

SENATE BILL 1006

C4

2lr3263

By: **Senator Middleton**

Introduced and read first time: February 17, 2012

Assigned to: Rules

Re-referred to: Finance, February 27, 2012

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 23, 2012

CHAPTER _____

1 AN ACT concerning

2 **Maryland Automobile Insurance Fund – Fund Producers – Commissions**

3 FOR the purpose of altering the commission the Maryland Automobile Insurance
4 Fund is required to pay to a fund producer of a policyholder to whom a private
5 passenger auto insurance policy is issued by the Fund; requiring the Fund, on
6 or before a certain date to report to certain legislative committees on certain
7 information concerning the implementation of a certain commission payment
8 structure; and generally relating to commissions paid to fund producers by the
9 Maryland Automobile Insurance Fund.

10 BY repealing and reenacting, with amendments,
11 Article – Insurance
12 Section 20–512
13 Annotated Code of Maryland
14 (2011 Replacement Volume)

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

17 **Article – Insurance**

18 20–512.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (a) Except as provided in subsection (b) of this section, the Fund shall pay to
2 a fund producer of a policyholder to whom a policy is issued a commission:

3 (1) for private passenger auto insurance issued by the Fund, at a rate
4 **[of 10%] DETERMINED BY THE FUND BUT NOT LESS THAN 10% AND NOT TO**
5 **EXCEED 15%** of the total premium; and

6 (2) for any other insurance issued by the Fund, at a rate determined
7 by the Fund but not to exceed 10% of the total premium.

8 (b) The Fund may not pay a commission:

9 (1) on a fully earned basis;

10 (2) if a prospective insured fails to qualify under § 20–502 of this
11 subtitle; or

12 (3) if a prospective insured's initial payment to the Fund, a fund
13 producer, or premium finance company is not honored.

14 (c) If a policy issued by the Fund is canceled, the Fund shall refund any
15 unearned commissions.

16 SECTION 2. AND BE IT FURTHER ENACTED, That:

17 (a) On or before October 1, 2014, the Maryland Automobile Insurance Fund
18 shall report, in accordance with § 2–1246 of the State Government Article, to the
19 Senate Finance Committee and the House Economic Matters Committee on the Fund's
20 implementation of a commission payment structure that provides commissions of at
21 least 10%, but not more than 15%, to fund producers.

22 (b) The report shall provide information on whether and how the commission
23 payment structure has:

24 (i) incentivized fund producers to use advanced electronic technology
25 in issuing and administering Fund policies, including the number of fund producers
26 using the advanced electronic technology since the inception of the commission
27 payment structure;

28 (ii) incentivized fund producers to devote additional resources for
29 retaining current policyholders, reaching out to policyholders who had canceled
30 midterm or did not rewrite, and marketing to uninsured motorists;

31 (iii) resulted in a savings in administrative costs for the Fund,
32 including the functions and services performed by fund producers intended to achieve
33 the savings; and

1 (iv) resulted in fewer uninsured motorists in the State, including the
2 functions and services performed by fund producers intended to reduce the number of
3 uninsured motorists, the number of uninsured motorists who obtained insurance from
4 the Fund since the inception of the commission payment structure, and any efforts by
5 the Fund to identify uninsured motorists.

6 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take
7 effect ~~October~~ July 1, 2012.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.