

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 329
Economic Matters

(Delegate Sydnor, *et al.*)

Finance

Motor Vehicle Insurance - Discrimination in Underwriting and Rating - Use of
Occupation or Education Level

This bill requires the Maryland Insurance Administration (MIA) to study the role of occupation and educational level in policies of private passenger motor vehicle insurance. The study must include review of specified information, including the practices of other states and the impact of disallowing the use of occupation and/or educational level on the insurance industry in Maryland. MIA must submit a final report on the study to specified committees of the General Assembly by December 31, 2019. **The bill takes effect June 1, 2019.**

Fiscal Summary

State Effect: MIA can complete the required study using existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Insurance law does not explicitly prohibit (or authorize) a private passenger motor vehicle insurer from using an applicant's or insured's occupation or educational level when underwriting and rating a policy.

A private passenger motor vehicle insurer may not (1) refuse to underwrite, cancel, refuse to renew, or increase the renewal premium based, in whole or in part, on the credit history

of an insured or applicant or (2) require a particular payment plan based, in whole or in part, on the credit history of an insured or applicant. However, an insurer may use the credit history of an applicant to rate a new policy of private passenger automobile insurance if the insurer meets other specified requirements. For example, if the insurer uses credit history and doing so results in higher premiums for an insured, the insurer must review the insured's credit history every two years or on request of the insured. Based on this review, the insurer must adjust the premium to reflect any improvement in the insured's credit history.

In addition to the limitations on using credit history to underwrite and rate an insurance policy, Chapters 639 and 640 of 2017 prohibit auto insurers from increasing the premium for an insured who becomes a surviving spouse based solely on the insured's change in marital status.

An automobile liability insurer may not cancel, refuse to renew, or terminate insurance coverage because of a claim, traffic violation, or accident that occurred more than three years before the effective date of the policy application or renewal.

Background: In Maryland, auto insurers use complex formulas with numerous variables to determine premium rates for insurance policies. Insurers attempt to measure how likely an insured is to make claims or have accidents based on the characteristics of the driver and the insured vehicle. For example, the characteristics include driving records (*e.g.*, accidents and violations); county or zip code of residence; gender; age; occupation; educational level; marital status; prior insurance coverage history; and age, make, and model of the vehicle being insured.

Many insurers also offer discounts for behaviors that correlate with good driving and less expensive claims in the event of an accident. For example, some insurers offer discounts for good driving records, safety devices installed in the vehicle, anti-theft devices installed in the vehicle, and good grades if the insured is a student.

Additional Information

Prior Introductions: None.

Cross File: SB 233 (Senator Young, *et al.*) - Finance.

Information Source(s): Maryland Insurance Administration; Maryland Automobile Insurance Fund; Department of Legislative Services

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