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.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 572 (Senator Klausmeier) - Finance.

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

**Fiscal Note History:**

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