

SENATE BILL 770

C4

5lr2517
CF HB 732

By: **Senator Astle**

Introduced and read first time: February 16, 2015

Assigned to: Rules

Re-referred to: Finance, February 27, 2015

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 18, 2015

CHAPTER _____

1 AN ACT concerning

2 **Insurance – Motor Vehicle Rental Companies – Limited Lines License to Sell**
3 **Insurance**

4 FOR the purpose of applying certain provisions of law relating to employees of a motor
5 vehicle rental company that holds a certain limited lines license to authorized
6 representatives of the motor vehicle rental company; requiring a motor vehicle rental
7 company to hold a certain limited lines license to sell certain insurance before
8 authorized representatives of the company may sell or offer to sell any policies of
9 insurance to renters of motor vehicles; providing that a certain limited lines license
10 authorizes any authorized representative of the motor vehicle rental company
11 holding the license to act on behalf of the company with respect to certain kinds of
12 insurance, under certain circumstances; altering the types of employees of a motor
13 vehicle rental company who are authorized to act on behalf of the company with
14 respect to certain kinds of insurance; providing that certain acts of an authorized
15 representative of a motor vehicle rental company shall be deemed to be the acts of
16 the company for certain purposes; authorizing an employee or an authorized
17 representative of a motor vehicle rental company to be compensated for offering or
18 selling certain insurance coverage; prohibiting the employee or authorized
19 representative from being compensated for certain activities in a certain manner;
20 requiring a motor vehicle rental company that holds a certain limited lines license
21 to maintain a certain register and to make the register available for inspection by
22 the Maryland Insurance Commissioner as the Commissioner requires; providing for
23 the construction of certain provisions of law; altering the circumstances under which
24 a motor vehicle rental company is authorized to offer or sell certain insurance under

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 a limited lines license; requiring a certain employee or an authorized representative
 2 of a certain motor vehicle rental company to disclose certain information to a renter;
 3 altering the circumstances under which certain disciplinary action may be taken by
 4 the Maryland Insurance Commissioner; prohibiting an authorized representative of
 5 a motor vehicle rental company from advertising, representing, or otherwise holding
 6 itself out as a certain insurer or certain insurance producer; exempting certain
 7 compensation from the prohibition against paying, directly or indirectly, to certain
 8 persons certain consideration for selling, soliciting, or negotiating insurance;
 9 defining a certain term; making certain conforming changes; and generally relating
 10 to motor vehicle rental companies and limited lines licenses to sell insurance to
 11 renters of motor vehicles.

12 BY repealing and reenacting, with amendments,

13 Article – Insurance

14 Section 10–130(a), 10–601, 10–602, 10–604(a), 10–606, and 10–607

15 Annotated Code of Maryland

16 (2011 Replacement Volume and 2014 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

18 That the Laws of Maryland read as follows:

19 **Article – Insurance**

20 10–130.

21 (a) Except as otherwise provided in §§ 10–102, 10–119, and 10–122 of this subtitle
 22 **AND § 10–602 OF THIS TITLE**, a commission, fee, reward, rebate, or other consideration
 23 for selling, soliciting, or negotiating insurance may not be paid, directly or indirectly, to a
 24 person other than a licensed insurance producer.

25 10–601.

26 (a) In this subtitle the following words have the meanings indicated.

27 **(B) “AUTHORIZED REPRESENTATIVE” MEANS AN INDEPENDENT**
 28 **CONTRACTOR OF A MOTOR VEHICLE RENTAL COMPANY.**

29 **[(b)] (C)** “Motor vehicle rental company” means any person that is in the
 30 business of providing motor vehicles to the public under a rental agreement for a period of
 31 180 days or less.

32 **[(c)] (D)** “Rental agreement” means any written agreement containing the terms
 33 and conditions that govern the use of a vehicle provided by a motor vehicle rental company
 34 under the provisions of Title 18 of the Transportation Article.

1 ~~[(d)]~~ **(E)** “Renter” means any person obtaining the use of a vehicle from a motor
2 vehicle rental company under the terms of a rental agreement.

3 ~~[(e)]~~ **(F)** “Vehicle” means a motor vehicle:

4 (1) of the private passenger type, including passenger vans, minivans, and
5 sport utility vehicles; or

6 (2) of the cargo type, including cargo vans, pickup trucks, and trucks that
7 do not require the operator to possess a commercial driver’s license.

8 10–602.

9 (a) A motor vehicle rental company shall hold a limited lines license to sell
10 insurance in connection with, and incidental to, the rental of a motor vehicle before the
11 company or its employees **OR AUTHORIZED REPRESENTATIVES** may sell or offer any
12 policies of insurance in this State to a renter in connection with, and incidental to, a rental
13 agreement.

14 (b) A limited lines license to sell insurance in connection with, and incidental to,
15 the rental of a motor vehicle issued under this subtitle shall also authorize any [salaried or
16 hourly] employee **AND ANY AUTHORIZED REPRESENTATIVE** of the motor vehicle rental
17 company who is trained, under § 10–604(a)(4) of this subtitle, to act on behalf of, and under
18 the supervision of, a motor vehicle rental company, with respect to the kinds of insurance
19 specified in § 10–604(b)(2) of this subtitle.

20 (c) The acts of an employee **OR AUTHORIZED REPRESENTATIVE** offering or
21 selling insurance coverage on behalf of a motor vehicle rental company shall be deemed the
22 acts of the motor vehicle rental company for the purposes of this subtitle.

23 (d) A motor vehicle rental company holding a limited lines license to sell
24 insurance in connection with, and incidental to, the rental of a motor vehicle issued under
25 this subtitle is not required to treat premiums collected from a renter that purchased
26 insurance from the motor vehicle rental company as funds received in a fiduciary capacity
27 if:

28 (1) the insurer represented by the motor vehicle rental company has
29 consented in a written agreement, signed by an officer of the insurer, that the premiums
30 do not need to be segregated from other funds received by the motor vehicle rental company
31 in connection with the vehicle rental; and

32 (2) the charges for insurance coverage are itemized but not billed to the
33 renter separately from the charges for the vehicle rental.

1 (E) AN EMPLOYEE OR AN AUTHORIZED REPRESENTATIVE OF A MOTOR
2 VEHICLE RENTAL COMPANY WHO OFFERS OR SELLS INSURANCE COVERAGE ON
3 BEHALF OF THE MOTOR VEHICLE RENTAL COMPANY:

4 (1) MAY BE COMPENSATED FOR OFFERING OR SELLING INSURANCE
5 COVERAGE UNDER THIS SUBTITLE; BUT

6 (2) MAY NOT BE COMPENSATED ~~FOR INSURANCE RELATED~~
7 ~~ACTIVITIES~~ IN A MANNER THAT IS BASED SOLELY ON THE NUMBER OF CUSTOMERS
8 WHO PURCHASE RENTAL VEHICLE INSURANCE.

9 (F) THIS SUBTITLE MAY NOT BE CONSTRUED TO PROHIBIT PAYMENT OF
10 COMPENSATION TO AN EMPLOYEE OR AN AUTHORIZED REPRESENTATIVE OF A
11 MOTOR VEHICLE RENTAL COMPANY WHO OFFERS OR SELLS INSURANCE COVERAGE
12 ON BEHALF OF THE MOTOR VEHICLE RENTAL COMPANY FOR ACTIVITIES THAT ARE
13 INCIDENTAL TO THE EMPLOYEE'S OVERALL ACTIVITIES.

14 (G) A MOTOR VEHICLE RENTAL COMPANY THAT HOLDS A LIMITED LINES
15 LICENSE TO SELL INSURANCE IN CONNECTION WITH, AND INCIDENTAL TO, THE
16 RENTAL OF A MOTOR VEHICLE ISSUED UNDER THIS SUBTITLE SHALL:

17 (1) MAINTAIN A REGISTER, ON A FORM THE COMMISSIONER
18 REQUIRES, CONTAINING:

19 (I) THE NAMES OF EACH EMPLOYEE OR AUTHORIZED
20 REPRESENTATIVE WHO OFFERS LIMITED LINES INSURANCE ON BEHALF OF THE
21 MOTOR VEHICLE RENTAL COMPANY; AND

22 (II) THE BUSINESS ADDRESSES OF ALL LOCATIONS IN THE
23 STATE WHERE EMPLOYEES OR AUTHORIZED REPRESENTATIVES OFFER LIMITED
24 LINES INSURANCE ON BEHALF OF THE MOTOR VEHICLE RENTAL COMPANY; AND

25 (2) SUBMIT THE REGISTER FOR INSPECTION BY THE COMMISSIONER
26 AS THE COMMISSIONER REQUIRES.

27 10-604.

28 (a) A limited lines license to sell insurance in connection with, and incidental to,
29 the rental of a motor vehicle issued under this subtitle authorizes the motor vehicle rental
30 company to offer or sell, in connection with, and incidental to, a motor vehicle rental
31 agreement in which the ~~INITIAL~~ rental period does not exceed 30 days, the insurance
32 products specified in paragraph (b) of this section if:

33 (1) the policies have been filed with and approved by the Commissioner;

1 (2) the motor vehicle rental company holds an appointment with each
2 authorized insurer, under § 10–118 of this title, that the motor vehicle rental company
3 intends to represent;

4 (3) prior to completion of the rental transaction, **AN EMPLOYEE OR**
5 **AUTHORIZED REPRESENTATIVE OF** the motor vehicle rental company provides to the
6 renter disclosures approved by the Commissioner that:

7 (i) summarize, clearly and correctly, the material terms of coverage,
8 including limitations or exclusions;

9 (ii) identify the authorized insurer or insurers;

10 (iii) specify that the policies offered by the motor vehicle rental
11 company may provide a duplication of coverage already provided by a renter's personal
12 automobile insurance policy, homeowner's insurance policy, personal liability insurance
13 policy, or other source of coverage;

14 (iv) specify that the purchase of the coverages offered by the motor
15 vehicle rental company is not required in order for the renter to rent a vehicle;

16 (v) describe the process by which the renter can file a claim; and

17 (vi) specify that any excess liability coverage purchased by the renter
18 may duplicate coverage required to be provided under § 18–102(a)(2) of the Transportation
19 Article; ~~and~~

20 (4) the motor vehicle rental company provides a training program,
21 approved by the Commissioner, for any employee **OR AUTHORIZED REPRESENTATIVE**
22 who sells, solicits, or negotiates insurance coverage under this subtitle that includes:

23 (i) instruction about the kinds of insurance specified in subsection
24 (b) of this section that can be offered to renters;

25 (ii) instruction that the trainee shall inform a renter that the
26 purchase of any insurance from the motor vehicle rental company is not required in order
27 for the renter to rent a vehicle; and

28 (iii) instruction that the trainee shall inform a renter that the renter
29 may have insurance policies that already provide the coverage being offered by the motor
30 vehicle rental company; **AND**

31 **(5) AN EMPLOYEE OR AUTHORIZED REPRESENTATIVE WHO OFFERS**
32 **OR SELLS INSURANCE COVERAGE ON BEHALF OF THE MOTOR VEHICLE RENTAL**
33 **COMPANY INFORMS A RENTER THAT THE POLICIES OFFERED BY THE MOTOR**
34 **VEHICLE RENTAL COMPANY MAY DUPLICATE COVERAGE ALREADY PROVIDED BY**

1 THE RENTER'S PERSONAL AUTOMOBILE INSURANCE POLICY, HOMEOWNER'S
2 INSURANCE POLICY, PERSONAL LIABILITY INSURANCE POLICY, OR OTHER SOURCE
3 OF COVERAGE.

4 10-606.

5 (a) The Commissioner may suspend, revoke, or refuse to renew a limited lines
6 license to sell insurance in connection with, and incidental to, the rental of a motor vehicle
7 issued under this subtitle after notice and opportunity for a hearing under Title 2, Subtitle
8 2 of this article if the motor vehicle rental company or an employee **OR AUTHORIZED**
9 **REPRESENTATIVE** of the motor vehicle rental company has:

10 (1) willfully violated this article or another law of the State that relates to
11 insurance;

12 (2) operated without a limited lines license to sell insurance in connection
13 with, and incidental to, the rental of a motor vehicle as required under this subtitle;

14 (3) failed to provide required disclosures;

15 (4) offered or sold unapproved insurance products;

16 (5) failed to hold an appointment with the insurer;

17 (6) failed to train employees **AND AUTHORIZED REPRESENTATIVES**
18 selling or soliciting, or negotiating the sale of, insurance products on behalf of the motor
19 vehicle rental company; or

20 (7) misrepresented pertinent facts or policy provisions that relate to the
21 coverage offered or sold pursuant to this subtitle.

22 (b) A motor vehicle rental company and its employees **AND AUTHORIZED**
23 **REPRESENTATIVES** may not advertise, represent, or otherwise hold itself out as an
24 authorized insurer, or as an insurance producer, for any kind or subdivision of insurance.

25 (c) Instead of, or in addition to, suspending or revoking the limited lines license
26 to sell insurance in connection with, and incidental to, the rental of a motor vehicle, the
27 Commissioner may:

28 (1) impose on the motor vehicle rental company a penalty of not less than
29 \$100 but not more than \$2,500 for each violation of this subtitle; and

30 (2) require that restitution be made to any person who has suffered
31 financial injury because of the violation of this article.

32 10-607.

1 The Commissioner may adopt regulations to carry out the provisions of this subtitle,
2 including regulations concerning the form and content of required disclosures to renters,
3 the training requirements for employees **AND AUTHORIZED REPRESENTATIVES** of motor
4 vehicle rental companies, and the qualifications of the individuals who provide [employee]
5 training **FOR EMPLOYEES AND AUTHORIZED REPRESENTATIVES OF MOTOR VEHICLE**
6 **RENTAL COMPANIES.**

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
8 1, 2015.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.