

SESSION OF 2017

SUPPLEMENTAL NOTE ON SENATE BILL NO. 14

As Amended by House Committee of the Whole

Brief*

SB 14, as amended, would amend the Insurance Code to create a limited line of insurance for self-service storage unit insurance and establish a continuing education requirement for licensed insurance agents who hold this qualification. The bill would also enact new law pertaining to this limited line. Descriptions of specific bill provisions follow.

Definitions

The bill would establish definitions for the following terms:

- “Licensee” – a person authorized to sell limited line insurance relating to the rental of self-service storage units pursuant to KSA 2016 Supp. 40-4903, and amendments thereto;
- “Rental agreement” – any written agreement setting forth the terms and conditions governing the use of a storage unit provided by the owner of a self-service storage facility company;
- “Renter” or “occupant” – any person obtaining the use of a storage unit from a self-service storage company under the terms of a rental agreement;
- “Self-service storage company” – any person in the business of renting storage units to the public; and

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- “Storage unit” – a semi-enclosed or fully-enclosed area, room, or space, primarily intended for the storage of personal property, which shall be accessible by the renter of the unit pursuant to the terms of the rental agreement.

Sale of Self-Service Storage Unit Insurance

Criteria Required

The bill would require insurance relating to the rental of self-service storage units to be sold only by a licensee and would prohibit the sale of such insurance to any person in this state unless all of the following apply:

- The rental period of the rental agreement does not exceed two years;
- At every self-service storage location where self-service storage insurance agreements are executed, brochures or other written materials are readily available to the prospective renter that:
 - Summarize, clearly and correctly, the material terms of insurance coverage, including the identity of the insurer, offered to renters;
 - Disclose this insurance may provide duplication of coverage already provided by a renter’s or homeowner’s insurance policy or other source of coverage;
 - State the purchase by the renter of the limited lines insurance is not required to rent a storage unit;
 - Describe the process for filing a claim in the event the renter elects to purchase coverage and in the event of a claim; and
 - Contain any additional information on the price, benefits, exclusions, conditions, or

other limitations of such policies as the Insurance Commissioner (Commissioner) may prescribe by rules and regulations;

- A sign is posted, approved by the Commissioner, at every self-service storage location where such insurance agreements are executed, with language the same or substantially similar to the following: “State law requires the operator of this facility to inform you that insurance sold by this self-storage company may provide duplication of coverage already provided by a renter’s or homeowner’s policy or other source of coverage. You are encouraged to contact your primary insurance carrier if you have questions about your existing coverage”; and
- Evidence of coverage is provided to every renter who elects to purchase such insurance.

Renter’s Notification

The bill would prohibit a renter or occupant from being required to obtain self-service storage unit insurance as a condition of obtaining a rental agreement for a storage unit. The bill would require the renter to be informed that the insurance offered is not required as a condition of obtaining a rental agreement for a storage unit.

Rules and Regulations

The bill would require the Commissioner to adopt rules and regulations as necessary to carry out these new provisions relating to self-service storage unit insurance by January 1, 2018.

Insurance Code Amendments—Limited Line Established

On and after January 1, 2018, the bill would amend the law establishing qualifications for licensure in one or more lines of authority. Under current law, agents may receive qualifications for a license in one or more of the following lines of authority: life; accident and health or sickness; property; casualty; variable life and variable annuity products; personal lines; credit; crop insurance; title insurance; travel insurance; pre-need funeral insurance; and bail bond insurance. The bill would add to this list of qualifications by inserting self-service storage unit insurance. This insurance would be defined as:

- A limited line insurance relating to the rental of self-service storage units, including:
 - Personal effects insurance that provides coverage to renters of storage units at the same facility for the loss of, or damage to, personal effects that occurs at the same facility during the rental period; and
 - Any other coverage the Commissioner may approve as meaningful and appropriate in connection with the rental of storage units.

The bill would further provide such insurance may be issued only in accordance with the criteria established by the bill.

Continuing Education Credits (CECs)

The bill would require each licensed insurance agent who is an individual and holds only a self-service storage unit qualification to obtain, on a biennial basis, a minimum of two CECs in courses certified as self-service unit CECs under the property and casualty category.

Other Amendments

The bill would also make technical amendments.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Self Storage Association. In the Senate Committee hearing, a representative of the Self Storage Association testified in favor of the bill, noting similar legislation has been approved in 25 states. The representative stated the bill would enhance the Commissioner's ability to regulate limited line insurance providers and provide greater service to the consumers of self-storage facilities.

Opponent testimony was provided by a representative of the Kansas Association of Insurance Agents (KAIA) and the owner of Heritage Insurance Group, Inc. The opponents generally stated the bill would not adequately protect the interests of consumers by having an insurance product sold by self-storage employees with little or no knowledge of insurance.

No neutral testimony was provided.

The Senate Committee amended the bill to add a requirement that a sign be posted at every self-service storage location where self-service storage agreements are signed and to include a limitation on the amount of coverage per customer per storage unit.

In the House Committee on Insurance hearing, a representative of the Self Storage Association appeared in support of the bill, addressed similar legislation in other states, and requested an amendment to clarify information that would be required to be posted at self-service storage locations.

A representative of KAIA presented opponent testimony and stated concerns about the lack of regulation, training, and continuing education for those who would sell insurance under this bill. The representative stated, currently, pursuant to statute, all agents are required to take the initial licensing test and certain limited line licenses require specific continuing education classes.

No neutral testimony was provided.

The House Committee amended the bill to clarify language associated with signage to be posted at self-service storage locations.

The House Committee of the Whole amended the bill to create a separate limited line of insurance in the Insurance Code and modify definitions and requirements contained in the prior bill versions that would have created certification and application requirements and prescribed disciplinary actions (similar to those prescribed in current law for limited line licensees), as well as specific requirements for a training program and the segregation of funds to be held for payment of insurance premiums. The House Committee of the Whole amendment did not retain a requirement from a prior version of the bill (as amended by Senate Committee) that would have restricted the insurance policies issued by a self-service storage company to a specified coverage amount (\$5,000 per customer per storage unit).

According to the fiscal note prepared by the Division of the Budget on the bill as introduced, the Department states any costs incurred regulating this new limited licensure would be recovered by fees, which would be set by the Commissioner and would be negligible. Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2018 Governor's Budget Report*.