIGNING THE INSURED OR APPLICANT TO A RATING TIER; OR**
- 3. PLACING AN APPLICANT OR INSURED WITH AN AFFILIATED COMPANY; OR**

[2.] (III) require a particular payment plan based, in whole or in part, on the credit history of the insured or applicant.

[(ii) 1. An insurer may, subject to paragraphs (4) and (5) of this subsection, use the credit history of an applicant to rate a new policy of private passenger motor vehicle insurance.

2. For purposes of this subsection, rating includes:

- A. the provision or removal of a discount;
- B. assigning the applicant to a rating tier; or

1 C. placing an applicant with an affiliated company.

2 (4) With respect to private passenger motor vehicle insurance, an insurer
3 that rates a new policy based, in whole or in part, on the credit history of the applicant:

4 (i) may not use a factor on the credit history of the applicant that
5 occurred more than 5 years prior to the issuance of the new policy;

6 (ii) 1. shall advise an applicant at the time of application that
7 credit history is used; and

8 2. shall, on request of the applicant, provide a premium
9 quotation that separately identifies the portion of the premium attributable to the
10 applicant's credit history;

11 (iii) may not use the following factors in rating the policy:

12 1. the absence of credit history or the inability to determine
13 the applicant's credit history; or

14 2. the number of credit inquiries about an applicant's credit
15 history;

16 (iv) 1. shall review the credit history of an insured who was
17 adversely impacted by the use of the insured's credit history at the initial rating of the
18 policy:

19 A. every 2 years; or

20 B. on request of the insured; and

21 2. shall adjust the premium of an insured whose credit
22 history was reviewed under this subparagraph to reflect any improvement in the insured's
23 credit history; or

24 (v) shall disclose to the applicant at the time of the issuance of a
25 policy that the insurer is required to:

26 1. review the credit history of an insured who was adversely
27 impacted by the use of the insured's credit history at the initial rating or underwriting of
28 the policy:

29 A. every 2 years; or

30 B. on request of the insured; and

1 2. adjust the premium of an insured whose credit history was
2 reviewed to reflect any improvement in the insured's credit history.

3 (5) With respect to private passenger motor vehicle insurance, an insurer
4 that rates a new policy based, in whole or in part, on the credit history of the applicant may,
5 if actuarially justified, provide a discount of up to 40% or impose a surcharge of up to 40%.]

6 [(6)] (4) With respect to private passenger motor vehicle insurance, an
7 insurer may not increase the premium for an insured who becomes a surviving spouse
8 based solely on the insured's change in marital status.

9 [(7)] (5) With respect to homeowner's insurance, an insurer may not
10 increase the premium for an insured who becomes a surviving spouse based solely on the
11 insured's change in marital status.

12 [(8)] (6) (i) At the time a policy of private passenger motor vehicle
13 insurance is initially issued, an insurer may consider the applicant's homeowner's
14 insurance claim history when rating the policy.

15 (ii) At renewal, an insurer may not increase the premium for a policy
16 of private passenger motor vehicle insurance based on a homeowner's insurance claim.

17 [(9)] (7) (i) At the time a policy of homeowner's insurance is initially
18 issued, an insurer may consider the applicant's motor vehicle claim history when rating the
19 policy.

20 (ii) At renewal, an insurer may not increase the premium for a policy
21 of homeowner's insurance based on a private passenger motor vehicle insurance claim.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
23 private passenger motor vehicle insurance policies issued, delivered, or renewed in the
24 State on or after the effective date of this Act.

25 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 2022.