
By: Senator Della

Introduced and read first time: January 31, 1996

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Agents - Termination of Agency Agreement - Commissions**

3 FOR the purpose of authorizing the payment and receipt of commissions on certain
4 premiums after the termination of certain agency agreements under certain
5 circumstances; requiring an insurer, under certain circumstances, to continue to
6 renew certain policies at certain rates of commission regardless of the time since the
7 termination of certain agency agreements; providing for the future codification of
8 certain provisions of this Act; and generally relating to the payment to and receipt
9 of commissions by certain insurance agents after the termination of certain agency
10 agreements.

11 BY repealing and reenacting, with amendments,
12 Article 48A - Insurance Code
13 Section 167(d) and 234B(b)
14 Annotated Code of Maryland
15 (1994 Replacement Volume and 1995 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article - Insurance
18 Section 10-130
19 Annotated Code of Maryland
20 (1995 Volume)
21 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That the Laws of Maryland read as follows:

24 **Article 48A - Insurance Code**

25 167.

26 (d) (1) [No] EXCEPT AS PROVIDED IN PARAGRAPHS (2) AND (3) OF THIS
27 SUBSECTION, NO commission, fee, reward, rebate or other consideration for procuring or
28 influencing the procurement of any insurance shall be paid, directly or indirectly, to any
29 person who is not then qualified under this subtitle, except as to the kinds of insurance,
30 types of insurers and transactions exempted from the provisions of this subtitle by §§ 165
31 and 171 [; provided, however, that in].

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1 (2) IN the case of life insurance and health insurance, the provisions of this
2 section [shall] DO not prevent the payment or receipt of commissions onrenewal
3 premiums on existing policies or other deferred commissions to or by any person solely
4 because that person has ceased to be qualified to act as agent, or broker except as
5 otherwise provided by this article.

6 (3) THE PROVISIONS OF THIS SECTION DO NOT PREVENT THE PAYMENT
7 OR RECEIPT OF COMMISSIONS ON RENEWAL PREMIUMS ON EXISTING POLICIES
8 SOLELY BECAUSE OF THE TERMINATION OF AN AGENCY AGREEMENT BETWEEN AN
9 INSURER AND AN INDEPENDENT AGENT IF THE INDEPENDENT AGENT CONTINUES
10 TO SERVICE THE RENEWAL POLICIES AND HOLDS A CURRENT CERTIFICATE OF
11 QUALIFICATION FOR THE APPROPRIATE KIND OR SUBDIVISION OF INSURANCE.

12 234B.

13 (b) If an insurer intends to cancel a written agreement with an agent or broker, or
14 intends to refuse any class of renewal business from the agent or broker, the insurer shall
15 give the agent or broker not less than 90 days written notice. Notwithstanding any
16 provision of the agreement to the contrary, the insurer shall continue [for not less than
17 one year] after termination of the agency agreement to renew through the agent or
18 broker, AT THE RATE OF COMMISSION PROVIDED IN THE AGENCY AGREEMENT AT
19 THE TIME OF TERMINATION, any of the policies which have not been replaced with
20 other insurers as expirations occur. This subsection shall not apply to: (1) agents or
21 brokers or policies of a company or group of companies represented by agents or brokers
22 who by contractual agreement represent only that company or group of companies if the
23 business is owned by the company or group of companies and the cancellation of any
24 contractual agreement does not result in the cancellation or refusal to renew any policies
25 of insurance; or (2) life, health, surety, wet marine and title insurance policies.

26 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
27 read as follows:

28 **Article - Insurance**

29 10-130.

30 (a) Except as otherwise provided in §§ 10-102 and 10-119 of this subtitle, a
31 commission, fee, reward, rebate, or other consideration for procuring or influencing the
32 procurement of insurance may not be paid, directly or indirectly, to a person other than
33 a qualified agent or qualified broker.

34 (b) Except as otherwise provided in this article, for life insurance or health
35 insurance this section does not prohibit payment to or receipt by a formerly qualified
36 agent or formerly qualified broker of:

37 (1) commissions on renewal premiums on existing policies; or

38 (2) other deferred commissions.

39 (C) THIS SECTION DOES NOT PROHIBIT THE PAYMENT OR RECEIPT OF
40 COMMISSIONS ON RENEWAL PREMIUMS ON EXISTING POLICIES SOLELY BECAUSE OF
41 THE TERMINATION OF AN AGENCY AGREEMENT BETWEEN AN INSURER AND AN
42 INDEPENDENT AGENT IF THE INDEPENDENT AGENT CONTINUES TO SERVICE THE

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1 RENEWAL POLICIES AND HOLDS A CURRENT CERTIFICATE OF QUALIFICATION FOR
2 THE APPROPRIATE KIND OR SUBDIVISION OF INSURANCE.

3 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
4 take effect October 1, 1996.

5 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
6 take effect October 1, 1997.