

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 519
Economic Matters

(Delegate Moe)

Finance

Insurance - Surplus Lines Insurance - Diligent Search

This bill provides that for the purpose of satisfying the diligent search requirement applicable to the procurement of surplus lines insurance, the search is deemed complete if the insured, surplus lines broker, or insurance producer obtains declinations from three authorized insurers that: (1) write the particular kind and class of insurance in the State; and (2) have an A.M. Best Company financial rating of better than “C” or equivalent rating from an independent rating organization approved by the Maryland Insurance Commissioner. A diligent search is also deemed complete if the insured, surplus lines broker, or insurance producer: (1) is unable, in good faith, to secure quotes from three authorized insurers writing the particular kind and class of insurance in the State with a financial rating of better than “C”; and (2) a description of the efforts to secure a quote is included in the affidavit that must be filed with the Commissioner.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, in addition to other requirements, in order to procure surplus lines insurance, a person must make a diligent search among the authorized insurers that

are writing the particular kind and class of insurance in the State. In order to satisfy the diligent search requirement, the insured, the surplus lines broker, or insurance producer must be declined in writing from three authorized insurers writing that class of risk. These documents must be included in the affidavit filed with the Maryland Insurance Commissioner by the surplus lines broker or insurance producer at the time the insurance is placed.

If the surplus lines insurance is procured through an insurance producer, the insurance producer must be declined from each insurer for which the producer has been appointed and the producer knows or should know is actually writing the particular kind and class of insurance.

A diligent search may not be required for coverages on a list of eligible surplus lines coverages compiled by the Commissioner or if the diligent search is waived by a commercial insured under a process determined by the Commissioner.

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: None.

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

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