

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 732 (Delegate Vaughn)
Economic Matters

Insurance - Motor Vehicle Rental Companies - Limited Lines License to Sell Insurance

This bill permits an authorized representative of a motor vehicle rental company to perform the same functions, including selling insurance, if they follow the same requirements, including training, as the company's other employees that sell, offer, or provide limited lines insurance for rental vehicles and makes conforming changes. The bill also specifies the way in which employees and authorized representatives may be compensated for insurance sales. Furthermore, the bill changes the rental agreement length for which an insurance policy may be offered from a rental period that does not exceed 30 days to a one in which the *initial* rental period does not exceed 30 days.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: None

Small Business Effect: Potential meaningful. Under the bill, small business motor vehicle rental companies are able to sell or offer insurance in connection with long-term rentals instead of just short-term rentals.

Analysis

Bill Summary: The bill defines "authorized representative" to mean an independent contractor of a motor vehicle rental company.

An employee or authorized representative of a motor vehicle rental company who offers or sells insurance coverage on behalf of the company may be compensated for offering or selling the insurance, but may not be compensated in a manner *solely* based on the number of customers who purchase rental vehicle insurance. The bill may not be construed to prohibit payment to employees or authorized representatives for activities that are incidental to the employee's overall activities.

The Insurance Commissioner may adopt regulations concerning training requirements for authorized representatives and qualifications for trainers.

Current Law: Except as otherwise specified, an insurance producer may not sell, solicit, or negotiate any insurance without a license in the kind of insurance for which the person intends to act as an insurance producer. The Maryland Insurance Administration issues limited lines licenses for certain restricted kinds of insurance, including automobile, credit products, health maintenance organizations, motor vehicle rental cars, travel insurance, and portable electronics.

A motor vehicle rental company must have a limited lines license before it may sell rental motor vehicle insurance. The limited lines license authorizes the company and its trained employees to offer or sell insurance in connection with, and incidental to, the rental of a motor vehicle for a rental that does not exceed 30 days if (1) the policies have been filed with and approved by the Insurance Commissioner; (2) the motor vehicle rental company holds an appointment with each authorized insurer that the motor vehicle rental company intends to represent; (3) prior to completion of the rental transaction, the company provides specified information to the renter; and (4) the company provides an Insurance Commissioner-approved training program for employees who sell, solicit, or negotiate insurance coverage. The Insurance Commissioner may suspend, revoke, or refuse to renew the limited lines license under specified circumstances, including failure to train its employees; penalties may also be imposed.

Additional Information

Prior Introductions: None.

Cross File: SB 770 (Senator Astle) - Rules.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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md/ljm

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