

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 55
Economic Matters

(Delegate Pendergrass, *et al.*)

**Medical Professional Liability Insurance - Consideration Paid to Insurance
Producers - Limitations**

This bill specifies that a commission, fee, reward, rebate, or other consideration paid to an insurance producer for soliciting, negotiating, or selling medical professional liability insurance may not exceed: (1) 5% of the premium or charge for a new insurance policy; or (2) 2.5% of the premium or charge for a renewal insurance policy.

Unless an insurer or insured elects not to renew a policy, a producer must make a renewal offer before the policy expires. The bill applies to commissions, fees, rewards, rebates, or other consideration payable for soliciting, negotiating, or selling medical professional liability insurance policies issued or renewed on or after October 1, 2005.

Fiscal Summary

State Effect: To the extent carriers pass savings on to policyholders by reducing premiums, Maryland Insurance Administration special fund revenues could increase from the \$125 rate and form filing fee and general fund revenues from the 2% premium tax could decrease in FY 2006 only. No effect on expenditures.

Local Effect: None.

Small Business Effect: Potential meaningful. Some small business insurance producers would receive smaller commissions on policies sold in the State. To the extent smaller commissions result in lower malpractice insurance premium costs, small business health care providers could obtain less expensive policies.

Analysis

Current Law: A commission, fee, reward, rebate, or other consideration for selling, soliciting, or negotiating insurance may not be paid, directly or indirectly, to a person other than a licensed insurance producer. There are no specified limits on compensation.

Background: For the four medical liability insurers who conduct business in the State, the average commissions paid to insurance producers range from 6.25% to 15%.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2005
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