

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 511
Economic Matters

(Delegates Love and Kirk)

Premiums and Charges for Insurance - Placement Fees

This bill authorizes an insurance agent or broker to charge a placement fee of up to \$40 if the fee: (1) is fully disclosed and agreed to in writing by the insured; (2) may be waived by the insured; (3) is not prohibited by any contract between the agent or broker and the insurer; and (4) is not financed under the State's insurance premium financing provisions. The bill reduces, from \$75 to \$40, the policy fee that a surplus lines broker may charge.

The bill also repeals the authorization for an agent or broker to charge for a driving record obtained from the Motor Vehicle Administration (MVA) when placing Maryland Automobile Insurance Fund (MAIF) business.

Fiscal Summary

State Effect: Enforcement could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA). MIA filing fee revenues would not be affected.

Maryland Automobile Insurance Fund (MAIF): None.

Local Effect: Minimal. Expenditures would increase to the extent local governments pay a fee authorized under the bill.

Small Business Effect: Meaningful.

Analysis

Current Law: A person may not willfully collect a premium or charge for insurance that exceeds or is less than the premium or charge under the applicable classifications and rates as filed with, and approved by, the MIA. An agent or broker may charge, as an actual expense incurred in placing automobile insurance with MAIF, up to \$10 plus \$1 more than the actual charge imposed by the MVA for a driving record required to be presented with the application for insurance with MAIF.

Background: MAIF advises that it introduced a system in 1999 under which it provides a driver chargeability report (DCR) to an agent for free. The report includes both the comprehensive loss underwriting exchange automobile report and driving record information for the insured. Because MAIF provides the reports without charge to the agent, the agent may not charge insureds for the reports.

Small Business Effect: Small insurance agent and broker businesses would experience a revenue increase from placement fees. The bill does not limit the number of placement fees that an agent or broker may charge when placing multiple policies.

MAIF advises that 70% of its agents use the DCR report. For these agents, the placement fee would increase from \$10 to \$40 per policy. For the remainder of MAIF agents, current placement fees are approximately \$20 per policy, based on an average of 1.3 drivers per policy being written with MAIF. MAIF is not involved in these policy fee transactions.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – February 26, 2001
cm/cr

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510

