



American Property Casualty Insurance Association

House Economic Matters Committee

HB 1351 Home Improvement Contractors - Disaster Mitigation Services - Regulation and Prohibition

March 4, 2025

Support with Amendments

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. APCIA would like to express its support for House Bill 1351 which will help to protect home and property owners after major catastrophic events when they are most vulnerable.

It is an unfortunate truth that following major casualty events some bad actors seize upon the opportunity to promise remodeling or repair services quickly, seeking to secure payment or insurance proceeds, with no intention of fulfilling the promises, or to intentionally overcharge for such services. This is practice insurers have seen with regularity in other states following hurricanes and wildfires in recent years. We believe that HB1351 protects consumers by permitting the cancellation of such contracts up to 5 days.

Licensed and responsible contractors acting in good faith and seeking to help home and property owners get back on their feet will not be negatively impacted by the cancellation provision. Rather, the cancellation clause will allow those impacted by a disaster to take stock and assess what needs to be done themselves. These home and property owners will then be able to reach out to local and reputable contractors instead of being pressured into accepting the first solicitation that arrives at their door.

APCIA has worked with the sponsor and other interested parties to make some amendments to add some additional contractors who regularly provide services immediately following a loss. The language also cleans up what is due upon cancellation of the contract. There is also language to be added to the insurance article removing language about the intent to defraud when a contractor promises to pay for the deductible. In addition, insurers have seen a practice of contractors paying referral fees after a catastrophic loss.

Specifically, the fair and reasonable value of work actually performed clause protects homeowners from inflated or opportunistic charges when a project is canceled mid-stream. Consumer protection frameworks around home improvement contracts should address situations where homeowners are charged for work not performed, padded overhead, or excessive termination fees that are disproportionate to the benefit received. By anchoring payment to "fair and reasonable value for the necessary work performed," the HB1351 improves price transparency, predictability, and fairness, reducing the risk that consumers, who are often in stressful post loss situations, will be pressured into paying for unperformed or unnecessary services.

Removing the phrase "with the intent to defraud an insurer" is vital because proving specific intent has proven in practice to be too high a burden in enforcing this provision, functionally undermining the effectiveness of law. As it is written, the requirement to demonstrate intent necessitates evidence of a contractor's subjective state of mind rather than objective conduct – something that is nearly impossible to prove. By eliminating the mental state element of the bad actor, the statute can be enforced for actions such as paying or rebating deductibles tied to insurance proceeds, which are damaging to consumers through distortion of the claims process, without needing to prove what the contractor internally intended. Without this change, the current statute will continue to have no functional value in reducing fraudulent



acts in the claims process.

The Addition on 27-407.3: The addition of this section is beneficial to consumers and insurers as it reduces the use of referral payments that create financial incentives to steer insurance consumers toward contractors regardless of actual need or cost. This is a practice that is widely recognized as facilitating kickbacks and inflated or unnecessary insurance claims. By prohibiting compensation for referrals in claims-funded repairs, this new section cuts off a common mechanism used to manufacture or exaggerate losses, making fraud easier to prevent and prosecute based on objective conduct rather than intent. Eliminating referral payments also preserves the integrity of the claims process by ensuring contractor selection is based on merit and consumer choice, excluding financial gain from external third parties seeking to interject themselves in the claims process, and thereby protecting policyholders and reducing fraud-driven premium pressure.

APCIA supports legislation designed to regulate and deter unethical practices by bad actors who exploit homeowners following a disaster or loss. We support the adoption of a five-day cancellation period for home and property owners – allowing them time to assess the damage themselves and to engage with reputable and trusted contractors following a loss.

For these reasons, APCIA urges the Committee to provide a favorable report on House Bill 1351.

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Amendments to House Bill 1351 and Senate Bill 929

ADD:

By repealing and reenacting with amendments,

Article -Insurance Article

Section 27-407.2

Annotated Code of Maryland

By adding to

Article- Insurance Article

27-407-3

Annotated Code of Maryland

On Page 3 After Line 12 Insert:

(VI) TREE SERVICES OR REMOVAL; OR

(VII) WATER REMEDIATION SERVICES OF A BUILDING OR PART OF A BUILDING TO RESTORE, CLEAN, SANITIZE, OR RESTORE A PROPERTY TO A SAFE AND HABITABLE CONDITION

These types of contractors should be included. It is an unfortunate truth that following major weather or fire events some bad actors seize upon the opportunity to provide tree services or water repair services quickly, seeking to secure payment or insurance proceeds, and intentionally overcharge for such services. This is practice insurers have seen with regularity in other states following hurricanes and wildfires in recent years.

On Page 5 Lines 33 Delete line 33 and insert

AMOUNT INDICATED IN THE CONTRACT- FAIR AND REASONABLE VALUE FOR THE NECESSARY WORK PERFORMED UNDER THE HOME IMPROVEMENT CONTRACT PRIOR TO THE CANCELLATION.

On page 6 line 7 Delete Line 7 and insert

NOT TO EXCEED \$ _____ (FILL IN AMOUNT) AND _____ (OWNER INITIALS)."

FOR THE FAIR AND REASONABLE VALUE FOR THE NECESSARY WORK PERFORMED UNDER THE HOME IMPROVEMENT CONTRACT PRIOR TO THE CANCELLATION.

The fair and reasonable value of work actually performed clause protects homeowners from inflated or opportunistic charges when a project is canceled mid-stream. Consumer protection frameworks around home improvement contracts should address situations where homeowners are charged for work not performed, padded overhead, or excessive termination fees that are disproportionate to the benefit received. By anchoring payment to "fair and reasonable value for the necessary work performed," the HB1351 improves price transparency, predictability, and fairness, reducing the risk that consumers, who are often in stressful post loss situations, will be pressured into paying for unperformed or unnecessary services.

On Page 6 after line 25 and before line 26 insert, the following language from the Insurance Article Adding in 27-407.2 with changes deleting language. Adding new section 27.403.2

Insurance Article

27-407.2 Compensation from Contractors to Pay Any Part of Insured's Deductible

It is a fraudulent act for a contractor offering home repair or remodeling services for damages to a private residence to directly or indirectly pay or otherwise compensate an insured, or offer or promise to pay or compensate an insured, ~~with the intent to defraud an insurer~~, for any part of the insured's deductible under the insured's property or casualty insurance policy if payment for the services will be made from the proceeds of the policy.

27-407.3 COMPENSATION FOR REFERRAL TO A CONTRACTOR

ANY PERSON, OTHER THAN AN INSURER OR ITS AGENT THAT ADJUSTS, OR NEGOTIATES A CLAIM ON BEHALF OF AN INSURANCE CONSUMER SHALL NOT OFFER PAYMENT FOR REFERRAL TO A CONTRACTOR OR PROVIDER OF SERVICES FOR REPAIR OR REPLACEMENT OF A RESIDENTIAL STRUCTURE.

Removing the phrase “with the intent to defraud an insurer” is vital because proving specific intent has proven in practice to be too high a burden in enforcing this provision, functionally undermining the effectiveness of law. As it is written, the requirement to demonstrate intent necessitates evidence of a contractor's subjective state of mind rather than objective conduct – something that is nearly impossible to prove. By eliminating the mental state element of the bad actor, the statute can be enforced for actions such as paying or rebating deductibles tied to insurance proceeds, which are damaging to consumers through distortion of the claims process, without needing to prove what the contractor internally intended. Without this change, the current statute will continue to have no functional value in reducing fraudulent acts in the claims process.

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