
Financial Institutions & Insurance Committee

SSB 6481

Brief Description: Regulating insurance for rental vehicles.

Sponsors: Senate Committee on Labor, Commerce & Financial Institutions (originally sponsored by Senators Prentice and Winsley).

Brief Summary of Substitute Bill

- Creates a statutory framework for the regulation of the insurance marketing activities of car rental companies and provides licensing requirements.
- Requires that a car rental company obtain an appointment as an agent of an authorized insurer before the company begins marketing car rental insurance to customers.
- Grants broad authority to the Insurance Commissioner to adopt rules and enforce the provisions of the act.

Hearing Date: 2/26/02

Staff: Thamas Osborn (786-7129).

Background:

The state Insurance Commissioner (commissioner) regulates the licensing of agents, brokers, solicitors, and adjusters within the insurance industry. Such insurance professionals must be licensed in accordance with specific statutory criteria, and may not engage in insurance marketing activities without the requisite license. In addition to the submission of an application, a prospective licensee must pass an examination designed to test his or her qualifications and competence.

Retail businesses that market insurance products to customers related to purchases of goods and services are currently not regulated by the commissioner, and sales staff are not subject to licensing requirements. Rental car companies, for example, routinely offer short-term, property and casualty insurance policies to cover a customer's liability with respect to a rental car. These companies, in turn, often have group policies with out-of-state insurers that are not subject to regulation by the Office of the Insurance Commissioner.

Summary of Bill:

Rental car companies that market property and casualty insurance to customers are subject to regulation by the commissioner and must be licensed. A "rental car" is defined as a private passenger motor vehicle, or cargo vehicle, that is intended to be rented for a period of 30 days or less.

To obtain a license, a rental car company must submit an application to the commissioner that includes a certificate from an authorized insurer appointing the company as its rental car agent. The insurer must also attest to the trustworthiness of the rental car company and to the effectiveness of the company's training and education program for company employees involved in insurance sales.

The required employee education and training program must be approved by the commissioner and a detailed description of the program be submitted to the commissioner as part of the application process.

Individual licenses are not required for company employees/agents involved in insurance sales, provided the employee/agent:

- Is over 18 years of age;
- Is trustworthy and has not committed specified acts of dishonesty, fraud, or unethical behavior; and
- Has completed the insurance sales training and education program approved by the commissioner.

Managers and supervisors of employees/agents involved in insurance sales must themselves meet the statutory requirements applicable to sales personnel, including the completion of the requisite training program.

Licensees are subject to numerous regulations and restrictions regarding the marketing of rental car insurance to the public, including:

- Employees are prohibited from providing advice to customers regarding the adequacy of their existing insurance or suggesting that the purchase of rental car insurance is a prerequisite to the rental of the car;
- Customers must be provided with detailed, written disclosures regarding the terms of the policy and claims procedures;
- The costs of the insurance must be separately itemized on the receipt;
- Licensees are prohibited from offering compensation or commissions that are primarily dependent on the sale of rental car insurance; and
- The rental period must be 30 days or less.

The commissioner is granted enforcement powers and rule making authority in order to implement the act. Subject to specific conditions, the commissioner may revoke, suspend, refuse to issue, or refuse to renew a license if the licensee/applicant:

- Has violated the act or other provision of the insurance code;

- Has been convicted of a felony offense; or
- Has engaged in other specified behavior involving fraud, deceit, misrepresentation, incompetence, etc.

The commissioner may adopt rules establishing licensing fees necessary to defray the cost of administering the act.

Appropriation: None.

Fiscal Note: Requested on February 22, 2002.

Effective Date: Ninety days after adjournment of session in which bill is passed.