

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 726
Economic Matters

(Delegate Barve)

Finance

Insurance - Surplus Lines Brokers - Disclosure and Notification Requirements

This bill repeals the requirement that a surplus lines broker, as a condition to recoup the cost of an inspection required for the placement of surplus lines insurance from the prospective insured, not have a financial interest in or receive compensation from the person who performs the inspection.

The bill requires a surplus lines broker to provide written disclosure of: (1) any financial interest in the person performing the inspection; and (2) whether the broker will receive compensation from the person who performs the inspection. The broker must also notify the prospective insured that the insured has the option to obtain the inspection from another person, subject to the approval of the surplus lines insurer.

Fiscal Summary

State Effect: Assuming the number of complaints received because of the bill is small, any increase could be handled with the existing resources of the Maryland Insurance Administration. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, a person may not collect a premium or other charge for insurance if the insurance is not then provided or to be provided subject to acceptance of

the risk by the insurer. However, a surplus lines broker may charge a fee of up to \$100 on a personal lines policy or \$250 on a commercial lines policy procured by a licensed insurance producer to whom the broker pays a commission.

A surplus lines broker may recoup from a prospective insured the actual cost of an inspection required for the placement of surplus lines insurance if: (1) the inspection is required by the surplus lines insurer; (2) the cost is actually incurred by the broker and not retained by the broker; (3) the broker does not have a financial interest in and does not receive compensation from the person who performs the inspection; and (4) the cost of the inspection is documented and verifiable.

A surplus lines broker must disclose, in writing: (1) any inspection fee; (2) the total amount of the policy fee; and (3) the premium tax on the policy.

Additional Information

Prior Introductions: None.

Cross File: SB 366 (Senator DeGrange) – Finance.

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

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