HOUSE BILL 436

C4 2lr2212

By: **Delegate Wells**
Introduced and read first time: January 20, 2022
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 3, 2022

CHAPTER ______

AN ACT concerning

Motor Vehicle Insurance – Use of Credit History Rating Policy

FOR the purpose of ~~prohibiting an insurer, with respect to private passenger motor vehicle insurance, from rating a risk based, in whole or in part, on the credit history of an applicant or insured in any manner; repealing certain provisions of law authorizing an insurer to use the credit history of an applicant or insured to rate a new policy of private passenger motor vehicle insurance subject to certain limitations and requirements;~~ requiring, with respect to private passenger motor vehicle insurance, an insurer that uses credit information to provide certain exceptions to the insurer's rates, ratings classifications, company or tier placement, and underwriting rules or guidelines to certain applicants and insureds on request; authorizing an insurer to take certain actions if an applicant or insured submits a request for an exception; providing that an insurer is not out of compliance with any law or rule relating to underwriting, rating, or rate filing as a result of granting an exception; establishing certain notice, reporting, and other requirements related to requests for exceptions; and generally relating to rating policies of private passenger motor vehicle insurance.

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

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
[Brackets**]** indicate matter deleted from existing law.
Underlining indicates amendments to bill.
~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

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

Article – Insurance

27–501.

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

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

(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

C. placing an applicant with an affiliated company.

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

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

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

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

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

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

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

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

A. every 2 years; or

B. on request of the insured; and

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

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

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

A. every 2 years; or

B. on request of the insured; and

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

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

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

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

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

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

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

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

(10) (I) WITH RESPECT TO PRIVATE PASSENGER MOTOR VEHICLE INSURANCE, AN INSURER THAT USES CREDIT INFORMATION SHALL, ON WRITTEN

REQUEST FROM AN APPLICANT OR AN INSURED, 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 THE FOLLOWING EVENTS:

1. A CATASTROPHIC EVENT DECLARED BY THE FEDERAL OR A STATE GOVERNMENT;

2. SERIOUS ILLNESS OR INJURY, OR SERIOUS ILLNESS OR INJURY TO AN IMMEDIATE FAMILY MEMBER;

3. DEATH OF A SPOUSE, CHILD, OR PARENT;

4. DIVORCE OR INVOLUNTARY INTERRUPTION OF LEGALLY OWED ALIMONY OR SUPPORT PAYMENTS;

5. IDENTITY THEFT;

6. TEMPORARY LOSS OF EMPLOYMENT FOR A PERIOD OF 3 MONTHS OR MORE, IF IT RESULTS FROM INVOLUNTARY TERMINATION;

7. MILITARY DEPLOYMENT OVERSEAS; OR

8. OTHER EVENTS, AS DETERMINED BY THE INSURER.

(II) IF AN APPLICANT OR INSURED SUBMITS A REQUEST FOR AN EXCEPTION, AN INSURER, IN ITS SOLE DISCRETION, MAY:

1. REQUIRE THE APPLICANT OR INSURED TO PROVIDE REASONABLE WRITTEN AND INDEPENDENTLY VERIFIABLE DOCUMENTATION OF THE EVENT;

2. REQUIRE THE APPLICANT OR INSURED TO DEMONSTRATE THAT THE EVENT HAD DIRECT AND MEANINGFUL IMPACT ON THE APPLICANT'S OR INSURED'S CREDIT INFORMATION;

3. REQUIRE THAT THE REQUEST BE MADE NOT MORE THAN 60 DAYS FROM THE DATE OF APPLICATION FOR INSURANCE OR THE POLICY RENEWAL;

4. GRANT AN EXCEPTION DESPITE THE APPLICANT OR INSURED NOT PROVIDING THE INITIAL REQUEST FOR AN EXCEPTION IN WRITING; AND

5. GRANT AN EXCEPTION WHERE THE APPLICANT OR INSURED ASKS FOR CONSIDERATION OF REPEATED EVENTS OR THE INSURER HAS CONSIDERED THIS EVENT PREVIOUSLY.

(III) 1. AN INSURER IS NOT OUT OF COMPLIANCE WITH ANY LAW OR REGULATION RELATING TO UNDERWRITING, RATING, OR RATE FILING AS A RESULT OF GRANTING AN EXCEPTION UNDER THIS PARAGRAPH.

2. THIS PARAGRAPH MAY NOT BE CONSTRUED TO PROVIDE AN APPLICANT OR OTHER INSURED WITH A CAUSE OF ACTION THAT DOES NOT EXIST IN THE ABSENCE OF THIS PARAGRAPH.

(IV) THE INSURER SHALL PROVIDE TO APPLICANTS AND INSUREDS:

1. NOTICE THAT REASONABLE EXCEPTIONS ARE AVAILABLE; AND

2. INFORMATION ABOUT HOW THE APPLICANT OR INSURED MAY INQUIRE FURTHER REGARDING THE EXCEPTIONS THAT ARE AVAILABLE.

(V) WITHIN 30 DAYS AFTER THE INSURER'S RECEIPT OF SUFFICIENT DOCUMENTATION OF AN EVENT DESCRIBED IN SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE INSURER SHALL INFORM THE APPLICANT OR INSURED OF THE OUTCOME OF THE REQUEST FOR A REASONABLE EXCEPTION IN WRITING OR IN THE SAME MEDIUM IN WHICH THE REQUEST WAS MADE.

(VI) BEGINNING JULY 1, 2023, AND EVERY 6 MONTHS THEREAFTER, AN INSURER WHO HAS RECEIVED A REQUEST FOR A REASONABLE EXCEPTION FROM AN APPLICANT OR INSURED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH WITHIN THE IMMEDIATELY PRECEDING 6 MONTHS SHALL SUBMIT TO THE ADMINISTRATION:

1. THE NUMBER OF REQUESTS FOR A REASONABLE EXCEPTION SUBMITTED TO THE INSURER DURING THE IMMEDIATELY PRECEDING 6 MONTHS;

2. THE OUTCOME OF EACH REQUEST FOR A REASONABLE EXCEPTION;

3. THE DEMOGRAPHIC INFORMATION, INCLUDING INCOME, RACE AND ETHNICITY, GENDER, EDUCATION LEVEL, AND ZIP CODE, FOR EACH APPLICANT OR INSURED REQUESTING A REASONABLE EXCEPTION; AND

4. THE CRITERIA USED BY THE INSURER TO DETERMINE WHETHER TO APPROVE OR DENY A REQUEST FOR A REASONABLE EXCEPTION.

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

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

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.