

HB 1148_MAMIC_UNF.pdf

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Position: UNF



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

HB 1148 Homeowner's& Renter's- Prohibition on Den

Uploaded by: Nancy Egan

Position: UNF



American Property Casualty Insurance Association

Senate Finance Committee

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

March 27, 2025

Unfavorable

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 71.4% of the total property casualty market in Maryland. House Bill 1148 would prohibit a property and casualty insurer from considering the lapse of coverage due to the choice of applicant and losses incurred by or the claims history of the applicant. This is limited to homeowner's insurance or renter's insurance. This would severely hamper the ability of an insurer to underwrite a risk as new business when considering an applicant.

The bill would not permit a company to consider lapses in coverage to underwrite a new risk. It would permit someone to let their renter's insurance or homeowner's insurance lapse even if there is an insurable interest listed on the policy and go uninsured. For example, there could be a lienholder on the personal property. There could be a mortgagee. The landlord may require that liability insurance be maintained with the landlord listed as additional insured. The condo by-laws may require that all unit owners maintain certain coverages such loss assessment coverage and liability coverage.

These examples are just a few of what could happen if a company is unable to look at lapses in coverage when underwriting a risk. These are all examples of morale hazards. As the bill is currently drafted, it limits the ability of companies to underwrite the risk of an insured based on their history.

For these reasons, APCIA urges the Committee to provide an unfavorable report on House Bill 1148.

Nancy J. Egan, State Government Relations Counsel, Mid-Atlantic,

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HB 1148 - MIA - LOI - FIN.pdf

Uploaded by: Marie Grant

Position: INFO

WES MOORE
Governor

ARUNA MILLER
Lt. Governor



Maryland

INSURANCE ADMINISTRATION

MARIE GRANT
Acting Commissioner

JOY Y. HATCHETTE
Deputy Commissioner

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Direct Dial: 410-468-2471 Fax: 410-468-2020
1-800-492-6116 TTY: 1-800-735-2258
www.insurance.maryland.gov

Date: March 27, 2025

Bill # / Title: House Bill 1148 - Homeowner's and Renter's Insurance - Lapses in Coverage - Prohibition on Denial

Committee: Senate Finance Committee

Position: Letter of Information

The Maryland Insurance Administration (MIA) appreciates the opportunity to provide information regarding House Bill 1148, as amended.

The bill would prohibit an insurer from denying homeowners or renters insurance coverage to an applicant based on a prior lapse in the applicant's coverage that was: (1) due to the choice of the applicant; and (2) not due to losses incurred by or the claims history of the applicant. The bill would also permit an insurer to require that an applicant invoking protection afforded by the bill submit an affidavit stating that the applicant did not incur a loss during the prior lapse in coverage.

The MIA notes that the provisions of the bill do not apply to a number of different situations. The provisions of the bill do not apply to an applicant whose prior coverage lapsed for a reason that was outside of their control or not due to their choice. The bill does not prohibit an insurer from denying coverage because the applicant chose to allow their prior coverage to lapse for a reason other than losses or claims history, if there are other legitimate reasons to deny coverage. The bill does not prohibit an insurer from considering the fact that the applicant chose to allow their prior coverage to lapse for a reason other than losses or claims history when: (i) determining which premium rate to offer to the applicant; or (ii) classifying the applicant into a tier or risk category.

The MIA also notes that there is ambiguous language in the bill that would result in enforcement challenges for the MIA. The following bill language could be open to different interpretations: "due to the choice of the applicant, and not due to losses incurred by or the claims history of the applicant." It is not clear whether the bill would apply if an applicant chose to allow their prior coverage to lapse because they did not want to pay a rate increase attributable (in whole or part) to a loss or claim.

Thank you for the opportunity to provide this letter of information. The MIA is available to provide additional information and assistance to the committee.