



Senate Fiscal Agency
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House Bill 5174 (Substitute H-1 as passed by the House)
Sponsor: Representative Daire Rendon
House Committee: Insurance
 Ways and Means
Senate Committee: Insurance and Banking

Date Completed: 2-4-20

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 both of the following conditions are met:

- The fee is filed with the Director of the Department of Insurance and Financial Services and not disapproved by the Director within 30 days of the date it is filed.
- The fee exceeds \$50 only to the extent that the actual additional costs incurred for services performed by people or entities related to the licensee that exceed that amount.

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. "Consumer price index" means the consumer price index for all urban consumers in the United States city average for all items, as most recently reported by the U.S. Department of Labor, Bureau of Labor Statistics, and as certified by the Commission in an administrative bulletin.

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:

- 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)
- The fee could not be included as a part of the policy premium in the computation of premium taxes.
- 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:

- The policy declarations page.
- The billing statement.
- 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.

Fiscal Analyst: Elizabeth Raczkowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.