DrummondWoodsum
STRATEGIC CONSULTING LLC

Testimony of State Farm Mutual Insurance Company
In Opposition To LD 2220
An Act to Prohibit Insurers from Using Credit Information as a Factor in Certain Insurance Practices

Public Hearing- February 27, 2024

Senator Bailey, Representative Perry and distinguished members of the Health Coverage, Insurance and Financial Services Committee:

My name is Darci Greenacre. I am a Government Relations Consultant with Drummond Woodsum in Augusta, and I represent State Farm Mutual Insurance Company. State Farm is one of the largest automobile insurers in the United States. Thank you for this opportunity to offer testimony in Opposition to LD 2220, An Act to Prohibit Insurers from Using Credit Information as a Factor in Certain Insurance Practices.

Current pricing models match price to risk. If enacted, LD 2220 will result in an individual who represents a low risk paying more to subsidize individuals who are a higher risk. If enacted, LD 2220 will increase insurance premiums for up to two-thirds of drivers in Maine. Insurance scores are a key component of risk-based pricing, which matches price to risk. Insurance scores are not credit scores. Credit scores help determine one's ability to pay bills, whereas insurance scores assist in determining one's loss propensity.

Now let's look at the impacts this bill will have on Maine drivers:

- If insurance credit score was removed from rating (as proposed in LD 2220), **it would increase premiums for approximately 66% of private passenger auto policies in Maine, with maximum increases for specific individuals of more than 35%.** This does not mean that the remaining 37% will receive a decrease as some will stay the same, only a small fraction of drivers will see a decrease if LD 2220 were to pass.

- For Maine non-tenant Homeowners, if we remove credit from rating (as proposed in LD 2220), **57% of policies will receive a rate increase, with maximum increases for specific individuals of more than 50%.**

- Insurance scores utilizing credit information allow insurers to put a price that is commensurate to risk. That price tag is matched with loss expectancy and in general benefits older drivers and drivers in rural communities. Maine is the most rural state in America with 63% of our population living outside an urban area and we still hold the distinction of being the oldest state in the US. The impact of this legislation has an outsized impact on Maine as a state.

- **The underlying question that credit information allows insurers to determine - Is an individual as likely to incur a claim? Insurance credit information is a strong predictor.**

- **Insurance credit score is correlated with behavior and it does not take a high income to have a high insurance credit score.** In fact, State Farm insures and has relationships with many high-credit but lower income families in Maine.

- **Availability of auto insurance in the Maine marketplace will also shrink.**

- State Farm condemns unlawful/unfair discrimination as unacceptable and intolerable in insurance marketplaces, as well as our society in general. Under current law, insurers are prohibited from using race, creed, national origin, and religion as rating variables. In fact, it is illegal for insurers to inquire or be provided information about an applicant's race or income.

- Credit information has long been established as an appropriate, fair and valuable rating and underwriting tool, and its use is demonstrably effective in accurately predicting the risk of loss. Our policyholders benefit from the use of tools that facilitate accuracy in risk classification and pricing.

We respectfully request that the Committee vote Ought Not to Pass on LD 2220 because it would increase auto insurance rates on 66% of the state by as much as 50%. We would be pleased to provide any additional information helpful to your consideration of this bill.