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KATHLEEN A. BIRrane
Commissioner

GREGORY M. DERWART
Deputy Commissioner

BULLETIN 22-09 (REVISED)

DATE: August 23, 2022

TO: All qualified surplus lines brokers

RE: Senate Bill 572 / House Bill 563 (Chapters 724 and 723, Acts 2022)
Insurance – Surplus Lines Brokers – Policy Fees

Senate Bill 572 / House Bill 563, which passed during the 2022 legislative session, becomes effective as of October 1, 2022. The bill amends § 27-216 of the Insurance Article, Annotated Code of Maryland by allowing:

- 1) a qualified surplus lines broker to charge a reasonable policy fee on a policy issued by a surplus lines insurer to an exempt commercial policyholder;
- 2) a qualified surplus lines broker to charge a reasonable policy fee not exceeding \$200 on each personal lines policy issued by a surplus lines insurer; and,
- 3) a qualified surplus lines broker to charge a reasonable policy fee not exceeding \$500 or 7% of the policy premium, whichever is greater, on each commercial lines policy issued by a surplus lines broker.

In all instances, the policy fee charged must be reasonably related to the cost of underwriting, issuing, processing, and servicing the policy by the surplus lines broker for the surplus lines insurer.

Qualified surplus lines brokers are required to complete and submit the Surplus Lines Quarterly Report, available on our website, within 45-days after the end of each calendar quarter. In order for the Insurance Administration to track and analyze the impact on our surplus lines market from the passage of SB 572 / HB 563, the Insurance Administration is adding a new column to the Surplus Lines Quarterly Report for brokers to identify the policy fee amount associated with each policy. As noted in our Bulletin #17-18, issued on December 19, 2017, fees that are charged and retained by the surplus lines broker for the placement of coverage in the surplus lines market are not considered part of the premium for premium taxation purposes, but instead are considered income for the broker. Any fees associated with the policy that are charged and

retained by the insurer must be included in the Quarterly report in the gross premium column for premium tax purposes.

Although an increased fee authorized by the passage of SB 572 / HB 563 may not be charged on policies issued prior to the effective date of October 1, 2022, the Insurance Administration expects brokers to complete the new policy fee amount column for each policy beginning with the Surplus Lines Quarterly Report submitted for the 3rd quarter of 2022, which must be submitted by November 15, 2022.

Please contact the Associate Commissioner for Property & Casualty, Robert Baron (robert.baron@maryland.gov / 410.468.2353) or the Director of Company Licensing, Victoria Claros (victoria.claros@maryland.gov / 410.468.2134) with any questions.

Kathleen A. Birrane
Commissioner

By: SIGNATURE ON ORIGINAL

Robert Baron
Associate Commissioner,
Property and Casualty