

Senate Study Bill 1183

Bill Text

PAG LIN

1 1 Section 1. NEW SECTION. 522A.1 PURPOSE.
1 2 The purpose of this chapter is to provide for the limited
1 3 licensing of rental companies when a motor vehicle rental
1 4 company sells travel or automobile-related insurance products
1 5 or coverage in connection with and incidental to the rental of
1 6 vehicles.
1 7 Sec. 2. NEW SECTION. 522A.2 DEFINITIONS.
1 8 As used in this chapter, unless the context otherwise
1 9 requires:
1 10 1. "Commissioner" means the commissioner of insurance
1 11 appointed pursuant to section 505.2.
1 12 2. "Limited licensee" means a person at least eighteen
1 13 years of age or an entity authorized to sell certain insurance
1 14 coverages relating to the rental of vehicles.
1 15 3. "Rental agreement" means any written agreement setting
1 16 forth the terms and conditions governing the use of a vehicle
1 17 provided by a rental company for rental.
1 18 4. "Rental company" means any person or entity in the
1 19 business of primarily providing vehicles intended for the
1 20 private transportation of passengers to the public under a
1 21 rental agreement for a period not to exceed ninety days.
1 22 5. "Rental period" means the term of the rental agreement.
1 23 6. "Renter" means any person obtaining the use of a
1 24 vehicle from a rental company under the terms of a rental
1 25 agreement for a period not to exceed ninety days.
1 26 7. "Vehicle" means a motor vehicle under section 321.1
1 27 used for the private transportation of passengers, including
1 28 passenger vans, minivans, and sport utility vehicles, or used
1 29 for the transportation of cargo with a gross vehicle weight of
1 30 less than twenty-six thousand one pounds and not requiring the
1 31 operator to possess a commercial driver's license, including
1 32 cargo vans, pickup trucks, and trucks.
1 33 Sec. 3. NEW SECTION. 522A.3 LIMITED LICENSES.
1 34 1. Notwithstanding the provisions of chapter 522, the
1 35 commissioner may issue a limited license to a rental company
2 1 that has complied with the requirements of this chapter. The
2 2 limited license shall authorize the limited licensee to offer
2 3 or sell insurance with the rental of vehicles.
2 4 2. As a prerequisite for issuance of a limited license
2 5 under this section, a written application for a limited
2 6 license, which is signed by an officer of the applicant, shall
2 7 be filed with the commissioner. The application shall be in a
2 8 form and contain information prescribed by the commissioner.
2 9 The application shall include a list of all rental locations
2 10 where the rental company intends to conduct business. An
2 11 updated list shall be provided to the commissioner by January
2 12 1 of each year.
2 13 3. If a provision of this section is violated by a limited
2 14 licensee, the commissioner may, after notice and a hearing,
2 15 revoke or suspend a limited license issued under this section,
2 16 or impose any other penalties, including suspending permission
2 17 for the transaction of insurance offers or sales at specific
2 18 rental locations where violations of this section have
2 19 occurred, as the commissioner deems to be necessary or
2 20 convenient to carry out the purposes of this section.
2 21 4. A rental company licensed pursuant to this section may

2 22 offer or sell insurance issued by an insurance carrier
2 23 authorized to do business in this state and only in connection
2 24 with and incidental to the rental of a vehicle. A renter
2 25 shall not be required to purchase coverage in order to rent a
2 26 vehicle. The type of insurance offered or sold by a limited
2 27 licensee, whether at the rental office or by preselection of
2 28 coverage in a master, corporate, group rental, or individual
2 29 agreement, may be in any of the following general categories:
2 30 a. Personal accident insurance covering the risks of
2 31 travel, including, but not limited to, accident and health
2 32 insurance that provides coverage, as applicable, to a renter
2 33 and other rental vehicle occupants for accidental death or
2 34 dismemberment and reimbursement for medical expenses resulting
2 35 from an accident that occurs during the rental period.
3 1 b. Liability insurance that provides coverage, as
3 2 applicable, to a renter and other authorized drivers of rental
3 3 vehicles for liability arising from the operation of the
3 4 rental vehicle.
3 5 c. Personal effects insurance that provides coverage, as
3 6 applicable, to a renter and other vehicle occupants for the
3 7 loss of, or damage to, personal effects that occurs during the
3 8 rental period.
3 9 d. Roadside assistance and emergency sickness protection
3 10 programs applicable during the rental period.
3 11 e. Any other travel or automobile-related coverage which
3 12 is connected with and incidental to the rental of a vehicle,
3 13 upon prior approval of the commissioner.
3 14 5. Insurance shall only be issued by a limited licensee
3 15 pursuant to this section if all of the following apply:
3 16 a. The rental period of the rental agreement does not
3 17 exceed ninety consecutive days.
3 18 b. At every rental location where a rental agreement is
3 19 executed, brochures or other written materials are readily
3 20 available to a prospective renter that include all of the
3 21 following information:
3 22 (1) A clear and correct summary of the material terms of
3 23 coverage offered to renters, including the identity of the
3 24 insurer.
3 25 (2) A disclosure that the coverage offered by the rental
3 26 company may provide a duplication of coverage already provided
3 27 by a renter's personal automobile insurance policy,
3 28 homeowner's insurance policy, personal liability insurance
3 29 policy, or other source of coverage.
3 30 (3) A statement that the purchase by a renter of the types
3 31 of coverage specified in this section is not required in order
3 32 to rent a vehicle.
3 33 (4) A description of the process for filing a claim in the
3 34 event a renter elects to purchase coverage and in the event of
3 35 a claim.
4 1 c. Evidence of coverage in the rental agreement is
4 2 provided to every renter who elects to purchase such coverage.
4 3 6. Any limited license issued under this section shall
4 4 authorize a trained full-time employee of the limited licensee
4 5 to act individually on behalf, and under the supervision, of
4 6 the limited licensee with respect to the offer and sale of
4 7 coverage specified in this section. Trained full-time
4 8 employees shall be at least eighteen years of age.
4 9 7. A rental company licensed pursuant to this section
4 10 shall conduct a training program, a description of which shall
4 11 be filed with the commissioner, in which each full-time
4 12 employee being trained shall receive basic instruction about
4 13 the types of coverage specified in this section and offered
4 14 for purchase by prospective renters of rental vehicles prior
4 15 to any sales activity by such full-time employees. A rental
4 16 company shall certify any full-time employees who have
4 17 completed such a training program and a list of these
4 18 certifications shall be provided to the commissioner by

4 19 January 1 and July 1 of each year.

4 20 8. A limited licensee pursuant to this section shall not
4 21 be required to treat moneys collected from renters purchasing
4 22 insurance when renting vehicles as moneys received in a
4 23 fiduciary capacity, provided that the charges for coverage are
4 24 itemized and are ancillary to a rental agreement. The offer
4 25 or sale of insurance not in conjunction with a rental
4 26 agreement shall not be permitted.

4 27 9. A limited licensee under this section shall not
4 28 advertise, represent, or otherwise hold itself out or hold any
4 29 of its employees out as licensed insurers, insurance agents,
4 30 or insurance brokers.

4 31 10. A rental company licensed pursuant to this section
4 32 shall maintain a list of the names of trained and certified
4 33 full-time employees offering the insurance products described
4 34 in subsection 4 and the date on which the training required
4 35 under subsection 7 was completed. The list, together with
5 1 paper or computer records reflecting sales of the insurance
5 2 products sold by each trained full-time employee, shall be
5 3 made available to the commissioner upon request.

5 4 11. A limited licensee shall not engage in this state in
5 5 any of the following:

5 6 a. A trade practice defined in chapter 507B as, or
5 7 determined pursuant to section 507B.6 to be, an unfair method
5 8 of competition or an unfair or deceptive act or practice in
5 9 the business of insurance.

5 10 b. An illegal sales practice or unfair trade practice as
5 11 defined in rules adopted pursuant to chapter 17A by the
5 12 commissioner.

5 13 Sec. 4. NEW SECTION. 552A.4 TERM OF LIMITED LICENSE.

5 14 A limited license issued pursuant to this chapter is valid
5 15 for three years.

5 16 Sec. 5. NEW SECTION. 522A.5 FEES.

5 17 The fee for a limited license and renewal of a limited
5 18 license is fifty dollars.

5 19 Sec. 6. NEW SECTION. 552A.6 RULES.

5 20 The commissioner shall adopt rules necessary for the
5 21 administration of this chapter.

5 22 EXPLANATION

5 23 This bill creates new Code chapter 522A, which provides for
5 24 the limited licensure of vehicle rental companies that offer
5 25 and sell certain types of insurance with the rental of
5 26 vehicles.

5 27 The bill provides that a signed, written application must
5 28 be filed with the commissioner of insurance. The bill
5 29 provides that, among other things, the application shall list
5 30 all rental locations of the applicant. The bill provides that
5 31 the commissioner may revoke or suspend a limited license or
5 32 impose other penalties as the commissioner deems necessary for
5 33 a violation of the provisions of new Code chapter 522A.

5 34 The bill provides that a limited licensee may offer or sell
5 35 insurance issued by an insurance carrier authorized to do
6 1 business in this state and only in connection with and
6 2 incidental to the rental of a vehicle. The bill provides that
6 3 a limited licensee may offer or sell certain personal accident
6 4 insurance, certain liability insurance, certain personal
6 5 effects insurance, roadside assistance and emergency sickness
6 6 protection programs, and any other travel or automobile-
6 7 related coverage approved by the commissioner.

6 8 The bill provides that a limited license shall only be
6 9 issued if the rental period does not exceed 90 days, certain
6 10 information is provided and disclosed to prospective renters,
6 11 and evidence of coverage in the rental agreement is disclosed
6 12 to every renter who elects to purchase such coverage.

6 13 The bill provides that a trained full-time employee of the
6 14 limited licensee is authorized to offer and sell coverage on
6 15 behalf of the limited licensee. The bill provides that a

6 16 trained full-time employee must complete a training program
6 17 conducted by the limited licensee and the limited licensee
6 18 must file with the commissioner a list of all employees that
6 19 have completed the training.

6 20 The bill provides that a limited licensee shall not be
6 21 required to treat moneys collected from renters purchasing
6 22 insurance when renting vehicles as moneys received in a
6 23 fiduciary capacity.

6 24 The bill prohibits a limited licensee or a trained full-
6 25 time employee from advertising, representing, or otherwise
6 26 holding themselves out as a licensed insurer, insurance agent,
6 27 or insurance broker.

6 28 The bill requires limited licensees to maintain certain
6 29 records regarding trained full-time employees and sales
6 30 records. The bill prohibits illegal sales practices as
6 31 defined in the Code and the administrative code.

6 32 The bill provides that a limited license issued under new
6 33 Code chapter 522A shall be for a term of three years and cost
6 34 \$50.

6 35 LSB 3002SC 78

7 1 tm/jw/5