

November 4, 2024

Maryland Insurance Administration
200 St, Paul Place Suite 2700
Baltimore, MD 21202

Attention: Maryland Acting Insurance Commissioner Grant

Via email: listening.sessions@maryland.gov

In Re: Maryland Seeks Industry Input on Coastal Homeowners Insurance

Dear Acting Commissioner Grant:

Thank you for convening the information briefing on coverage of manufactured and mobile homes in coastal areas of Maryland, and specifically Ocean City. The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 60.8% of the homeowners insurance market in Maryland. APCIA appreciates the Maryland Insurance Administration's (MIA) efforts to hold an information session to discuss availability concerns for mobile home insurance as it impacts the protection of mobile homes as well as the impact on meeting insurance requirements to secure loans to purchase mobile homes.

We have been aware of the MIA's efforts to identify issues and solutions related to mobile home insurance coverage options in Maryland both through a market conduct survey and MIA's previous outreach to industry.

In response to the MIA's outreach requesting information on the current availability, APCIA surveyed its members earlier this year to help ascertain the availability of mobile home insurance on the eastern shore of Maryland. The results of that survey were that none of the companies responded that they are currently writing such coverage in the standard marketplace.

In further follow-up with our members, we reached out to a few companies directly that write surplus lines in addition to personal lines in Maryland. Of the two companies that we spoke to, one is open for business in Maryland to write mobile home policies under their admitted company, including in coastal areas, but they do so with the underwriting restriction that the risk cannot be closer than 1000' to the water.

This evidences that there are significant limitations in the private market to purchase insurance coverage for mobile homes. Our understanding of the current limitations is that they are based on two underlying causes.

First, the gradual decrease in private insurers writing mobile home policies in coastal areas, to the degree that there is currently only a single writer that will only provide policies for mobile home structures that are not older than twenty-five years old.

APCIA believes that this mirrors other national trends. As I am sure you are aware, the national landscape of residential insurance coverage is currently in a hard market, driven by substantial losses in southern coastal regions caused by hurricanes and in the western states by wildfires. Given the scope and severity of these losses, we are seeing a reticence by carriers to write high risk policies in markets with a history of losses due to catastrophic events.

To illustrate the current severity of these trends, Standard & Poor's Global Ratings (July 2024) has described homeowners insurance underwriting income for 2023 as "the worst of this century" and has projected 7.3%

net underwriting loss for 2024. Similarly, A.M. Best has downgraded the personal lines insurance outlook to “negative” in March of 2024, for the first time ever. A.M. Best also stated that in personal lines “underwriting profitability...over the near term appears highly unlikely.” They likewise gave the homeowners insurance market outlook a negative rating, noting five consecutive years of underwriting losses.

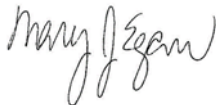
Flexibility of private insurers to write dwelling policies is also impacted by increased reinsurance costs, which are also impacted by catastrophic events in the United States and internationally. When reinsurance costs cannot be factored into premiums, the carriers are further constricted by the hard market and the affordability of insurers to do business is limited.

Second, the Maryland Joint Insurance Association (JIA) is willing to write policies for coverage of mobile homes in coastal areas, including Ocean City, however they are prevented from doing so due to their policy being out of date. Under the current eligibility provision, any structure not in compliance under the southern standing building code shall not be insurable, which is determined through a certification process. The underlying problem that currently exists is that the Southern Building Code no longer exists and has been replaced by the International Code.

APCIA believes that the most direct solution to mobile home insurance availability problem, as covered in the informational session on October 23, is the updating of the JIA policy to bring them in line with current codes used. This will provide coverage availability to the degree to allow buyers to meet insurance requirements and provide coverage availability until the private market is able to recover from limitations created by severe losses, as is the purpose and function of the JIA.

APCIA appreciates the difficulty of the situation, and we welcome the opportunity to further discuss these issues with MIA to help alleviate the acute constrictions in mobile home insurance availability in coastal Maryland.

Sincerely,



Nancy J. Egan,
Vice-President, State Government Relations - Mid-Atlantic
Nancy.egan@APCIA.org Cell: 443-841-4174