

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 390
Economic Matters

(Delegate Moe)

Finance

Insurance - Surplus Lines Insurance - Authorized Procurement

This bill repeals the requirement that a condominium association be treated as residential property for purposes of surplus lines insurance. The bill also authorizes a licensed insurance producer to give an inured notice of possible availability of comparable types of insurance written by authorized insurers.

Fiscal Summary

State Effect: The bill would not directly affect the finances or operations of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Generally, surplus lines insurance may be procured from an insurer without a certificate of authority from the Maryland Insurance Commissioner if the surplus lines insurance is not procured: (1) solely to obtain a lower premium than would be accepted by an authorized insurer or more favorable terms under the insurance contract; or (2) to replace coverage on residential property, including coverage for condominium associations, which is insured by an authorized insurer and for which a renewal offer has been made on substantially the same terms and conditions as the current coverage.

Surplus lines insurance must be procured through a qualified surplus lines broker, if a broker is used. A diligent search must be made to insure the risk through authorized insurers. Except for specified medical malpractice insurance, the amount of surplus lines insurance is only the excess over the amount that can be obtained from authorized insurers.

Surplus lines insurance may be offered with a lower premium rate or more favorable contract terms under specified conditions.

Even if on the renewal date three or more authorized insurers are writing the kind and class of insurance required by the insured, a risk initially eligible for surplus lines insurance may be renewed on a surplus lines basis if the surplus lines insurer or broker gives the insured notice of the availability of comparable types of insurance under specified circumstances.

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: SB 832 (Senator Astle) – Finance.

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

Fiscal Note History: First Reader - February 9, 2005
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