



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 2096

PRINTER'S NO. 2677

PRIME SPONSOR: Warren

### COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
Insurance Regulation and Oversight Fund	\$0	\$0

#### SUMMARY:

House Bill 2096 Printer's Number 2677 adds a new section that allows a surplus lines licensee to charge a service fee for the placement of a surplus lines insurance policy.

#### ANALYSIS:

This legislation amends Act 284 of 1921, known as the Insurance Company Law of 1921, to add a section related to Surplus Lines Insurance that allows a surplus lines licensee to charge a service fee for the placement of a surplus lines insurance policy in addition to the commission receive from the surplus lines insurer. This fee must be reasonable in relation to the cost of underwriting, issuing and processing the policy. For personal lines insurance policies, the service fee cannot exceed the greater of \$150 or 4 percent of the policy premium. The Insurance Commissioner may increase these amounts through public notice.

In advance of placing the policy, the surplus lines licensee must disclose the amount of the service fee, the amount of the inspection fee, the amount of premium tax due on the policy, an itemization of the fee charged for each service, and the amount of compensation payable to the licensee from the entity completing the inspection and ownership interest of the licensee in the entity completing the inspection.

The surplus lines licensee may recoup from the prospective insured party the actual cost of any inspection required for the placement of surplus lines insurance if the inspection is required and the cost of the inspection is actually incurred by the licensee, not retained by the licensee, and documented and verifiable.

The surplus lines licensee must include in their monthly reports to the Insurance Department documenting all surplus lines insurance transacted during the prior month the amount of service fees charged for each surplus lines insurance policy issued.

This legislation will take effect in 60 days.

#### FISCAL IMPACT:

The Department of Insurance has the responsibility to ensure that surplus lines licensees comply with the requirements included in this legislation. Currently, the department does not anticipate an increase in administrative costs as a result of this legislation, which are funded through the Insurance Regulation and Oversight Fund. Therefore, there is no fiscal impact to the commonwealth.

**PREPARED BY:** Mara Perez, Senior Budget Analyst

House Appropriations Committee (D)

**DATE:** April 29, 2024

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*