



191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

March 25, 2025

The Honorable Pamela Beidle
Chair, Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

RE: House Bill 1148 - Homeowner's and Renter's Insurance - Lapses in Coverage - Prohibition on Denial
UNFAVORABLE

Dear Chair Beidle and Members of the Committee,

I am writing on behalf of the Maryland Association of Mutual Insurance Companies (MAMIC) to respectfully request an unfavorable report on House Bill 1148.

MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland, and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

Although MAMIC took no position on this legislation in the House, we note that it has been significantly amended. Upon reconsidering the potential effect of the bill on the homeowners insurance market, MAMIC must respectfully register its opposition.

As used in House Bill 1148, the language “LAPSE IN COVERAGE” simply means a period of time following the termination of coverage under an insurance policy, and a date on which coverage might be reinstated or replaced. The difference between reinstatement of a lapsed insurance policy and its replacement with a new policy, especially if a new policy is issued by a different insurer, is a key underwriting factor. In the homeowners insurance market, it is important that coverage be maintained continuously, not only to avoid loss but also to comply with requirements of lenders who serve as secured parties on a policy. Time is often a critical factor, and House Bill 1148 applies only to a “PRIOR” lapse in coverage, without reference to the timeframe of any such lapse.

Insurers establish underwriting standards for any number of factors, including a lapse in coverage. House Bill 1148 would potentially prohibit the use of a lapse in coverage to deny issuance of a new policy, irrespective of the length of time in which no coverage was present. As noted above, time is a critical factor. An insurer may view a brief lapse of up to several days quite differently from a lapse of several months. Insurers have legitimate reasons for evaluating lapses in coverage and treating them differently. This bill would significantly limit an insurer’s ability to properly evaluate the potential risk of loss associated with a lapse in coverage.

Finally, an amendment added in the House permitting an insurer to acquire an affidavit from the applicant stating that no losses occurred during the lapse period is of little value if, in fact, an insurer justifiably believes that

conditions existing during the lapse period give rise to a greater risk of loss. In other words, the language of House Bill 1148 would require an insurer to provide coverage, even if the insurer reasonably believes that a greater risk of loss is present when coverage is requested after the lapse.

For these reasons, we respectfully request an unfavorable report on House Bill 1148. Thank you for your consideration of our views on this legislation.

Sincerely,

A handwritten signature in black ink that reads "Melissa G. Shelley". The signature is written in a cursive style with a large, prominent initial "M".

Melissa Shelley
President, MAMIC

cc: Bryson Popham