

# House File 777

## Bill Text

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1 2  
1 3 AN ACT  
1 4 RELATING TO THE LIMITED LICENSURE OF MOTOR VEHICLE RENTAL  
1 5 COMPANIES BY AUTHORIZING MOTOR VEHICLE RENTAL COMPANIES TO  
1 6 OFFER AND SELL CERTAIN TYPES OF INSURANCE WITH THE RENTAL  
1 7 OF VEHICLES, PROVIDING FOR LICENSURE OF COUNTER EMPLOYEES,  
1 8 RELATING TO THE USE OF QUALIFIED VENDOR FOR PURPOSES OF  
1 9 ADMINISTERING EXAMINATIONS, AND PROVIDING FOR A FEE FOR  
1 10 LICENSE ISSUANCE.  
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1 12 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
1 13  
1 14 Section 1. NEW SECTION. 522A.1 PURPOSE.  
1 15 The purpose of this chapter is to provide for the limited  
1 16 licensing of rental companies when a motor vehicle rental  
1 17 company sells travel or automobile-related insurance products  
1 18 or coverage in connection with and incidental to the rental of  
1 19 vehicles.  
1 20 Sec. 2. NEW SECTION. 522A.2 DEFINITIONS.  
1 21 As used in this chapter, unless the context otherwise  
1 22 requires:  
1 23 1. "Commissioner" means the commissioner of insurance  
1 24 appointed pursuant to section 505.2.  
1 25 2. "Counter employee" means any employee at least eighteen  
1 26 years of age employed by a rental company that offers the  
1 27 products described in this chapter.  
1 28 3. "Limited licensee" means a person at least eighteen  
1 29 years of age or an entity authorized to sell certain insurance  
1 30 coverages relating to the rental of vehicles.  
1 31 4. "Rental agreement" means any written agreement setting  
1 32 forth the terms and conditions governing the use of a vehicle  
1 33 provided by a rental company for rental.  
1 34 5. "Rental company" means any person or entity in the  
1 35 business of primarily providing vehicles intended for the  
2 1 private transportation of passengers to the public under a  
2 2 rental agreement for a period not to exceed ninety days.  
2 3 6. "Rental period" means the term of the rental agreement.  
2 4 7. "Renter" means any person obtaining the use of a  
2 5 vehicle from a rental company under the terms of a rental  
2 6 agreement for a period not to exceed ninety days.  
2 7 8. "Vehicle" means a motor vehicle under section 321.1  
2 8 used for the private transportation of passengers, including  
2 9 passenger vans, minivans, and sport utility vehicles, or used  
2 10 for the transportation of cargo with a gross vehicle weight of  
2 11 less than twenty-six thousand and one pounds and not requiring  
2 12 the operator to possess a commercial driver's license,  
2 13 including cargo vans, pickup trucks, and trucks.  
2 14 Sec. 3. NEW SECTION. 522A.3 LIMITED LICENSES.  
2 15 1. Notwithstanding the provisions of chapter 522, the  
2 16 commissioner may issue a limited license to a rental company  
2 17 that has complied with the requirements of this chapter. The  
2 18 limited license shall authorize the limited licensee to offer  
2 19 or sell insurance with the rental of vehicles.  
2 20 2. As a prerequisite for issuance of a limited license  
2 21 under this section, a written application for a limited

2 22 license, which is signed by an officer of the applicant, shall  
2 23 be filed with the commissioner. The application shall be in a  
2 24 form and contain information prescribed by the commissioner.  
2 25 The application shall include a list of all rental locations  
2 26 where the rental company intends to conduct business. An  
2 27 updated list shall be provided to the commissioner within  
2 28 thirty business days from any date on which the list is  
2 29 amended.

2 30 3. If a provision of this section is violated by a limited  
2 31 licensee, the commissioner may, after notice and a hearing,  
2 32 revoke or suspend a limited license issued under this section,  
2 33 or impose any other penalties, including suspending permission  
2 34 for the transaction of insurance offers or sales at specific  
2 35 rental locations where violations of this section have  
3 1 occurred, as the commissioner deems to be necessary or  
3 2 convenient to carry out the purposes of this section.

3 3 4. A rental company licensed pursuant to this section may  
3 4 offer or sell insurance issued by an insurance carrier  
3 5 authorized to do business in this state and only in connection  
3 6 with and incidental to the rental of a vehicle. A renter  
3 7 shall not be required to purchase coverage in order to rent a  
3 8 vehicle. The type of insurance offered or sold by a limited  
3 9 licensee, whether at the rental office or by preselection of  
3 10 coverage in a master, corporate, group rental, or individual  
3 11 agreement, may be in any of the following general categories:

3 12 a. Personal accident insurance covering the risks of  
3 13 travel, including, but not limited to, accident and health  
3 14 insurance that provides coverage, as applicable, to a renter  
3 15 and other rental vehicle occupants for accidental death or  
3 16 dismemberment and reimbursement for medical expenses resulting  
3 17 from an accident that occurs during the rental period.

3 18 b. Liability insurance that provides coverage, as  
3 19 applicable, to a renter and other authorized drivers of rental  
3 20 vehicles for liability arising from the operation of the  
3 21 rental vehicle.

3 22 c. Personal effects insurance that provides coverage, as  
3 23 applicable, to a renter and other vehicle occupants for the  
3 24 loss of, or damage to, personal effects that occurs during the  
3 25 rental period.

3 26 d. Roadside assistance and emergency sickness protection  
3 27 programs.

3 28 5. Insurance shall only be sold by a limited licensee  
3 29 pursuant to this section if all of the following apply:

3 30 a. The rental period of the rental agreement does not  
3 31 exceed ninety consecutive days.

3 32 b. At every rental location where a rental agreement is  
3 33 executed, brochures or other written materials are readily  
3 34 available to a prospective renter that include all of the  
3 35 following information:

4 1 (1) A clear and correct summary of the material terms of  
4 2 coverage offered to renters, including the identity of the  
4 3 insurer.

4 4 (2) A disclosure that the coverage offered by the rental  
4 5 company may provide a duplication of coverage already provided  
4 6 by a renter's personal automobile insurance policy,  
4 7 homeowner's insurance policy, personal liability insurance  
4 8 policy, or other source of coverage.

4 9 (3) A statement that the purchase by a renter of the types  
4 10 of coverage specified in this section is not required in order  
4 11 to rent a vehicle.

4 12 (4) A description of the process for filing a claim in the  
4 13 event a renter elects to purchase coverage and in the event of  
4 14 a claim.

4 15 c. Evidence of coverage in the rental agreement is  
4 16 provided to every renter who elects to purchase such coverage.

4 17 d. A fee, compensation, or commission is not paid to an  
4 18 employee by a rental company dependent based solely on the

4 19 sale of insurance under any limited license issued pursuant to  
4 20 this section.

4 21 6. Any limited license issued under this section shall  
4 22 authorize a counter employee of the limited licensee to act  
4 23 individually on behalf, and under the supervision, of the  
4 24 limited licensee with respect to the offer and sale of  
4 25 coverage specified in this section.

4 26 7. A rental company counter employee must successfully  
4 27 pass an examination covering the insurance products offered  
4 28 for sale by the rental company in connection with and  
4 29 incidental to the rental of vehicles by the rental company.  
4 30 The examination shall be approved and administered by the  
4 31 insurance division or a vendor approved by the insurance  
4 32 division pursuant to section 522A.6. The counter employee  
4 33 shall file an application with the commissioner for an  
4 34 individual license. Any application shall be deemed approved  
4 35 unless the commissioner notifies the rental company of the  
5 1 denial or rejection of the application within thirty days of  
5 2 receiving the application. An application shall not include  
5 3 requirements greater in scope than defined in this section.

5 4 8. A limited licensee pursuant to this section shall not  
5 5 be required to treat moneys collected from renters purchasing  
5 6 insurance when renting vehicles as moneys received in a  
5 7 fiduciary capacity, provided that the charges for coverage are  
5 8 itemized and are ancillary to a rental agreement. The offer  
5 9 or sale of insurance not in conjunction with a rental  
5 10 agreement shall not be permitted.

5 11 9. A limited licensee under this section shall not  
5 12 advertise, represent, or otherwise hold itself out or hold any  
5 13 of its employees out as licensed insurers, insurance agents,  
5 14 or insurance brokers.

5 15 10. A limited licensee shall not engage in this state in  
5 16 any of the following:

5 17 a. A trade practice defined in chapter 507B as, or  
5 18 determined pursuant to section 507B.6 to be, an unfair method  
5 19 of competition or an unfair or deceptive act or practice in  
5 20 the business of insurance.

5 21 b. An illegal sales practice or unfair trade practice as  
5 22 defined in rules adopted pursuant to chapter 17A by the  
5 23 commissioner.

5 24 11. An individual license, authorization, and  
5 25 certification to offer or sell insurance products under this  
5 26 chapter shall expire when the counter employee's employment  
5 27 terminates with the rental company.

5 28 Sec. 4. NEW SECTION. 522A.4 TERM OF LIMITED LICENSE.

5 29 A limited license issued pursuant to this chapter is valid  
5 30 for three years and may be renewed without examination if the  
5 31 renewal application is received in a timely manner.

5 32 Sec. 5. NEW SECTION. 522A.5 FEES.

5 33 The fee for a counter employee license shall be fifty  
5 34 dollars per counter employee. In no case shall any combined  
5 35 fees exceed one thousand dollars in any calendar year for any  
6 1 one rental company or limited license or licensee or renewal  
6 2 license.

6 3 Sec. 6. NEW SECTION. 522A.6 VENDOR QUALIFICATIONS.

6 4 If a qualified vendor is available, the commissioner shall  
6 5 utilize the qualified vendor closest in proximity to where the  
6 6 counter employee is employed to meet the requirements in  
6 7 section 522A.3. A vendor shall have at least two years  
6 8 teaching experience relating to the topic of the products  
6 9 described in this chapter. For purposes of this section, the  
6 10 commissioner may approve a rental company that meets the  
6 11 requirements of this section as a qualifying vendor to  
6 12 administer the requirements in section 522A.3.

6 13 Sec. 7. NEW SECTION. 522A.7 RULES.

6 14 The commissioner shall adopt rules necessary for the  
6 15 administration of this chapter.

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BRENT SIEGRIST  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and  
is known as House File 777, Seventy-eighth General Assembly.

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ELIZABETH ISAACSON  
Chief Clerk of the House

Approved \_\_\_\_\_, 1999

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THOMAS J. VILSACK  
Governor