

1 HB489  
2 150386-2  
3 By Representative Wren  
4 RFD: Insurance  
5 First Read: 20-MAR-13

1  
2 ENROLLED, An Act,

3           Relating to travel insurance; to add Section  
4 27-7-5.2 to the Code of Alabama 1975, to provide a broader  
5 definition of the limited line of travel insurance for  
6 insurance producers and provide additional duties and  
7 responsibilities for limited lines travel insurance producers;  
8 and to amend Sections 27-7-1 and 27-7-14.1, as amended by Act  
9 2012-312 of the 2012 Regular Session, Code of Alabama 1975, to  
10 conform with this act.

11 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

12           Section 1. Section 27-7-5.2 is added to the Code of  
13 Alabama 1975, to read as follows:

14           §27-7-5.2. Licenses; Limited license for travel  
15 insurance producers.

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

18           (1) OFFER AND DISSEMINATE. Provide general  
19 information, including a description of the coverage and  
20 price, as well as processing the application, collecting  
21 premiums, and performing other non-licensable activities  
22 permitted by the state.

23           (2)a. TRAVEL INSURANCE. Insurance coverage for  
24 personal risks incident to planned travel, including, but not  
25 limited to:

1           1. Interruption or cancellation of trip or event.

2           2. Loss of baggage or personal effects.

3           3. Damages to accommodations or rental vehicles.

4           4. Sickness, accident, disability, or death  
5 occurring during travel.

6           b. Travel insurance does not include major medical  
7 plans which provide comprehensive medical protection for  
8 travelers with trips lasting six months or longer, including  
9 for example, those working overseas or military personnel  
10 being deployed.

11           (3) TRAVEL INSURANCE PRODUCER. A limited lines  
12 producer or managing general agent designated by an insurer to  
13 sell, solicit, or negotiate travel insurance coverage to  
14 individuals through a master, corporate, group, or individual  
15 policy, to include a limited lines producer designated by an  
16 insurer as the travel insurance supervising entity as set  
17 forth in subsection (e).

18           (4) TRAVEL RETAILER. A business entity that makes,  
19 arranges, or offers travel services.

20           (b) A travel retailer may offer and disseminate  
21 travel insurance as a service to its customers on behalf of  
22 and under the direction of a travel insurance producer only if  
23 the following conditions are met:

24           (1) The travel insurance producer is clearly  
25 identified as the licensed producer on marketing materials and

1 fulfillment packages distributed by travel retailers to  
2 customers.

3 (2) The travel insurance producer or the travel  
4 retailer provides to purchasers of travel insurance all of the  
5 following:

6 a. A description of the material terms or the actual  
7 material terms of the insurance coverage.

8 b. A description of the process for filing a claim.

9 c. A description of the review or cancellation  
10 process for the travel insurance policy.

11 d. The identity and contact information of the  
12 insurer and travel insurance producer.

13 (3) The travel insurance producer shall establish at  
14 the time of licensure and thereafter maintain a register, in a  
15 form prescribed by the commissioner, of each travel retailer  
16 that offers travel insurance on behalf of the travel insurance  
17 producer. The register shall be maintained and updated  
18 annually by the travel insurance producer and shall include  
19 the name, address, and contact information of the travel  
20 retailer and of an officer or person who directs or controls  
21 the operations of the travel retailer, and the federal tax  
22 identification number of the travel retailer. The travel  
23 insurance producer shall submit the register to the  
24 commissioner upon request. The travel insurance producer shall

1 also certify that a registered travel retailer complies with  
2 18 USC § 1033.

3 (4) The travel insurance producer shall designate  
4 one of its employees who is a licensed individual producer as  
5 the "designated responsible producer" or "DRP" responsible for  
6 the business entity's compliance with the insurance laws,  
7 rules, and regulations of the state.

8 (5) The DRP, president, secretary, treasurer, and  
9 any other officer or person who directs or controls the  
10 insurance operations of the travel insurance producer shall  
11 comply with the fingerprinting requirements applicable to  
12 insurance producers in the resident state of the travel  
13 insurance producer.

14 (6) The travel insurance producer has paid all  
15 applicable insurance producer licensing fees as set forth in  
16 applicable state law.

17 (7) The travel insurance producer requires each  
18 employee or authorized representative of the travel retailer  
19 whose duties include offering and disseminating travel  
20 insurance to receive a program of instruction or training,  
21 which may be subject to review by the commissioner. The  
22 training material, at a minimum, shall contain instructions on  
23 the types of insurance offered, ethical sales practices, and  
24 required disclosures to prospective customers.

1           (c) Any travel retailer offering or disseminating  
2 travel insurance shall make brochures or other written  
3 materials available to prospective purchasers to do all of the  
4 following:

5           (1) Provide the identity and contact information of  
6 the insurer and the travel insurance producer.

7           (2) Explain that the purchase of travel insurance is  
8 not required in order to purchase any other product or service  
9 from the travel retailer.

10           (3) Explain that an unlicensed travel retailer is  
11 permitted to provide general information about the insurance  
12 offered by the travel retailer, including a description of the  
13 coverage and price, but is not qualified or authorized to  
14 answer technical questions about the terms and conditions of  
15 the insurance offered by the travel retailer or to evaluate  
16 the adequacy of the customer's existing insurance coverage.

17           (d) A travel retailer employee or authorized  
18 representative who is not licensed as an insurance producer  
19 may not:

20           (1) Evaluate or interpret the technical terms,  
21 benefits, and conditions of the offered travel insurance  
22 coverage.

23           (2) Evaluate or provide advice concerning the  
24 existing insurance coverage of a prospective purchaser.

1           (3) Hold himself or herself out as a licensed  
2 insurer, licensed producer, or insurance expert.

3           (e) A travel retailer whose insurance-related  
4 activities, and those of its employees and authorized  
5 representatives, are limited to offering and disseminating  
6 travel insurance on behalf of and under the direction of a  
7 travel insurance producer meeting the conditions stated in  
8 this section, may offer and disseminate travel insurance and  
9 receive related compensation, upon registration by the travel  
10 insurance producer as described in this section.

11           (f) As the insurer designee, the travel insurance  
12 producer is responsible for the acts of the travel retailer  
13 and shall use reasonable means to ensure compliance by the  
14 travel retailer with this act.

15           (g) The travel insurance producer and any travel  
16 retailer offering and disseminating travel insurance under the  
17 travel insurance producer license shall be subject to the  
18 applicable trade practices provisions of Chapter 12 and the  
19 enforcement provisions applicable to insurance producers  
20 generally.

21           Section 2. Sections 27-7-1 and 27-7-14.1, as amended  
22 by Act 2012-312 of the 2012 Regular Session, Code of Alabama  
23 1975, are amended to read as follows:

24           "§27-7-1.

1           "For the purposes of this chapter, the following  
2 terms shall have the meanings respectively ascribed to them by  
3 this section:

4           "(1) BUSINESS ENTITY. A corporation, association,  
5 partnership, limited liability company, limited liability  
6 partnership, or other legal entity.

7           "(2) COMMISSIONER. The Alabama Commissioner of  
8 Insurance.

9           "(3) HOME STATE. The District of Columbia and any  
10 state or territory of the United States in which an insurance  
11 producer maintains his or her principal place of residence or  
12 principal place of business and is licensed to act as an  
13 insurance producer.

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

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

18           "(6) INSURER. As defined in Section 27-1-2. For the  
19 purposes of this chapter, insurer shall also mean an insurance  
20 company licensed pursuant to Chapter 3, commencing with  
21 Section 27-3-1 of this title; a health care service plan  
22 licensed pursuant to Article 6, commencing with Section  
23 10A-20-6.01 of Chapter 20 of Title 10A; a dental service  
24 corporation licensed pursuant to Article 12, commencing with  
25 Section 22-21-360 of Chapter 21 of Title 22; a health



1 maintenance organization licensed pursuant to Chapter 21A,  
2 commencing with Section 27-21A-1 of this title; a mutual aid  
3 association licensed pursuant to Chapter 30, commencing with  
4 Section 27-30-1 of this title; a fraternal benefit society  
5 licensed pursuant to Chapter 34, commencing with Section  
6 27-34-1 of this title; an automobile club or association  
7 licensed pursuant to Chapter 39, commencing with Section  
8 27-39-1 of this title; and a legal service insurance  
9 corporation licensed pursuant to Chapter 43, commencing with  
10 Section 27-43-1 of this title.

11 "(7) LICENSE. A document issued by the commissioner  
12 authorizing a person to act as an insurance producer for the  
13 lines of authority specified in the document. The license  
14 itself does not create any authority, actual, apparent, or  
15 inherent, in the holder to represent or commit an insurance  
16 carrier.

17 "(8) LICENSEE. A producer or service representative  
18 licensed in accordance with this chapter; a reinsurance  
19 intermediary licensed in accordance with Chapter 5A; a  
20 managing general agent licensed in accordance with Chapter 6A;  
21 and a surplus line broker licensed in accordance with Chapter  
22 10.

23 "(9) LICENSEE PENALTIES. For a producer or service  
24 representative licensed in accordance with this chapter, the  
25 penalties set forth in Section 27-7-19; for a reinsurance

1 intermediary licensed in accordance with Chapter 5A, the  
2 penalties set forth in Section 27-5A-11; for a managing  
3 general agent licensed in accordance with Chapter 6A, the  
4 penalties set forth in Section 27-6A-7; and for a surplus line  
5 broker licensed in accordance with Chapter 10, the penalties  
6 set forth in Section 27-10-32.

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

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

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

1           "(13) LIMITED LINES INSURANCE. Limited line credit  
 2 insurance, insurance on rental vehicles as defined in Section  
 3 27-7-5.1, travel ~~and~~ insurance as defined in Section 27-7-5.2,  
 4 crop insurance as defined in Section 27-7-14.1, portable  
 5 electronics insurance as defined in Chapter 22A, and any other  
 6 line of insurance that the commissioner deems necessary to  
 7 recognize for the purposes of complying with subsection (e) of  
 8 Section 27-7-28.

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

12           "(15) NAIC. The National Association of Insurance  
 13 Commissioners.

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

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

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

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

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

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

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

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

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

14           "§27-7-14.1.

15           "(a) Unless denied licensure pursuant to Section  
16 27-7-19, persons who have met the requirements of Sections  
17 27-7-4.3 and 27-7-5 shall be issued an insurance producer  
18 license. An insurance producer may receive qualification for a  
19 license in one or more of the following lines of authority:

20           "(1) LIFE. Insurance coverage on human lives  
21 including benefits of endowment and annuities, and may include  
22 benefits in the event of death or dismemberment by accident  
23 and benefits for disability income.

24           "(2) ACCIDENT AND HEALTH OR SICKNESS, commonly known  
25 as disability. Insurance coverage for sickness, bodily injury,

1 or accidental death and may include benefits for disability  
2 income.

3 "(3) PROPERTY. Insurance coverage for the direct or  
4 consequential loss or damage to property of every kind.

5 "(4) CASUALTY. Insurance coverage against legal  
6 liability, including that for death, injury, or disability or  
7 damage to real or personal property, and surety.

8 "(5) VARIABLE LIFE and VARIABLE ANNUITY PRODUCTS.  
9 Insurance coverage provided under variable life insurance  
10 contracts and variable annuities.

11 "(6) PERSONAL LINES. Property and casualty insurance  
12 coverage sold to individuals and families for primarily  
13 noncommercial purposes.

14 "(7) CREDIT. Limited line credit insurance.

15 "(8) BAIL BOND. Surety coverage for bail, as defined  
16 in Chapter 13 of Title 15.

17 "(9) RENTAL VEHICLE. As described in Section  
18 27-7-5.1.

19 "(10) CROP. Insurance providing protection against  
20 damage to crops from unfavorable weather conditions, fire, or  
21 lightning, flood, hail, insect infestation, disease or other  
22 yield-reducing conditions or peril provided by the private  
23 insurance market, or that is subsidized by the Federal Crop  
24 Insurance Corporation, including Multi-Peril Crop Insurance.

1           "(11) PORTABLE ELECTRONICS. As defined in Section  
2 27-22A-1.

3           "~~(12) TRAVEL. Insurance coverage for trip~~  
4 ~~cancellation, trip interruptions, baggage, life, sickness and~~  
5 ~~accident, disability, and personal effects when limited to a~~  
6 ~~specific trip and sold in connection with transportation~~  
7 ~~provided by a common carrier~~ As described in Section 27-7-5.2.

8           "(13) Any other line of insurance permitted under  
9 state laws or regulations.

10           "(b) Unless denied licensure pursuant to Section  
11 27-7-19, persons who have met the requirements of Section  
12 27-7-5 shall be issued a service representative license. A  
13 service representative shall receive qualification for a  
14 license in the following lines of authority:

15           "(1) PROPERTY. Insurance coverage for the direct or  
16 consequential loss or damage to property of every kind.

17           "(2) CASUALTY. Insurance coverage against legal  
18 liability, including that for death, injury, or disability or  
19 damage to real or personal property, and surety.

20           "(c) An insurance producer or service representative  
21 license shall remain in effect unless revoked or suspended as  
22 long as the license renewal fee set forth in Section 27-8A-9  
23 is paid and education requirements for resident individual  
24 producers and service representatives set forth in Chapter 8A  
25 of this title are met by the due date.

1           "(d) An individual insurance producer who allows his  
2 or her license to lapse may, within 12 months from the due  
3 date of the renewal fee, reinstate the same license without  
4 the necessity of completing the prelicensing course or passing  
5 a written examination; a service representative who allows his  
6 or her license to lapse may, within 12 months from the due  
7 date of the renewal fee, reinstate the same license without  
8 the necessity of completing the prelicensing course; however,  
9 a penalty in the amount of double the unpaid renewal fee shall  
10 be required for any renewal fee received after the due date.

11           "(e) A licensed insurance producer or service  
12 representative who is unable to comply with license renewal  
13 procedures due to military service or some other extenuating  
14 circumstance, e.g., a long-term medical disability, may  
15 request a waiver of those procedures. The producer or service  
16 representative may also request a waiver of any examination  
17 requirement or any other fine or sanction imposed for failure  
18 to comply with renewal procedures."

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



