CHAPTER 580

AN ACT concerning Property and Casualty Insurance - Discrimination in Underwriting or Premium Increase - Credit History Use of Credit History - Prohibition

FOR the purpose of prohibiting an insurer from refusing to underwrite a property and casualty insurance risk or increasing the premium because of the credit history of the applicant or named insured; and generally relating to discrimination in underwriting and increasing premiums for property and casualty insurance altering the termination date of certain provisions of law prohibiting an insurer from refusing to underwrite a certain insurance risk solely because of an applicant's or named insured's credit history and authorizing an insurer to request a certain finding; prohibiting an insurer from using the credit history of a certain applicant or insured, in whole or in part, to cancel, refuse to renew, or refuse to underwrite a certain insurance risk; prohibiting an insurer from using the credit history of a certain applicant or insured, in whole or in part, to rate a certain insurance risk in any manner; providing for the application of this Act prohibiting an insurer, with respect to homeowner's insurance, from refusing to
underwrite, cancel, or refuse to renew a risk based on a certain credit history;
prohibiting an insurer, with respect to homeowner’s insurance, from rating a risk
based on a certain credit history; prohibiting an insurer, with respect to
homeowner’s insurance, from requiring a particular payment plan based on a
certain credit history; prohibiting an insurer, with respect to private passenger
motor vehicle insurance, from refusing to underwrite, cancel, refuse to renew, or
increase the renewal premium based on a certain credit history; prohibiting an
insurer, with respect to private passenger motor vehicle insurance, from requiring
a particular payment plan based on a certain credit history; authorizing a
certain insurer to use the credit history of a certain applicant in a certain
manner; providing that rating includes certain practices; prohibiting an insurer,
with respect to private passenger motor vehicle insurance, from using a certain
factor on a certain credit history; requiring a certain insurer to advise a certain
applicant about a certain credit history; prohibiting an insurer from using
certain factors in rating a certain policy; requiring an insurer to disclose to a
certain applicant certain information about a certain credit history; allowing a
certain insurer to provide an actuarially justified discount in the rate or a
surcharge in the rate; defining a certain term; requiring the Insurance
Commissioner to conduct a certain study to be reported by a certain date;
providing for the application of the Act; providing for the termination of certain
provisions of this Act; and generally relating to prohibiting the use of credit
history in the underwriting or rating of personal lines property and casualty
insurance.

BY repealing and reenacting, with without amendments,
Section 3

BY repealing and reenacting, with amendments, adding to
Article - Insurance
Section 27-501(e) (e-1)
Annotated Code of Maryland
(1997 Volume and 2001 Supplement)

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


SECTION 3. AND BE IT FURTHER ENACTED. That this Act shall take
effect October 1, 1998. It shall remain effective for a period of 4 years AND 9
MONTHS and, at the end of [September] JUNE 30, 2002, with no further action
required by the General Assembly, this Act shall be abrogated and of no further force
and effect.
(e) (1) An insurer may not refuse to underwrite a private passenger motor vehicle insurance risk solely because the applicant or named insured previously obtained insurance coverage from any authorized insurer or the Maryland Automobile Insurance Fund.

(2) AN INSURER MAY NOT REFUSE TO UNDERWRITE A PROPERTY AND CASUALTY INSURANCE RISK OR INCREASE THE PREMIUM BECAUSE OF THE CREDIT HISTORY OF THE APPLICANT OR NAMED INSURED.

(2) AN INSURER MAY NOT USE THE CREDIT HISTORY OF AN APPLICANT OR INSURED, IN WHOLE OR IN PART:

(i) TO CANCEL, REFUSE TO RENEW, OR REFUSE TO UNDERWRITE A PERSONAL LINES PROPERTY AND CASUALTY INSURANCE RISK, OR

(ii) TO RATE A PERSONAL LINES PROPERTY AND CASUALTY INSURANCE RISK IN ANY MANNER, INCLUDING:

1. THE PROVISION OR REMOVAL OF A DISCOUNT;

2. ASSIGNING THE INSURED OR APPLICANT TO A RATING TIER;

3. PLACING AN INSURED OR APPLICANT WITH AN AFFILIATED COMPANY.

(E-1) (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
PLACE AN INSURED OR APPLICANT WITH AN AFFILIATED COMPANY; OR

REQUIRE A PARTICULAR PAYMENT PLAN BASED, IN WHOLE OR IN PART, ON THE CREDIT HISTORY OF THE INSURED OR APPLICANT.

WITH RESPECT TO PRIVATE PASSENGER MOTOR VEHICLE INSURANCE, AN 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 THE INSURED OR APPLICANT; OR

2. REQUIRE A PARTICULAR PAYMENT PLAN BASED, IN WHOLE OR IN PART, ON THE CREDIT HISTORY OF THE INSURED OR APPLICANT.

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.

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.

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:

1. 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;

2. SHALL ADVISE AN APPLICANT AT THE TIME OF APPLICATION THAT CREDIT HISTORY IS USED; AND

3. 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.

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 AVERSLEY 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 AVERSLEY 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.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - Insurance

27-501. (E-1) (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 ACTUARILY JUSTIFIED, PROVIDE A DISCOUNT OF UP TO 40% OR IMPOSE A SURCHARGE OF UP TO 40%.

SECTION 3. AND BE IT FURTHER ENACTED, That the Maryland Insurance Commissioner shall conduct a study on whether the use of credit scoring in the State has an adverse impact on any demographic group defined by race or socio-economic status. In conducting the study, the Commissioner shall consult with representatives of the property and casualty insurance industry, insurance producer organizations, consumer organizations, consumer reporting agencies, and any other person that the Commissioner considers necessary to assist the Commissioner in conducting the study. The Commissioner shall also study the impact of premium rates on policies issued by the Maryland Automobile Insurance Fund on the insurance market. The Commissioner shall report on the results of these studies to the Governor and, in
accordance with § 2-1246 of the State Government Article, the General Assembly, on or before January 1, 2004.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all personal lines property and casualty insurance policies and contracts issued, delivered, or renewed on or after July October 1, 2002.

SECTION 5. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take effect October 1, 2002. Section 2 of this Act shall remain effective for a period of 2 years and, at the end of September 30, 2004, with no further action required by the General Assembly, Section 2 of this Act shall be abrogated and of no further force and effect.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2002.