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USE OF YOUR CREDIT HISTORY FOR AUTO INSURANCE

In Maryland, some auto insurers review an individual's credit history when determining their premium, but not all. Under State law, your credit history may be used under specific guidelines. For instance, bankruptcies, late payments and the number of credit cards you have may result in a higher premium. Insurers must follow other specific guidelines when using a consumer's credit history to underwrite or rate an auto insurance policy.

Those guidelines state that an insurer may not:

- Increase a renewal premium based on the credit history of the insured.
- Apply a surcharge of more than 40% based on credit history.
- Use the following factors to rate a policy: the absence of or inability to obtain credit history, the number of credit inquiries, or any factor that is more than 5 years old.

Additionally, you have the right to request that your insurer recheck your credit history once per policy period. If your credit history has improved, the renewal premium may be reduced. However, if your credit history has deteriorated, this information cannot be used to increase your premium.

You can review your credit report to become informed about your standing when you apply for certain credit and certain types of insurance. You may also correct any errors you discover in your report. You can review these reports at no charge every 12 months. You may obtain a free credit report by calling 877-322-8228 or by visiting the website, www.annualcreditreport.com. For questions or to make corrections to your credit report, you should contact the Federal Trade Commission at www.ftc.gov, or any of these credit reporting agencies: TransUnion at 800-916-8800 or www.transunion.com, Equifax at 800-685-1111 or www.econsumer.equifax.com, or Experian at 888-397-3742 or www.experian.com.

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Frequently Asked Questions About the Use of Credit

May an insurer consider my credit history when reviewing my application for auto insurance?

No. Maryland law states that an insurer may not refuse to underwrite (that is to insure), refuse to renew, cancel or increase the renewal premium based, in whole or in part, on the credit history of the insured or applicant. However, an insurer may use credit history to rate a new policy (see below). This means that the decision to place you with an affiliated insurer, assign you to a specific tier within an insurer, or to add or remove a discount based on your credit score when you first obtain insurance with the insurer, is authorized by law.

May an insurer consider my credit history when establishing the premium for my auto insurance policy?

Yes. When a person initially applies for an auto insurance policy, the insurer may consider an applicant's credit history when determining the premium to be charged. If the insurer considers your credit history, it can only rely upon credit factors that occurred within the previous five years.

Additionally, the insurer or producer must advise you, at the time of your application, that your credit history is being considered and, if you request it, must provide you with a quote that separately identifies the portion of the premium that is affected by your credit history.

Once the policy is effective, your premium cannot be increased if your credit score worsens. However, if your credit score improves, that may help lower your premium at renewal. Insurers that use credit are required to obtain new credit scores every two years and you will automatically receive the benefit of an improved credit score if the new report shows an improvement. However, if you believe your score improved, you may request the insurer to check it even if the two year period has not passed. You are entitled to request the insurer to check your credit score once during any policy period.