

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 167

(Senator Astle)

Finance

Economic Matters

Insurance - Premium Finance Agreements

This bill authorizes a premium finance agreement, in addition to financing the premium of a surplus lines insurance contract, to finance: (1) the premium receipts tax applicable to a surplus lines broker; (2) an authorized policy fee; and (3) an authorized inspection fee.

The bill specifies that the finance charge includes any taxes or fees that are financed in the agreement.

Fiscal Summary

State Effect: Any increase in complaints caused by the bill could be handled with the existing budgeted resources of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The premiums charged for surplus lines insurance are subject to a 3% premium receipts tax on all gross premiums, less any returned premiums. The surplus lines broker must charge the amount of the tax to the insured upon delivery of the initial confirmation of insurance. A surplus lines broker may charge a fee of up to \$100 for each personal lines policy and up to \$250 for each commercial lines policy procured by an insurance producer to whom the broker pays a commission. The policy fee must be

reasonably related to the cost of underwriting, issuing, processing, and servicing the policy by the surplus lines broker for the surplus lines insurer. A surplus lines broker may also charge an inspection fee to recoup the actual cost of inspection required for the placement of surplus lines insurance if: (1) the inspection is required by the surplus lines insurer; (2) the inspection's cost is actually incurred by and not retained by the surplus lines broker; and (3) the inspection's cost is documented and verifiable.

Background: Surplus lines insurance is the full amount or kind of insurance needed to protect the interest of the insured that: (1) cannot be obtained from an authorized insurer; or (2) for insurance to provide coverage against liability for certain medical malpractice claims, cannot be obtained from three or more authorized medical malpractice insurers.

Additional Information

Prior Introductions: None.

Cross File: HB 717 (Delegate Barve, *et al.*) – Economic Matters.

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

Fiscal Note History: First Reader - February 20, 2003
ncs/jr

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