

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 572
Finance

(Senator Klausmeier)

Economic Matters

Insurance - Surplus Lines Brokers - Policy Fees

This bill increases the maximum policy fee that may be charged by a surplus lines broker and clarifies that a surplus lines broker may charge a reasonable policy fee on a policy issued to a specified exempt commercial policyholder.

Fiscal Summary

State Effect: The bill does not directly affect State operations or finances.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary/Current Law:

Surplus Lines – Broker Fees

The Insurance Article prohibits any person from collecting a premium or charge for insurance that exceeds or is less than the premium or charge applicable to the insurance policy; however, there are some exceptions. An authorized surplus lines broker may charge a reasonable policy fee (meaning one that is reasonably related to the cost of underwriting, issuing, processing, and servicing the policy) on a policy issued by a surplus lines insurer; however, that fee may not exceed \$100 on each personal lines policy or \$250 on each commercial lines policy. A surplus lines broker that holds a certificate of qualification and

a license as an insurance producer may charge a reasonable policy fee of up to \$250 on each commercial lines policy, as specified.

Under the bill, the fee may not exceed (1) \$200 on each personal lines policy or (2) \$500 or 7% of the policy premium, whichever is greater, on each commercial lines policy. Additionally, a surplus lines broker that holds a certificate of qualification and a license as an insurance producer may charge a reasonable policy fee of up to \$500 or 7% of the policy premium, whichever is greater, on each commercial lines policy, as specified.

Surplus Lines – Generally

The Insurance Article authorizes the purchase of insurance from an unauthorized insurer as a surplus line if specified conditions are met. Primarily, the type of insurance being sought must not be available in the State. Surplus lines insurance can be purchased through a person certified by the Insurance Commissioner as a surplus lines broker. An applicant for the certificate must qualify as an insurance producer for property and casualty insurance and be deemed competent and trustworthy, as determined by the Commissioner.

Small Business Effect: Small business surplus lines brokers are likely to benefit from the higher cap on the fees they can charge for the services they provide to policyholders.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 563 (Delegate Carey) - Economic Matters.

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

Fiscal Note History: First Reader - February 10, 2022
fnu2/jc Third Reader - March 16, 2022
Revised - Amendment(s) - March 16, 2022

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