American Property Casualty Insurance Association
INSURING AMERICA apci.org

February 27, 2024

Senator Donna Bailey, Senate Chair
Representative Anne Perry, House Chair.
Joint Standing Committee On Health Coverage, Insurance and Financial Services
Cross Building, Room 220
100 State House Station
Augusta, ME 04333

Re: LD 2220 – An Act to Prohibit Insurers from Using Credit Information as a Factor in Certain Insurance Practices

Dear Senator Bailey and Representative Perry:

This statement in opposition to LD 2220 is submitted by the American Property Casualty Insurance Association (APCIA).[1]

When insurers can properly underwrite risks, consumers benefit with lower rates, more choices, and greater market stability. Toward that end, APCIA supports the ability of insurers to consider underwriting and rating criteria that are objective and supported by statistical evidence. This is why insurers here in Maine use critical tools such as credit scoring and why APCIA opposes bills like LD 2220.

- Maine Has Allowed the Use of Credit Information By Insurers for Many Years

Maine has regulated the use of credit information in underwriting personal lines of insurance since 2003. Section 2169-B is a comprehensive law that prohibits an insurer from denying, canceling, or refusing to renew a policy of personal insurance solely on the basis of credit information without considering any other independent underwriting factor. It also allows an insured to request the insurer to reunderwrite and rerate his or her policy once every 12 months based on an updated credit report. The insurer must then recalculate the insured's insurance score and rerate him or her within 30 days after receiving the request. The insurer must make the adjustments according to its underwriting and rating guidelines on the policy's anniversary date or renewal effective date. [2]

---

[1] Representing nearly 65% of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. Several APCIA members are located in Maine and many more do business here. Together, APCIA members write 66% of the personal and commercial auto insurance and sold in the state.

[2]See MRS Title 24-A, Section 2169-B and Maine Bureau of Insurance Bulletins 329 and 448.

Maine is one of forty-six (46) states[3] that allow the use of credit and one of about thirty (30) states that have adopted the NCOIL Credit Model. Passing a bill such as LD 2220, which prohibits insurers from using the credit information of an applicant or policyholder as a factor in making any of several determinations regarding policies covering private passenger motor vehicles and commercial vehicles would make Maine an outlier and severely disrupt the state's auto insurance market.

- Why Do Insurers Use Credit Information

Insurers use credit as part of their overall rating and underwriting process because it is highly predictive of loss, especially when considered in combination with other factors such as territory, driving record, and various other items.[4] This has been shown year after year by study after study and by author after author.

Even after more than twenty years of credit-base insurance score use by insurers in a state that has the lowest, or almost the lowest cost of auto insurance in the country, some remain critical of insurer use of credit because it doesn't seem fair, or find the link between a person's driving behavior and credit score to not be intuitive.

Here in Maine, as everywhere else, insurance rates are required not to be inadequate, excessive, or unfairly discriminatory.[5] This last phrase is a term of art that means that rates are fair when they match the risk presented. From an actuarial point of view, credit-based insurance scores promote fairness because it allows us to better match premium to risk. It is also important to note a 2016 study by the Vermont Department of Financial Regulation which found no evidence, based on data reported to that department, that a Vermont driver's premium was related to their income.[6]

Some people ask, what does my credit score have to do with how I drive? As it turns out – a lot. Based on billions of miles driven by people voluntary participating in a telematics-based insurance, company program, data has shown that those predicted to be higher risk based upon their credit scores were also more likely to brake hard, a key indicator of poor driving behavior. There is data. There is a link.

- Market Disruption

Maine is a stable, highly competitive, and historically low-cost auto insurance market. Depending how you measure it, despite recent price increases, Maine's personal auto insurance premiums are the lowest or near the lowest in the country. Its rate of uninsured motorists at 4.9% is the fourth lowest in the country.[7] With numbers like these, the old adage "if it ain't broke, don't fix it" comes to mind.

---

[3] CA, HI, and MA do not allow the use of credit and MI is highly restrictive.

[4] The Bureau of Insurance has produced a useful consumer brochure: " A Consumer's Guide to How Insurers Use Credit Information for Personal Auto and Homeowners Insurance, See https://www.maine.gov/pfr/insurance/sites/maine.gov.pfr.insurance/files/inline-files/credit_scoring.pdf

[5] See MRS Title 24-A, Section 2303

[6] See "A Study of Credit-Based Insurance Scoring for Motor Vehicle Insurance – Impact and Limitations", VT Department of Financial Regulation, December 15, 2026 at https://legislature.vermont.gov/assets/Legislative-Reports/Credit-based-Insurance-Scoring-Report-12-15-16.pdf

[7] See "Uninsured motorist statistics and facts 2021", Bankrate May 13, 2021 at: https://www.bankrate.com/insurance/car/uninsured-motorist-statistics/

Banning the use of credit scoring produces winners and losers. Industry experience in WA state when that state briefly banned the use of credit is instructive. There, older drivers, who generally tend to have better credit scores, saw their rates go up. We expect that would be the case here with three quarters of the drivers over sixty-five seeing increases in the range of 15%. Some drivers, notwithstanding that they present a higher risk, could see their rates go down, while others, even though they are better risks, could see their rates go up. For us in the insurance industry, it causes us to ask how is it fair to ignore objective, quantifiable data, which has stood the test of time to set rates that do not match risk?

The supporters of LD2220 may say their key reason for their support is to provide the lowest possible costs for those who must purchase this insurance. They may believe that restricting the ability of insurers' use of credit will do just that. APCIA strongly disagrees. Instead, if overall costs stay the same, rates will generally stay the same. If overall costs rise due to inflation or other factors, rates can go up. The only way to reduce insurance rates is to take costs out of the system. This bill does not do that.

Should this bill pass, it would present significant logistical and practical issues for insurers, agents and the bureau. It would result in a need for auto insurers doing business in Maine to file new rates with the Bureau of Insurance for their review and approval. This cannot be done overnight. At least a year, if not more, would be needed. Importantly, since a company cannot sell insurance without approved rates and forms, there is the potential for disruption.

- Conclusion

In sum, these are just a few of the many reasons why APCIA opposes LD2220. We thank the committee for allowing us the opportunity to submit this statement. We look forward to the committee's work session.

Very truly yours,

Francis C. O'Brien

Francis C. O'Brien
Vice President, State Gov't. Relations