American Property Casualty Insurance Association
INSURING AMERICA apci.org
Nancy J. Egan, State Government Relations Counsel
Nancy.egan@APCIA.org Cell: 443-841-4174

Testimony of American Property Casualty Insurance Association (APCIA)

Senate Finance Committee

Senate Bill 272 -

Insurance - Claim Payment - Clarification

January 19, 2021

Letter of Opposition

The American Property Casualty Insurance Association (APCIA) represents more than 1200 insurers and reinsurers that provide critically important insurance protection throughout the U.S. and world. In combination, our members write 60% of the U.S. property casualty market. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe. In Maryland, our members write 66.6% of all written premium. APCIA appreciates the opportunity to provide written comments in opposition to Senate Bill 272.

Senate Bill 272 authorizes the Maryland Insurance Administration (MIA) Commissioner, instead of or in addition to suspending or revoking a certificate of authority, to require the certificate holder to (1) fulfill the holder's contractual obligations or (2) pay a claim that was denied, in whole or in part, in violation of a provision of the Insurance Article. The bill also authorizes the Commissioner, on finding a violation of unfair claim settlement practices, to require an insurer to make a payment that has been denied improperly. From our discussions with the MIA, the bill's intent was to address certain issues with health carriers denying claims based on extra-contractual agreements not found in the policy contract. Unfortunately, the bill as written, does not only address health carriers but affects all insurers, raising the concern of property and casualty carriers as well.

As noted in the fiscal note, the intent is to provide stronger enforcement in regard to claims under Sections 15-10A and 15-10D-03 of the Insurance Article dealing with certain health care claim adverse decisions. There has not been any indication by the MIA, that there has been a systemic issue with the processing of property and casualty claims. That being the case, the department already has market conduct tools and procedures in place for the protection of all parties involved. APCIA member concerns are that the MIA could force a claim to be paid when there are liability disputes and reverse a carrier's decision and impose penalties. There is concern that the department would be substituting its judgement on coverage interpretation or liability for the insurers. As drafted, it could be interpreted as inserting the regulator into standard claims adjudication process, or as the threat of intervention if this authority is codified. Is the MIA ordered payment binding for all parties, or could a plaintiff attorney that does not like the ordered amount still sue an insurer? To be clear this is both a compliance and claims issue, but it's significantly more concerning (damaging) from a claim's handling standpoint.

For these reasons, the APCIA urges the Committee to provide an unfavorable report on Senate Bill 272.