

1 HB419
2 191310-2
3 By Representative South
4 RFD: Insurance
5 First Read: 15-FEB-18

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8 SYNOPSIS: This bill would recognize and clarify that,
9 under existing law, self-service storage facilities
10 are not engaged in the transaction of insurance
11 business when they provide certain coverages for
12 personal property in connection with and incidental
13 to the rental of storage space in a self-service
14 storage facility.

15 This bill would provide for a limited
16 license as an insurance agent for a self-service
17 storage facility authorizing the sale of insurance
18 related to the rental of storage space at a
19 self-service storage facility.

20
21 A BILL
22 TO BE ENTITLED
23 AN ACT
24

25 Relating to insurance; to clarify that self-service
26 storage facilities are not engaged in the transaction of
27 insurance business under existing law; to amend Section

1 27-7-1, Code of Alabama 1975, to include self-service storage
2 facility insurance within the definition of limited lines
3 insurance; and to add Section 27-7-5.3 to the Code of Alabama
4 1975, to provide for a limited license as an insurance agent
5 to self-service storage facilities.

6 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

7 Section 1. Section 27-7-1 of the Code of Alabama
8 1975, is amended to read as follows:

9 "§27-7-1.

10 "For the purposes of this chapter, the following
11 terms shall have the meanings respectively ascribed to them by
12 this section:

13 "(1) BUSINESS ENTITY. A corporation, association,
14 partnership, limited liability company, limited liability
15 partnership, or other legal entity.

16 "(2) COMMISSIONER. The Alabama Commissioner of
17 Insurance.

18 "(3) HOME STATE. The District of Columbia and any
19 state or territory of the United States in which an insurance
20 producer maintains his or her principal place of residence or
21 principal place of business and is licensed to act as an
22 insurance producer.

23 "(4) INSURANCE. As defined in Section 27-1-2.

24 "(5) INSURANCE PRODUCER or PRODUCER. A person
25 required to be licensed under the laws of this state to sell,
26 solicit, or negotiate insurance.

1 "(6) INSURER. As defined in Section 27-1-2. For the
2 purposes of this chapter, insurer shall also mean an insurance
3 company licensed pursuant to Chapter 3, commencing with
4 Section 27-3-1 of this title; a health care service plan
5 licensed pursuant to Article 6, commencing with Section
6 10A-20-6.01 of Chapter 20 of Title 10A; a dental service
7 corporation licensed pursuant to Article 12, commencing with
8 Section 22-21-360 of Chapter 21 of Title 22; a health
9 maintenance organization licensed pursuant to Chapter 21A,
10 commencing with Section 27-21A-1 of this title; a mutual aid
11 association licensed pursuant to Chapter 30, commencing with
12 Section 27-30-1 of this title; a fraternal benefit society
13 licensed pursuant to Chapter 34, commencing with Section
14 27-34-1 of this title; an automobile club or association
15 licensed pursuant to Chapter 39, commencing with Section
16 27-39-1 of this title; and a legal service insurance
17 corporation licensed pursuant to Chapter 43, commencing with
18 Section 27-43-1 of this title.

19 "(7) LICENSE. A document issued by the commissioner
20 authorizing a person to act as an insurance producer for the
21 lines of authority specified in the document. The license
22 itself does not create any authority, actual, apparent, or
23 inherent, in the holder to represent or commit an insurance
24 carrier.

25 "(8) LICENSEE. A producer or service representative
26 licensed in accordance with this chapter; a reinsurance
27 intermediary licensed in accordance with Chapter 5A; a

1 managing general agent licensed in accordance with Chapter 6A;
2 and a surplus line broker licensed in accordance with Chapter
3 10.

4 "(9) LICENSEE PENALTIES. For a producer or service
5 representative licensed in accordance with this chapter, the
6 penalties set forth in Section 27-7-19; for a reinsurance
7 intermediary licensed in accordance with Chapter 5A, the
8 penalties set forth in Section 27-5A-11; for a managing
9 general agent licensed in accordance with Chapter 6A, the
10 penalties set forth in Section 27-6A-7; and for a surplus line
11 broker licensed in accordance with Chapter 10, the penalties
12 set forth in Section 27-10-32.

13 "(10) LIFE LINES OF AUTHORITY. Any one or more of
14 the following lines as defined in Section 27-7-14.1: Life;
15 accident and health or sickness, also known as disability; and
16 variable life and variable annuity products.

17 "(11) LIMITED LINE CREDIT INSURANCE. Credit life,
18 credit disability, credit property, credit unemployment,
19 creditor-placed, also known as forced-placed, nonfiling,
20 involuntary unemployment, mortgage life, mortgage guaranty,
21 mortgage disability, guaranteed automobile protection (GAP),
22 family and medical leave insurance, and any other form of
23 insurance offered in connection with an extension of credit
24 that is limited to partially or wholly extinguishing that
25 credit obligation that the commissioner determines should be
26 designated a form of limited line credit insurance.

1 "(12) LIMITED LINE CREDIT INSURANCE PRODUCER. A
2 person who sells, solicits, or negotiates one or more forms of
3 limited line credit insurance coverage to individuals through
4 a master, corporate, group, or individual policy.

5 "(13) LIMITED LINES INSURANCE. Limited line credit
6 insurance, insurance on rental vehicles as defined in Section
7 27-7-5.1, travel insurance as defined in Section 27-7-5.2,
8 self-service storage facility insurance as defined in Section
9 27-7-5.3, crop insurance as defined in Section 27-7-14.1,
10 portable electronics insurance as defined in Chapter 22A, and
11 any other line of insurance that the commissioner deems
12 necessary to recognize for the purposes of complying with
13 subsection (e) of Section 27-7-28.

14 "(14) LIMITED LINES PRODUCER. A person authorized by
15 the commissioner to sell, solicit, or negotiate limited lines
16 insurance.

17 "(15) NAIC. The National Association of Insurance
18 Commissioners.

19 "(16) NEGOTIATE. The act of conferring directly with
20 or offering advice directly to a purchaser or prospective
21 purchaser of a particular contract of insurance concerning any
22 of the substantive benefits, terms, or conditions of the
23 contract, provided that the person engaged in that act either
24 sells insurance or obtains insurance from insurers for
25 purchasers.

26 "(17) PERSON. An individual or a business entity.

1 "(18) PROPERTY LINES OF AUTHORITY. Any one or more
2 of the following lines as defined in Section 27-7-14.1:
3 Property; casualty; and personal lines.

4 "(19) SELL. To exchange a contract of insurance by
5 any means, for money or its equivalent, on behalf of an
6 insurance company.

7 "(20) SERVICE REPRESENTATIVE. A natural person,
8 other than an officer, manager, or managing general agent of
9 the insurer, employed on salary or at an hourly rate by an
10 insurer, managing general agent, or a captive producer to work
11 for, with or through producers in selling, soliciting, or
12 negotiating insurance in the insurer or in the insurers
13 represented by the managing general agent or a captive
14 producer, but only in the property lines of authority.
15 Officers and salaried nonresident traveling representatives of
16 a mutual insurer operating on the premium deposit plan or of a
17 reciprocal insurer not using resident producers for the
18 solicitation of business who inspect risks or solicit
19 insurance in this state and who receive no commissions from
20 the insurer shall be deemed also to be service
21 representatives. A service representative shall otherwise
22 qualify and be licensed as a service representative under this
23 chapter, but shall not be required to take and pass an
24 examination nor be a resident of Alabama if qualified as a
25 service representative in the state of his or her domicile.
26 The service representative must be appointed for each insurer

1 or association of insurers represented and for each class of
2 insurance handled by the insurer or insurers in this state.

3 "(21) SOLICIT. Attempting to sell insurance or
4 asking or urging a person to apply for a particular kind of
5 insurance from a particular company.

6 "(22) TERMINATE. The cancellation of the
7 relationship between an insurance producer and the insurer or
8 the termination of a producer's authority to transact
9 insurance.

10 "(23) UNIFORM BUSINESS ENTITY APPLICATION. The
11 current version of the NAIC Uniform Business Entity
12 Application for resident and nonresident business entities.

13 "(24) UNIFORM APPLICATION. The current version of
14 the NAIC Uniform Application for resident and nonresident
15 producer licensing."

16 Section 2. Section 27-7-5.3 is added to the Code of
17 Alabama 1975, to read as follows:

18 §27-7-5.3.

19 (a) As used in this section, the following terms
20 shall have the following meanings:

21 (1) LIMITED LICENSEE. A person or entity authorized
22 to sell certain coverages for personal property maintained in
23 self-service storage facilities pursuant to this section.

24 (2) OCCUPANT. A person, his or her sublessee,
25 successor, or assign entitled to the use of storage space at a
26 self-service storage facility under a rental agreement, to the
27 exclusion of others.

1 (3) OWNER. The owner, operator, lessor, or sublessor
2 of a self-service storage facility, his or her agent, or any
3 other person authorized by him or her to manage the
4 self-service storage facility or to receive rent from an
5 occupant under a rental agreement.

6 (4) PERSONAL PROPERTY. Any movable property not
7 affixed to land including, but not limited to, goods, wares,
8 merchandise, motor vehicles, watercraft, and household items
9 and furnishings.

10 (5) RENTAL AGREEMENT. Any agreement or lease,
11 written or oral, that establishes or modifies the terms,
12 conditions, rules, or any other provisions concerning the use
13 and occupancy of storage space at a self-service storage
14 facility.

15 (6) SELF-SERVICE STORAGE FACILITY. Any real property
16 designed and used for the purpose of renting or leasing
17 individual storage space to occupants who are to have access
18 to the facility for the purpose of storing and removing
19 personal property and not for residential purposes. The term
20 does not include a safe-deposit box or vault maintained by
21 banks, trust companies, or other financial entities or a
22 public warehouse within the meaning of Article 1, commencing
23 with Section 8-15-1, of Chapter 15, Title 8.

24 (7) SUPERVISING ENTITY. Any business entity that is
25 a licensed insurance producer or insurer.

26 (b) Any other provision of law to the contrary
27 notwithstanding, the commissioner may issue to an owner that

1 is in compliance with the requirements of this section a
2 limited license authorizing the limited licensee to offer,
3 sell, solicit, or negotiate insurance through a licensed
4 insurer in connection with a self-service storage facility.

5 (c) All limited licensees shall be exempt from the
6 40-hour pre-qualification course and written examination
7 requirements of Section 27-7-5, and the continuing education
8 requirements of Chapter 8A.

9 (d) A limited licensee may offer, sell, solicit, or
10 negotiate insurance on behalf of a licensed insurer, or as
11 part of a group, commercial, or master policy to provide
12 insurance for that limited licensee's occupants, only in
13 connection with a rental agreement, and only for either an
14 individual policy issued to an individual occupant or as a
15 group, commercial, or master policy for occupants for personal
16 property insurance. A limited licensee shall only be
17 authorized to provide to occupants insurance coverage for the
18 following:

19 (1) The loss of or damage to personal property
20 stored at a self-service storage facility where the loss or
21 damage occurs at the self-service storage facility or while
22 the personal property is in transit to or from the
23 self-service storage facility during the time period covered
24 by the occupant's rental agreement.

25 (2) Other loss directly related to an occupant's
26 rental agreement.

1 (e) No insurance may be issued by a limited licensee
2 pursuant to this section unless the limited licensee provides
3 to a prospective purchaser written material that provides all
4 of the following:

5 (1) A summary of the terms of insurance coverage,
6 including the identity of the insurer.

7 (2) A conspicuous disclosure that the policy of
8 insurance may provide a duplication of coverage already
9 provided by an existing policy of insurance.

10 (3) A description of the process for filing a claim
11 in the event the occupant elects to purchase coverage and
12 experiences a covered loss.

13 (4) Information regarding the price, deductible,
14 benefits, exclusions, conditions, and any other limitations of
15 the policy.

16 (5) A statement that the purchase by the occupant of
17 the kinds of coverage specified in this section from the
18 limited licensee is not required in order to rent storage
19 space.

20 (6) A statement that the limited licensee is not
21 authorized to evaluate the adequacy of the occupant's existing
22 insurance coverages, unless the limited licensee is otherwise
23 licensed.

24 (7) A statement that the occupant may cancel the
25 insurance at any time, and any unearned premium shall be
26 refunded in accordance with applicable law.

1 (f) Any other provision of law to the contrary
2 notwithstanding, if the kinds of coverage described in this
3 section are required as a condition of a rental agreement,
4 that requirement may be satisfied by an occupant or a
5 prospective occupant:

6 (1) Purchasing coverage that is offered, sold,
7 solicited, or negotiated by the limited licensee; or

8 (2) Presenting to the self-service storage facility
9 evidence of other applicable insurance coverage.

10 (g) Any other provision of law or any rule adopted
11 by the commissioner to the contrary notwithstanding, a limited
12 licensee licensed pursuant to this section may not be required
13 to treat monies collected from occupants as funds received in
14 a fiduciary capacity, provided that the charges for coverage
15 shall be itemized and be ancillary to a rental agreement. The
16 sale of insurance not in conjunction with a rental agreement
17 is not permitted.

18 (h) A limited licensee licensed pursuant to this
19 section may authorize any employee or authorized
20 representative of the limited licensee to act individually on
21 behalf and under the supervision of the limited licensee with
22 respect to the kinds of coverage specified in this section.

23 (i) Each owner licensed pursuant to this section
24 shall provide a training program, which may be provided to the
25 owner by a supervising entity, in which employees and
26 authorized representatives of the owner shall receive basic
27 instruction about the kind of coverage authorized in this

1 section and offered for purchase by occupants or prospective
2 occupants.

3 (j) As a prerequisite for issuance of a limited
4 license under this section, there shall be filed with the
5 commissioner an application for a limited license in such form
6 or forms, and supplements thereto, and containing such
7 information as the commissioner may prescribe.

8 (k) No limited licensee licensed pursuant to this
9 section shall advertise, represent, or otherwise hold itself
10 or any of its employees out as licensed insurers, insurance
11 agents, or insurance brokers.

12 (l) A limited licensee may receive compensation from
13 a supervising entity for sales, billing, and collection
14 services. The compensation may be dependent on the sale of the
15 types of coverage described in this section.

16 Section 3. This act shall become effective on the
17 first day of the third month following its passage and
18 approval by the Governor, or its otherwise becoming law.