



**American Property Casualty Insurance
Association**

**House Economic Matters Committee
House Bill 1148- Property & Casualty Insurance-Lapses in Coverage- Prohibition on Denial**

February 19, 2025

Letter of Opposition

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. This bill is unusual in that it impacts all lines including workers' compensation, commercial general liability, commercial property, bonding, and all personal lines including personal auto, home, boat and motorcycle. The bill would prohibit an insurer from considering the lapse of coverage due to the choice of insured. This would severely hamper the ability of an insurer to underwrite a risk as new business when considering an applicant.

Here are examples of when an applicant's insurance may lapse:

- An insured obtains auto insurance at time of tag renewal in order to obtain his tags and then lets his insurance cancel for non-payment. This puts the public at risk for a potential uninsured driver on the Maryland roads.
- A sub-contractor obtains workers compensation in order to obtain a job with the state then lets the insurance lapse leaving the employees uninsured.
- A general contractor obtains a performance and payment bond to assure that a construction job will be completed and the subcontractors will be paid. The contractor cancels the bond leaving possible exposures.
- A homeowner lets the homeowners insurance lapse. The home has a fire while it is uninsured.

These are just a few examples 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.

With respect to homeowners insurance, consumer protections already exist in statute. Insurers may not: cancel or refuse to renew: 1) because of a claim that occurred more than 3 years before the effective date of the policy or renewal; 2) policyholders who are military personnel returning from active duty overseas solely because they fail to meet underwriting standards that required continuous coverage or occupancy requirements if steps were taken to maintain and property the property. If an insurer considers claims history for purpose of cancellation or nonrenewal, the insurer shall disclose the practice at the inception of the policy and at each renewal. Nonrenewal based solely on the property's location is prohibited.

As the bill is currently drafted, it limits the ability of companies to underwrite the risk of an insured based on their history, potentially producing negative impacts on insurance availability and affordability for all insurance consumers in Maryland.

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

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