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Testimony of American Property Casualty Insurance Association (APCIA)

House Ways & Means Committee

House Bill 1628- Sales and Use Tax- Rate Reduction and Services

March 2, 2020

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 insurance market. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe. APCIA appreciates the opportunity to provide written comments in opposition to House Bill 1628 which will increase claim costs and result in the consumer paying higher premiums.

House Bill 1628 would make changes to the current State sales and use tax law by imposing tax on all services except for the few exceptions while at the same time lowering the tax rate from 6% to 5% on taxable goods and services. Currently, there are 30 property casualty insurance companies domiciled in Maryland and 33 property casualty insurance companies are headquartered here in Maryland. The new sales tax would make Maryland less competitive and less attractive since insurers' cost of doing business (both through claims and general operating expenses) will be higher. For example, claims costs will increase because repairs to homes and vehicles would be subject to the new sales tax. A variety of insurance services will also be taxed, which will raise the cost of claims as well as insurers' cost of doing business. These insurance services include actuarial services, claims adjusting, loss prevention services, and damage appraisal. Likewise, insurers pay for professional services (e.g., legal and accounting) both in the context of claims and general business operations, and these services would be subject to the new tax. In the end, it is the consumer who will be paying the additional cost in higher premiums. Higher costs of claims necessarily result in higher premiums for Maryland homeowners and drivers, which can lead to more uninsured drivers and homeowners.

For these reasons, the APCIA urges the Committee to provide an unfavorable report on House Bill 1628.