
By: **Delegate Barve**
Introduced and read first time: February 6, 2002
Assigned to: Economic Matters

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 18, 2002

CHAPTER _____

1 AN ACT concerning

2 **Insurance - Surplus Lines Brokers - Disclosure and Notification**
3 **Requirements**

4 FOR the purpose of repealing a provision that allows surplus lines brokers to recover
5 the cost of certain inspections under certain circumstances; requiring surplus
6 lines brokers to make certain written disclosures of certain compensation and
7 any financial interest in certain persons performing certain inspections;
8 requiring surplus lines brokers to notify prospective insureds of the option to
9 obtain certain inspections from certain persons who meet certain requirements;
10 and generally relating to disclosure requirements for surplus lines brokers.

11 BY repealing and reenacting, with amendments,
12 Article - Insurance
13 Section 27-216(d)
14 Annotated Code of Maryland
15 (1997 Volume and 2001 Supplement)

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

18 **Article - Insurance**

19 27-216.

20 (d) (1) Notwithstanding subsection (a) of this section, a surplus lines broker
21 that holds a certificate of qualification under Title 3, Subtitle 3 of this article may
22 charge a reasonable policy fee not exceeding:

1 (i) \$100 on each personal lines policy procured by a licensed
2 insurance producer to whom the surplus lines broker pays a commission; or

3 (ii) \$250 on each commercial lines policy procured by a licensed
4 insurance producer to whom the surplus lines broker pays a commission.

5 (2) The policy fee charged in accordance with this subsection must be
6 reasonably related to the cost of underwriting, issuing, processing, and servicing the
7 policy by the surplus lines broker for the surplus lines insurer.

8 (3) Notwithstanding subsection (a) of this section, a surplus lines broker
9 that holds a certificate of qualification under Title 3, Subtitle 3 of this article may
10 recoup from the prospective insured the actual cost of an inspection required for the
11 placement of surplus lines insurance if:

12 (i) the inspection is required by the surplus lines insurer;

13 (ii) the cost of the inspection is actually incurred by the surplus
14 lines broker and not retained by the surplus lines broker; AND

15 (iii) [the surplus lines broker does not have a financial interest in
16 and does not receive compensation from the person that performs the inspection; and

17 (iv)] the cost of the inspection is documented and verifiable.

18 (4) Regardless of the number of insurers participating on a risk:

19 (i) only one inspection fee may be charged to recoup the actual cost
20 of an inspection under paragraph (3) of this subsection for each policy or certificate of
21 coverage; and

22 (ii) only one policy fee may be charged under paragraph (1) of this
23 subsection for each policy or certificate of coverage.

24 (5) On a form approved by the Commissioner, the surplus lines broker
25 shall:

26 (I) make a clear and conspicuous written disclosure of:

27 [(i)] 1. any inspection fee;

28 [(ii)] 2. the total amount of the policy fee; [and]

29 [(iii)] 3. the premium tax on the policy; ~~AND~~

30 4. ANY FINANCIAL INTEREST IN THE PERSON PERFORMING
31 THE INSPECTION, IF APPLICABLE; AND

32 5. WHETHER THE SURPLUS LINES BROKER WILL RECEIVE
33 COMPENSATION FROM THE PERSON THAT PERFORMS THE INSPECTION; AND

1 (II) NOTIFY THE PROSPECTIVE INSURED OF THE OPTION TO
2 OBTAIN THE INSPECTION FROM ANOTHER PERSON WHO MEETS THE REQUIREMENTS
3 OF OR IS APPROVED BY THE SURPLUS LINES INSURER.

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 October 1, 2002.