



DATE: March 6, 2017

TO: The Honorable Jene Vickery
Members of the House Insurance Committee

FROM: Will Larson, Attorney
Kansas Association of Insurance Agents

RE: Opposition to SB14

Thank you for the opportunity to speak in opposition to Senate Bill 14 which would allow self-storage company employees to sell insurance coverage for property stored in a self-storage unit without an insurance license.

The Kansas Association of Insurance Agents (KAIA) is a statewide association of independent insurance agencies. It has approximately 385 member independent insurance agencies representing more than 2,400 licensed independent insurance agents throughout the state of Kansas. All of these agencies and agents are licensed to sell either property and casualty, P&C, and/or life and health insurance products. Many, and very possibly most, are licensed to sell both. In order to obtain a P&C and/or life and health license an applicant must pass an initial examination promulgated by the Kansas Insurance department. In order to maintain a P&C and/or life and health license an agent must take 12 hours of continuing education, approved by the Insurance Department, every two years for each license. So, if an agent is licensed in both P&C and life and health the agent must take 24 hours of approved continuing education every two years. There is also a requirement that the continuing education courses include ethics courses.

Under proposed Senate Bill 14 the only requirements to sell self-storage insurance coverage are that the self-storage company obtain a certificate, from the insurance carrier providing the coverage, stating the self-storage company is trustworthy and competent to sell the insurance, and the self-storage company itself conduct an approved training program for employees of the company providing; 1) basic instruction about the insurance they are selling, 2) instructing employees to tell customers they don't have to purchase the insurance, and 3) instructing employees to tell customers they may already have coverage through their other insurance policies. No initial examination is required. No continuing education is required. No ethics courses are required.

Kansas already has a statute, K.S.A. 40-4903, that deals with limited lines licensing for certain lines of insurance, for example, crop insurance, pre-need funeral insurance, title insurance etc. Under this statute, however, all agents are, at least, required to take the initial licensing test and certain limited line licenses require specific continuing education classes such as crop insurance or title insurance. The limited lines licenses, under this statute, that don't require continuing education, pre-need funeral insurance and bail bond insurance are arguably not true insurance products.

The self-storage property insurance in SB14 is a true insurance product that, as the bill itself recognizes, is often provided in insurance policies a self-storage customer already has. It requires knowledge of other P&C insurance to determine whether self-storage insurance is appropriate for a given customer. There is a potential for abuse in providing duplicate coverage or shifting the liability of a self-storage company to an insurance policy the customer pays for. We do not believe the interests of consumers are adequately served by having this insurance product sold by self-storage employees with little or no knowledge of insurance.



There is also an overriding policy consideration. Do we really want to chop up the insurance industry into discrete limited lines segments to be sold by people that are not required to be licensed to sell insurance? The KAIA thinks this is a bad idea. The licensing laws in Kansas are there for a reason. We need people with adequate knowledge about insurance to sell insurance. There is nothing that prevents self-storage company employees from getting P&C licenses to sell self-storage insurance coverage. If self-storage companies want to sell this form of property insurance we think they should get their people licensed to do so.

Finally, there is another troubling aspect of the Bill. Section (i) of the bill beginning on page 3 line 41 essentially provides the licensees, i.e. the storage facility owners, are not required to hold premium payments from customers in a fiduciary capacity. This is distinctly different from regular licensed insurance agents who are required to hold any premiums paid by customers in trust pursuant to KSA 40-247. The statute imposes a fiduciary duty on licensed insurance agents. It also provides a valuable protection for customers. KSA 40-247 is generally interpreted as making the insurance agent, the agent of the insurance company for the purpose of collecting premiums so if an agent converts the premium payments, goes bankrupt or for some other reason fails to pay the premiums to the insurance company, the company is still bound to provide coverage because the customers paid the premiums to the insurance agent. That argument is more difficult to make where the storage facility owner is not holding the premium payments in a fiduciary capacity.

Thank you for your considering our opposition to SB14.