

**PROGRAM DIVISION  
BULLETIN**

2006-13

May 19, 2006

**Reminder – Policy Fees/Broker Fees/Installment Fees**

Because of regulatory investigations that have taken place over the past several months, we want to remind all Program Administrators of their responsibilities with respect to policy fees, broker fees and installment fees.

In some states, a **broker fee** may be collected for administrative expenses incurred by the broker. Where permitted, such fees must be reasonable and must relate to the actual costs incurred. **ANY BROKER FEES MUST NOT APPEAR ON THE DECLARATIONS PAGE OF THE POLICY AND ARE NOT TO BE COMBINED WITH ANY PREMIUMS.**

**In the case of admitted business, policy and installment fees** collected on behalf of the insurance company are considered taxable premium, and both must be included as part of the rate filing with the relevant state.

- **Policy fees** must be disclosed to the insured on the policy declarations page but any fees collected and retained by the broker should not be indicated on the policy declarations page.
- **Installment fees** should be clearly labeled on any invoice sent to the policyholder.

Some states may require a broker to disclose any fees charged by that broker to the insured in a separate agreement. The rules vary by state. For example, broker fees may not be charged in a number of states for the mere placement of insurance. **In many states, for admitted business, broker/agent fees must be filed and approved by the Department of Insurance.** Therefore, the law of the relevant state should be considered before issuing a policy in that state.

**It is the responsibility of the Program Administrator to review the laws of the states in which the Program Administrator operates to ensure compliance.**

If you have any questions, please contact your Program Manager.

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