

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

House Bill 563  
Economic Matters

(Delegate Carey)

Finance

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**Insurance - Surplus Lines Brokers - Policy Fees**

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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.

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**Fiscal Summary**

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

**Local Effect:** None.

**Small Business Effect:** Meaningful.

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**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:** First Reader - February 10, 2022  
js/jc Third Reader - March 21, 2022

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