



A MEMBER OF FRANKENMUTH INSURANCE

TO: The Honorable Donna Bailey, Senate Chair  
The Honorable Anne Perry, House Chair  
Honorable Members of the HCIFS Committee

DATE: February 27<sup>th</sup>, 2024

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

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Good Afternoon, Senator Bailey, Representative Perry and Members of the Committee, my name is Danielle Bates, and I am a resident of Westbrook. I am here today as the Manager of Personal Lines Underwriting for Patriot Insurance Company to oppose LD 2220.

Patriot Insurance Company has been doing business in the state of Maine since 2002. We hold over 32,300 policies in the state of Maine and partner with 55 independent agencies. I have been in the insurance industry for 14 years with a focus on auto, home and liability insurance. The last 10 years has been in underwriting which involves qualifying and properly pricing risks.

I am here to oppose LD 2220 as it would overall have a negative impact on our insureds.

Insurance companies calculate an insurance score as an indicator of the likelihood of a loss, and this calculation includes certain portions of the insureds credit history with emphasis on items associated with credit management. There are actuarial studies that suggest how a person manages their financial affairs is a good predictor of insurance claims.

An insurance score is one of many factors that contribute to the overall auto premiums we pay. Insurance scores are not used to decline, cancel, or non-renew a policy, they are one factor in many that help build our premium and to assure it is sufficient to cover claims. The industry has been using these scores for decades, back to the 1990's according to FICO, and is used to help predict the premium needed to cover losses. 95% of all U.S. Personal Lines insurers currently use insurance scores in both underwriting and rating. There is a correlation between a person's insurance score and their likelihood of submitting a claim.



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In addition to being a good indicator of how much premium is needed, more times than not it is beneficial to the insured's premium. According to a 2017 report from the Arkansas Insurance Department, in 54.5% of policies, the use of credit information resulted in a decrease in premium and in 19.8% it resulted in an increase. In 25.7% credit scoring had a neutral effect.

In reviewing Patriot's Personal Lines risks, up to 73.1% of insured vehicles could see an increase in premium as a result of the passing of this bill, with an average increase of 15.2% (\$81/vehicle) and a disproportionate impact on older drivers. Approximately 14.7% of insured vehicles could see a rate decrease averaging -9.5% (-\$77/vehicle) and the remaining 12% of risks a neutral effect.

By allowing carriers to better match insurance premiums with the risk that an individual or business might pose, we prevent higher risks from subsidizing lower risks. This is one of many factors that allows us to best price our policies to keep Maine one of the most affordable states to insure in.

In closing I ask that you Vote Ought Not to Pass on LD 2220.

Thank you for the opportunity to testify. I would be happy to answer any questions from the Committee.

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Reference:

Insurance Information Institute 2019, *Background on: Credit Scoring*, accessed February 26, 2024  
< [www.iii.org/publications/insurance-handbook/regulatory-and-financial-environment/background-on-credit-scoring](http://www.iii.org/publications/insurance-handbook/regulatory-and-financial-environment/background-on-credit-scoring) >