THE COMMONWEALTH OF MASSACHUSETTS
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LINDA RUTHARDT
COMMISSIONER

BULLETIN NO. B94-06

TO: All Brokers
FROM: Linda L. Ruthardt, Commissioner of Insurance
RE: Insurance Inspection Fees and Invoices
DATE: October 5 , 1994

It has been brought to the attention of the Division of Insurance ("the Division") that some confusion exists among brokers regarding the Division's position on inspection fees and on record retention requirements for documents relating to inspection fees which are billed to consumers.

We understand that some insurers may require an inspection of premises to be insured. To clarify the Division's position on inspection fees, the consumer may only be charged the actual fee; no additional charges ("service", "handling", "administrative", etc.) may be added to the actual inspection fee and passed along to the consumer. In addition, actual inspection fees may only be passed on to the consumer if the inspection is performed by a qualified third party at the request of the insurer and if the consumer is notified, before the application is taken, of: 1) the inspection requirement; 2) the estimated cost; and 3) the fact that the consumer will be charged for the inspection. This information enables consumers to make realistic comparisons of the cost of insurance.

To clarify the Division's record retention requirements for documents relating to inspection fees which are billed to consumers, the Division requires the broker who bills the consumer for the inspection fee to retain in its files a copy of the invoice from the inspection company. If the inspection company invoices a broker who does not bill the consumer (such as a surplus lines broker), that broker should retain a copy of the invoice in its file and forward the invoice to the billing broker. Each broker, whether at the wholesale or retail level, who receives or transmits the original inspection fee invoice must keep a copy; in this way, consumers may have convenient access to information on the cost of inspection, and the Division may efficiently conduct its statutorily authorized examinations and audits of brokers (such as those done by its Surplus Lines Unit) to ensure compliance with its requirements.

We hope that this bulletin clarifies this matter. If you have any questions, please contact George Hooper, Director of Surplus Lines, at (617) 521-7401.