

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 780
Finance

(Senator Peters)

Limited Lines Insurance Licenses - Self-Service Storage Agents

This bill authorizes an owner or operator of a self-service storage facility to obtain a self-service storage agent limited lines license to sell coverage to occupants at the self-service storage facility for the loss of or damage to stored personal property that occurs at the facility.

Fiscal Summary

State Effect: The processing of any applications for a license received by the Maryland Insurance Administration (MIA) can likely be handled within existing resources.

Local Effect: This bill does not directly affect local governmental operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Definitions: The bill defines “occupant” as a person or the person’s sublessee, successor, or assign who is entitled to the use of a leased space at a self-service storage facility. “Self-service storage agent” means an owner or operator of a self-service storage facility who holds a limited lines license. The bill defines “self-service storage facility” as any real property that is used for renting or leasing storage space in which the occupants themselves customarily store and remove personal property on a self-service basis.

The bill also defines “owner” and “personal property.”

Limited Lines License: The bill authorizes the Commissioner to issue a limited lines license as a self-service storage agent to an owner or operator of a self-service storage facility who meets the bill’s requirements. An applicant for a license must file a written application with the Commissioner on a form approved by the Commissioner. An applicant must include the physical address of the company headquarters of the agent and a list of all self-service storage facilities where the agent will conduct business under the license. However, the bill does not require a licensee to have a separate license for each facility where insurance is offered or sold. Once licensed, the bill requires an agent to notify the Commissioner of any location of a facility in the State where the agent will either commence or cease to do business within 30 days after the change.

The bill does not require an agent to meet the continuing education requirements required of insurance producers under Title 10 of the Insurance Article.

The bill does not prohibit (1) an insurer from paying, and an agent from receiving, a commission, a service fee, or any other valuable consideration dependent on the sale of insurance or (2) an agent from paying, and its employees or agents from receiving, production payments or incentive payments if the payments are not dependent on the sale of insurance.

Disclosure Requirements: A self-service storage agent may not offer or sell insurance unless the agent makes readily available to prospective occupants brochures or other written materials that:

- summarize the material terms of insurance coverage offered to occupants;
- disclose that the policies offered by the agent may duplicate coverage already provided under other types of property insurance;
- state that, if insurance is required as a rental condition at a facility, the requirement may be satisfied if the occupant purchases the insurance or presents evidence of other applicable insurance coverage; and
- describe the process for filing a claim.

Prior to offering or selling insurance, an agent must also ensure that (1) all costs related to the insurance are stated in writing; (2) evidence of coverage is provided on a Commissioner-approved form to each occupant who purchases coverage; and (3) the insurance is provided by either an insurer authorized to transact the applicable kinds of insurance in the State or a surplus lines insurer.

Employees and Agents: The bill authorizes an employee or agent of a self-service storage agent to act on behalf of and under the supervision of the self-service storage agent in matters relating to the conduct of business under the limited lines license. Any conduct by the employee or agent is considered to be the conduct of the self-service storage agent.

The bill requires each self-service storage agent to provide a training program for employers and agents of the self-service storage agent. This training program must provide basic instruction about the bill's provisions and include information about the kind of insurance coverage that may be offered or sold. The bill prohibits a self-service storage agent, for any of its employees or agents, from (1) offering or selling insurance except in connection with and incidental to the rental of space at a self-service storage facility or (2) advertise, represent, or otherwise hold themselves out as authorized insurers or licensed insurance producers.

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. No specific State law currently governs the sale of a policy providing coverage for loss of or damage to personal property in connection with a leased self-service storage space.

MIA 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.

Background: According to the Self Storage Association (SSA), there are approximately 53,940 self-service storage facilities in the United States and 543 in Maryland; 22,000 of the nation's facilities are owned by operators of just one facility. SSA estimates that 87% of the facilities in the State are small businesses.

The Maryland Self-Service Storage Act was adopted in 1983. It applies to all rental agreements entered into or renewed after July 1, 1983, and authorizes operators of facilities to hold a public sale of property stored within a leased space to enforce a lien on any unpaid rental fees that have been in default for 60 days.

State Fiscal Effect: The bill does not create a mandatory licensing framework for self-service storage agents, but it does, due to the definition for those agents, imply a need to be licensed to sell insurance. The bill does not explicitly require licensure. Consequently, it is unknown how many owners or operators of self-service storage facilities will apply for a license.

Under the bill, MIA must review applications for the license. An agent that owns or operates more than one facility is not required to obtain a license for each facility. As

noted above, there are 543 self-service storage facilities in the State and 53,940 in the country. Approximately 22,000, or 41%, of the facilities in the country are owned by operators of just one facility. If 41% of the facilities in the State are owned by an operator of just one facility, MIA may receive approximately 223 applications for a license to offer insurance under the bill. Any additional number of applications received cannot be reliably predicted; however, the bill's disclosure requirements, the bill's allowance that an agent that owns or operates more than one facility only needs one license, and the bill's vague licensure requirement may limit the number of additional applications MIA receives. Thus, as MIA advises, any applications received for a license can be handled with existing resources.

Additionally, the bill does not authorize MIA to charge a license fee for any limited lines license issued. Thus, special fund revenues are not impacted by the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mc/ljm

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