

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. House Bill 504

PRINTER NO. 3297

AMOUNT

See Fiscal Impact

FUND

Insurance Regulation and Oversight Fund

DATE INTRODUCED

February 15, 2017

PRIME SPONSOR

Representative Charlton

DESCRIPTION AND PURPOSE OF BILL

House Bill 504 amends the Insurance Department Act of 1921 to provide for self-service storage facility insurance.

The bill defines “limited line self-service storage insurance” as insurance offered in connection with and incidental to the rental of space at a self-storage facility.

The bill amends Article VI-A, Subarticle B (relating to the regulation of insurance producers) by authorizing the Insurance Department (department) to issue a self-service storage license to an owner that has complied with the requirements of this section to sell insurance in connection with and incidental to the rental of space at a self-service storage facility. The self-service storage provider shall also be subject to this Article, Article IX (relating to Insurance Fraud and Prevention Authority) and the Unfair Insurance Practices Act.

The bill requires an applicant for a self-service storage producer license to file a written application developed by the department that specifies all locations the producer may conduct business. A self-service storage producer is not required to have an individual licensee in each facility where insurance is transacted. The legislation also requires the producer to notify the department if it offers the insurance at any additional locations or when locations cease to do business under the license.

The bill stipulates that the self-service storage producer may offer or sell insurance only in connection with and incidental to the rental of space at a self-service storage facility on a master, corporate, commercial, group or individual policy basis and only with respect to personal property insurance that provides primary coverage to occupants for the loss of or damage to personal property that occurs at that facility or while the personal property is in transit during the rental agreement.

The bill requires the self-service storage producer to make brochures or other written material readily available to a prospective occupant that includes all of the following:

- Summarizes the terms of the insurance coverage;
- Discloses that self-service storage policies may provide duplicative coverage to an occupant’s other insurance policies;

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- States that the insurance is primary coverage over any other coverage covering the same loss;
- States that if insurance coverage is required by the facility, the requirement may be satisfied by purchasing self-service storage insurance or by presenting proof of alternative insurance coverage;
- States that the purchase of the insurance is not required in order to rent storage space;
- Describes the process for filing a claim; and
- Includes contact information for filing a complaint with the Insurance Commissioner (commissioner).

The bill requires all costs related to the insurance to be stated in writing, and evidence of the coverage must be provided to each occupant who purchases coverage.

The bill allows an employee or authorized representative of a self-service storage producer to act on behalf of and under the supervision of the producer in matters relating to the conduct of business under the license. The producer is required to maintain a register of each employee or authorized representative who offers insurance on behalf of the producer and, upon request of the commissioner, to submit the register for inspection.

Each self-service storage producer shall provide a training program that gives employees and authorized representatives basic instruction about the following:

- General information about homeowners, renters, business and similar insurance that an occupant may have that provides coverage for property stored at a self-service storage facility;
- Information about the material terms of insurance coverage, including benefits, price, deductibles, exclusions and conditions; and
- Disclosures required under this act.

The bill prohibits a self-service storage producer from the following:

- Offering or selling insurance except in connection with and incidental to the rental of space at a self-service storage facility; and
- Advertising, representing or otherwise portraying itself as licensed insurers or insurance producers.

Violations of this section are subject to sections 691-A (relating to enforcement by the department) and 692-A (relating to injunctions).

There is no prohibition against an insurer from paying and a self-service storage producer from receiving a commission, service fee or other valuable consideration dependent on the sale of insurance. In addition, there is no prohibition against a self-service storage producer from paying and its employees or representatives from receiving, production or incentive payments if the payments are not dependent on the sale of insurance.

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An owner is not required to be licensed under this section solely to display and make available promotional materials created by an authorized insurer or by a surplus lines insurer if the owner and its unlicensed employees and representatives do not solicit occupants to purchase the insurance.

The bill provides that a self-service storage producer is not subject to continuing education requirements.

This act shall take effect in 60 days.

FISCAL IMPACT:

House Bill 504 will not have a significant fiscal impact to the Commonwealth. The bill creates limited lines self-service storage insurance licenses which would cost \$55 for a Pennsylvania resident and \$110 for a non-resident, based on current law. According to the Pennsylvania Insurance Department, it is estimated there are 700 self-storage facility owners in Pennsylvania. Assuming all the owners apply for licenses and that 75% are Pennsylvania residents and 25% are non-residents, the Commonwealth would receive \$48,125 in additional revenue.

The department is able to accommodate the additional workload resulting from this legislation within existing staffing and budget levels.