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KATHLEEN A. BIRrane
Commissioner

GREGORY M. DERWART
Deputy Commissioner

BULLETIN 22-09

DATE: July 12, 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 to allow 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. Additionally, the bill allows 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. The bill also allows 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. Pursuant to § 1-101 (ff) of the Insurance Article, policy fees are included within the gross premium for premium tax calculation purposes. 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. Brokers will continue to include the policy fee amount in the column for each policy's gross premium.

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