

EXEMPT SELLERS OF INSURANCE FOR SELF-STORAGE FACILITIES FROM LICENSURE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4636 (passed by the House as H-2)
Sponsor: Rep. Bruce R. Rendon
Committee: Regulatory Reform
Complete to 9-30-15

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 114 of 2016)

BRIEF SUMMARY: House Bill 4636 would amend the Insurance Code to exempt from licensure as an insurance producer (i.e., an agent), individuals whose only sale of insurance is for property stored at a self-service storage facility, as long as they have provided certain disclosure information to customers.

FISCAL IMPACT: House Bill 4636 would have a nominal fiscal impact on the Department of Insurance and Financial Services (DIFS) to the extent that individuals who sell insurance in connection and incidental to the rental of storage space in a self-service storage facility would no longer require licensure as an insurance producer. It is not known how many, if any, such individuals are currently licensed as insurance producers. Licensure fees for insurance producers are \$10 for application for perpetual licensure.

THE APPARENT PROBLEM:

Owners and operators of self-storage facilities say they should not need to be licensed under the Insurance Code to sell insurance to customers covering stored property. They say these insurance policy sales are similar to those made by purveyors of other products, such as electronics and appliances, where the sale of insurance is secondary.

On the other hand, some in the insurance field point out that insurance policies offered by self-storage facility operators sometimes duplicate coverage already provided in a customer's homeowners or renters insurance.

Legislation has been developed that would provide for an exemption from licensure but also require certain disclosures to customers, such as that the insurance being offered may duplicate existing coverage.

THE CONTENT OF THE BILL:

House Bill 4636 would amend the Insurance Code to exempt from licensure as an insurance producer (i.e., an agent), individuals whose only sale of insurance is for property stored at a self-service storage facility, as long as they have provided certain disclosure information to customers.

Specifically, the exemption created by HB 4636 would apply when the sale of insurance is for stored personal property sold in connection with and incidental to the rental of storage space in a self-service storage facility under a rental agreement not to exceed one year, if

written disclosure material is provided to the customer at the time of solicitation and contains all the following information:

- A disclosure that the stored property insurance may duplicate coverage already provided by the customer's homeowners, renters, or other insurance policies.
- A summary of the material terms of the stored property insurance coverage, including all of the following:
 - The identity of the insurer.
 - The benefits of the coverage.
 - The key terms and conditions of the coverage.
- A summary of the process for filing a claim.

The term self-service storage facility would mean the same as it does in Section 2 of the Self-Service Storage Facility Act, which defines it as "any real property designed or used for the purpose of renting or leasing individual storage space to tenants who are to have access to that space for the purpose of storing and removing personal property."

Stored property insurance would be defined as insurance that provides coverage for the loss of, or damage to, tangible personal property with an insured value not exceeding \$10,000 contained in a storage space located on a self-service storage facility or in transit during the term of a self-service storage facility rental agreement, and that is sold under a group or master policy issued to a self-service storage facility for the provision of insurance to its customers.

MCL 500.1202

BACKGROUND INFORMATION:

Currently, self-service storage facilities are not licensed under state law, and there is no statutory requirement they hold, offer for sale, or require prospective customers to have, an insurance policy which covers the property stored on their premises. As a matter of practice, some self-service storage facilities offer their customers insurance on the goods they are storing on the facility's premises.

Generally speaking, the act presently exempts individuals who serve in support roles for licensed insurance producers, or who engage in activities related to processing, servicing, or advertising a policy if that individual does not have a direct financial interest in that policy [e.g., receiving a commission from the sale of that policy]. Additionally, salespersons who offer insurance on portable electronics or travel insurance in conjunction with the sale of a portable electronic device or travel plan, respectively, are exempt if they meet certain criteria regarding the sale of that policy. The bill uses the same phrase ("in connection with and incidental to") in creating an exemption from licensure for a person selling stored property insurance that is currently in statute for the portable electronics and travel salespersons.

A similar bill, House Bill 4485, was introduced in the 2013-14 legislative session. For a discussion of that bill and its history, see:

[http://www.legislature.mi.gov/\(S\(oz2xxxu1enp5v5b232uvyb4a\)\)/mileg.aspx?page=getObject&objectName=2013-HB-4485](http://www.legislature.mi.gov/(S(oz2xxxu1enp5v5b232uvyb4a))/mileg.aspx?page=getObject&objectName=2013-HB-4485)

ARGUMENTS:

For:

Supporters of the bill say allowing self-service storage facility operators to offer policies to renters is a matter of convenience and similar in practice to other current exemptions in law, like insurance on electronics products and appliances. Similar to those other cases, the sale of an insurance policy on items stored on the storage facility's premises is secondary to the facility's primary business of renting a storage unit.

Against:

Some who oppose the bill stated in committee that while it may sometimes be more convenient to have an employee at the self-service storage facility offer an insurance policy at the time a lease agreement for the storage unit is signed, such an arrangement would weaken current laws designed to protect consumers of insurance products, as those employees will likely not be as well-versed about all the details of insurance as licensed insurance agents.

POSITIONS:

The Self-service Storage Association of Michigan indicated support for HB 4636. (9-9-15)

The Department of Insurance and Financial Services indicated they are neutral toward HB 4636. (9-9-15)

The Michigan Association of Insurance Agents indicated they oppose HB 4636. (9-9-15)

Legislative Analyst: Josh Roesner
Fiscal Analyst: Paul B.A. Holland

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.