

Chapter 336

(Senate Bill 1006)

AN ACT concerning

Maryland Automobile Insurance Fund – Fund Producers – Commissions

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

BY repealing and reenacting, with amendments,

Article – Insurance

Section 20–512

Annotated Code of Maryland

(2011 Replacement Volume)

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

Article – Insurance

20–512.

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

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

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

(b) The Fund may not pay a commission:

(1) on a fully earned basis;

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

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That:

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

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

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

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

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

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

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

Approved by the Governor, May 2, 2012.