

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 880
Finance

(Senators Astle and Feldman)

Commercial Insurance – Certificates of Insurance – Fee

This bill authorizes an insurance producer to charge and collect a fee of up to \$30 for issuing a certificate of insurance or other evidence of coverage for a commercial insurance policy if (1) the policyholder consents in a specified manner before any services are rendered and (2) a schedule of fees and documentation for services rendered is maintained by the producer and made available to applicants and policyholders upon request.

Fiscal Summary

State Effect: The bill does not directly affect State operations or finances.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: Insurance Law generally prohibits any person from collecting a premium or charge for insurance that exceeds or is less than the premium or charge applicable to the insurance policy; however, there are some exceptions. For example, if an insurer does not pay commissions, an insurance producer is authorized to charge a fee that does not exceed 15% of the premium for services rendered when it replaces insurance in an insurer. An insurance producer cannot currently charge a fee when issuing a certificate of insurance or other evidence of coverage for a commercial insurance policy.

An insurance producer is a person licensed by the Maryland Insurance Administration to sell insurance in the State on behalf of an insurer. A producer can be a captive agent, only selling insurance for one insurer, or an independent agent, able to sell insurance for more than one insurer. An individual applying for the license must be of good character and trustworthy and meet any education requirements specified by law and set by the Insurance Commissioner. Insurers are authorized to pay commissions or other compensation to licensed insurance producers.

Commercial insurance is a type of property and casualty insurance that insures against loss arising from the business pursuits of the insured entity. State law does not consider the following types of insurance as commercial insurance: (1) policies issued by the Maryland Automobile Insurance Fund; (2) policies issued by the Joint Insurance Association; (3) workers' compensation insurance; and (4) title insurance.

Small Business Effect: Revenues for small business insurance producers increase depending on whether and how often they charge the fee authorized by the bill. Small business commercial insurance policyholders experience corresponding increased costs to the extent that they pay the additional fees.

Additional Information

Prior Introductions: None.

Cross File: HB 1179 (Delegate W. Miller) - Economic Matters.

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

Fiscal Note History: First Reader - February 23, 2018
mm/jc

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510