

House Bill 5174 (Substitute H-1 as reported without amendment)

Sponsor: Representative Daire Rendon

House Committee: Insurance

Ways and Means

Senate Committee: Insurance and Banking

CONTENT

The bill would amend Chapter 19 (Surplus Lines Insurance Act) of the Insurance Code to modify the fees that a holder of a license to act as an agent or broker of surplus lines insurance could charge to cover certain costs.

The Code specifies that a licensee may not charge, in addition to a premium charged by an unauthorized insurer, a fee to cover the costs incurred in the placement of the indemnity that exceeds \$50, unless certain conditions are met. A fee may not be excessive or discriminatory. The licensee must maintain complete documentation of all fees charged. Those fees may not be included as part of the policy premium in the computation of premium taxes. The \$50 fee described above must be adjusted June 1, 2008, and annually after that to reflect the percentage of change in the Consumer Price Index.

The bill would delete these provisions. Instead, a licensee could charge a fee as follows:

- For a surplus lines insurance policy, a fee in addition to a commission only if the fee were not included in the premium and the fee was reasonable to cover underwriting and other expenses that were unique to surplus lines.
- For a personal lines insurance policy, a fee not exceeding the greater of \$100 or 10% of the premium.

All of the following would apply to a fee charged as described above: a) the fee could not be excessive or discriminatory, and the licensee would have to maintain complete documentation of all fees charged and evidence of the disclosure required (described below), b) the fee could not be included as a part of the policy premium in the computation of premium taxes, and c) the fee would have to be fully disclosed in detail to the insured, whether directly or through another licensed insurance producer, in writing before the sale.

The fee would have to be separately itemized on any of the following: a) the policy declarations page, b) the billing statement, or c) other documentation provided to the purchaser setting forth the cost of the policy.

MCL 500.1915

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 2-24-20

Fiscal Analyst: Elizabeth Raczkowski

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Bill Analysis @ www.senate.michigan.gov/sfa

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