

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 687
Finance

(Senator Garagiola)

Limited Lines - Travel Insurance

This bill alters the scope of travel insurance for which a limited lines licensee is authorized to act as an insurance producer. The bill also authorizes the Insurance Commissioner to issue a limited lines license to a business entity that sells travel insurance.

Fiscal Summary

State Effect: Any impact on Maryland Insurance Administration (MIA) special fund revenues is indeterminate due to the uncertainty of the bill's effect on the number of limited lines licenses issued by MIA. Additionally, the change in the scope of the definition of travel insurance may result in an increase in the number of \$125 rate and form filings. Administrative tasks associated with issuing and renewing licenses can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The bill repeals the authority of the Commissioner to issue a limited lines license to an individual who sells transportation tickets of a common carrier of persons and property and instead authorizes the Commissioner to issue a limited lines license to an individual or business entity that sells travel insurance.

The bill defines “travel insurance” as insurance coverage for personal risk incident to planned travel, including (1) interruption or cancellation of a trip or an event; (2) loss of baggage or personal effects; (3) damage to accommodations or a rental vehicle; or (4) sickness, accident, disability, or death occurring during travel.

Travel insurance does not include a major medical plan that provides comprehensive medical protection for a traveler on a trip lasting six months or longer, such as an individual working outside the United States or military personnel being deployed.

The bill establishes specified requirements that a travel retailer must meet before the travel retailer may offer and disseminate travel insurance on behalf of and under the license of a limited lines travel insurance producer. The bill also requires that a limited lines travel insurance producer be responsible for the acts of the travel retailer and use reasonable means to ensure compliance by the travel retailer with the bill’s provisions.

The limited lines travel producer or travel retailer must make the following disclosures to a *purchaser* of travel insurance:

- a description of the material terms or the actual terms of the insurance coverage;
- a description of the process for filing a claim;
- a description of the review or cancellation process for the travel insurance policy; and
- the identity and contact information of the insurer and limited lines travel insurance producer.

The travel retailer must make available to a *prospective customer* written materials that:

- provide the identity and contact information of the limited lines travel insurance producer overseeing the activities of the travel retailer;
- explain that the purchase of travel insurance is not required in order to purchase any other product or service from the travel retailer; and
- explain that a travel retailer is allowed to provide general information about the insurance offered and disseminated by the travel retailer but is not qualified or authorized to answer technical questions about the insurance terms and conditions or to evaluate the adequacy of the customer’s existing insurance coverage.

At the time of licensure, the limited lines travel insurance producer must establish and maintain a Commissioner-approved register listing specified contact and identifying information of each travel retailer that offers and disseminates travel insurance on behalf of the limited lines travel insurance producer. This register must be submitted for

inspection by the Commissioner if so requested by the Commissioner. The limited lines travel insurance producer must also certify that each travel retailer on its register complies with federal law.

The bill requires a limited lines travel insurance producer to designate one of its licensed employees as a responsible person to ensure its compliance with State laws and regulations for travel insurance. This employee, and any other officer or person who directs or controls the operations of the limited lines travel insurance producer, must comply with fingerprinting requirements applicable to insurance producers in the State.

The limited lines travel insurance producer must require each employee of the travel retailer whose duties include offering and disseminating travel insurance to receive a specified program of instruction or training, which may be subject to review by the Commissioner.

The bill prohibits a travel retailer's unlicensed employee from (1) evaluating or interpreting the technical terms, benefits, and conditions of the offered travel insurance coverage; (2) evaluating or providing advice concerning a prospective purchaser's existing insurance coverage; or (3) holding himself or herself out as a limited lines travel insurance producer, any other insurance producer, or an insurance expert.

The bill authorizes a travel retailer, who is listed on the aforementioned register, to receive compensation if the retailer's insurance-related activities are limited to offering and disseminating travel insurance on behalf of and under the direction of a limited lines travel insurance producer. Additionally, a travel retailer or an authorized representative of the travel retailer may compensate its employees in a manner that does not depend on the sale of the travel insurance. A commission, fee, reward, rebate, or other consideration for selling, soliciting, or negotiating insurance may not be paid, directly or indirectly, to a person other than a licensed limited lines travel insurance producer.

The limited lines travel insurance producer must be in good standing with the Commissioner with respect to its license.

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. MIA issues limited lines licenses for certain restricted kinds of insurance, including automobile, credit products, health maintenance organizations, motor vehicle rental cars, and portable electronics.

Without regard to specified education, experience, or examination requirements, the Commissioner may also issue a limited lines license to an individual who sells

transportation tickets of a common carrier of persons and property. Any such license authorizes the licensee to act as an insurance producer *only* as to travel ticket policies of life insurance, accident insurance, or baggage insurance on personal effects. The Commissioner may require and provide special forms requiring information the Commissioner considers proper in connection with the application or renewal of the travel insurance limited lines license.

Background: MIA advises that there are 1,451 licensed limited lines travel insurance producers as of February 2013.

State Revenues: Any impact on MIA special fund revenues is indeterminate due to the uncertainty of the bill's effect on the number of limited lines licenses issued by MIA. Currently, a limited lines license fee for an insurance producer that sells travel insurance is \$54, and the license must be renewed every two years. While individuals may still be licensed to act as an insurance producer for travel insurance, the bill's inclusion of business entities may actually result in the issuance of fewer limited lines licenses. For example, a business entity with several licensed insurance producers selling insurance may, under the bill, be able to operate as a licensed business entity with several unlicensed travel retailers selling insurance. Additionally, it is unclear whether the bill's alteration of the scope of the travel insurance will result in additional \$125 rate and form filings. Thus, any impact on special fund revenues is indeterminate.

Small Business Effect: The bill may have a meaningful impact on business entities that plan on selling travel insurance, some of which may be small businesses. The bill grants these businesses the authority to be licensed; however, the bill also places numerous disclosure requirements and registration requirements on both business entities and individuals licensed to sell travel insurance.

Additional Information

Prior Introductions: None.

Cross File: HB 1135 (Delegate Rudolph) - Economic Matters.

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

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Analysis by: Michael F. Bender

Direct Inquiries to:
(410) 946-5510
(301) 970-5510