

ACT 284

S.B. NO. 817

A Bill for an Act Relating to Self-Service Storage.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that self-service storage facilities offer occupants stored property insurance as an insurance option if those occupants do not have a homeowners' or renters' insurance policy. Stored property insurance policies typically insure the contents within a storage unit located at a storage facility.

The legislature also finds that some occupants of self-service storage facilities do not have homeowners' or renters' insurance policies and are unlikely to seek insurance from the traditional insurance market for the property in their storage facility unit.

Affording individuals the opportunity to purchase insurance at the point of rental will provide an accessible means to obtain coverage for their stored property.

The purpose of this Act is to:

- (1) Establish regulations for the sale of stored property insurance by self-service storage facility owners; and
- (2) Require owners to hold a limited lines license to sell, solicit, or offer coverage under a stored property insurance policy.

SECTION 2. Chapter 431, Hawaii Revised Statutes, is amended by adding a new part to article 9A to be appropriately designated and to read as follows:

“PART . LIMITED LINES SELF-SERVICE STORAGE STORED PROPERTY INSURANCE

§431:9A-A Definitions. For purposes of this part:

“Commissioner” means the insurance commissioner as defined in section 431:2-102.

“Occupant” has the same meaning as in section 507-61.

“Owner” means any business entity that owns or is authorized to manage a self-service storage facility, or to receive rent from an occupant under a rental agreement, and no real estate license is required.

“Self-service storage facility” has the same meaning as in section 507-61.

“Stored property insurance” means insurance under a group, individual, corporate, commercial, or master policy to provide insurance coverage to occupants of a self-service storage facility for the loss of, or damage to, tangible personal property that is contained in a storage space located at a self-service storage facility or is in transit during the term of a self-service storage facility rental agreement.

“Supervising entity” means a business entity that is a licensed insurer or insurance producer that is appointed or authorized by an insurer to supervise the administration of a stored property insurance program.

§431:9A-B Licensure of owners. (a) An owner of a self-service storage facility shall hold a limited lines license to sell, solicit, or offer coverage under a policy of stored property insurance. An owner is not required to hold a license solely to display and make available to occupants and prospective occupants brochures and other promotional materials created by or on behalf of an authorized insurer.

(b) A limited lines license issued under this part shall authorize any employee or authorized representative of the owner to sell, solicit, and offer coverage under a policy of stored property insurance to an occupant at each location at which the owner engages in self-service storage transactions.

(c) The supervising entity shall maintain a registry of owner locations, employees, and representatives that are authorized to sell, solicit, or offer stored property insurance coverage in the State. Upon request by the commissioner and with notice to the supervising entity consistent with the commissioner's authority under this article, the registry shall be open to inspection and examination by the commissioner during regular business hours of the supervising entity.

(d) Notwithstanding any law to the contrary, a license issued pursuant to this part shall authorize the licensee and its employees and authorized representatives to engage in the activities that are permitted in this part.

§431:9A-C Requirements for sale of stored property insurance. At every location at which stored property insurance is offered, brochures or other written or electronic materials shall be made available to occupants. The brochures or other written or electronic materials shall:

- (1) Disclose that stored property insurance may provide a duplication of coverage already provided by an occupant's homeowner's insurance policy, renter's insurance policy, or other source of coverage;
- (2) State that purchase by the occupant of the stored property insurance offered by the owner is not required to rent storage space or that, if renting storage space does require the occupant to have property insurance, the occupant may satisfy the requirement by providing evidence that the occupant has coverage from another source of property insurance;
- (3) Contain the actual material terms of the insurance coverage, or summarize the material terms of the insurance coverage, including:
 - (A) The identity of the insurer;
 - (B) The identity of the supervising entity; and
 - (C) The price, deductible, benefits, exclusions, and conditions or other limitations of the coverage;
- (4) Summarize the process for filing a claim in the event the occupant elects to purchase coverage;
- (5) Disclose that the employee of the self-service storage facility is not qualified or authorized to evaluate the adequacy of the occupant's existing coverages, unless otherwise licensed;
- (6) State that the occupant may cancel enrollment for coverage under a stored property insurance policy at any time and the person paying the premium shall receive a refund of any applicable unearned premium; and
- (7) State that stored property insurance may also be purchased through licensed property and casualty producers, who may have more general knowledge and experience selling insurance and may better assist the occupant. Owners and employees selling stored property insurance under a limited lines license are not required to meet all of the requirements of a licensed insurance producer.

§431:9A-D Authority of owners. (a) The employees and authorized representatives of owners may sell, solicit, and offer stored property insurance and shall not be subject to licensure as an insurance producer under this chapter; provided that:

- (1) The owner obtains a limited lines license to authorize its employees and authorized representatives to sell, solicit, and offer stored property insurance pursuant to this part;
- (2) The insurer issuing the stored property insurance either directly supervises or appoints a supervising entity to supervise the administration of a stored property insurance program, including development of a training program for employees and authorized representatives of the owner. The training shall comply with the following:
 - (A) Prior to an employee or authorized representative directly engaging in the activity of selling, soliciting, or offering stored property insurance, the employee or authorized representative shall receive the training set forth in this section;
 - (B) The training may be conducted in electronic form; provided that, if the training is conducted in an electronic form, the supervising entity shall implement a supplemental education program regarding the stored property insurance product that is conducted and overseen by a licensed employee of the supervising entity; and
 - (C) Each employee and authorized representative directly engaged in the activity of selling, soliciting, or offering stored property insurance shall receive basic instruction about the stored property insurance offered to occupants and the disclosures required under section 431:9A-C; and
- (3) No employee or authorized representative of an owner shall advertise, represent, or otherwise portray the employee or authorized representative as a non-limited lines licensed insurance producer, unless so licensed.

(b) The charges for stored property insurance coverage may be billed and collected by the owner. Any charge to the enrolled occupant for coverage that is not included in the cost associated with the rental of storage space or related services shall be separately itemized on the enrolled occupant's bill. If the stored property insurance coverage is included with the rental of storage space or related services, the owner shall clearly and conspicuously disclose to the enrolled occupant that the stored property insurance coverage is included with the rental of storage space or related services. An owner that bills and collects the charges shall not be required to maintain the funds in a segregated account; provided that the owner is authorized by the insurer or supervising entity to hold the funds in an alternative manner and remits the funds to the insurer or supervising entity within sixty days of receipt. All premiums received by an owner from an enrolled occupant for the sale of stored property insurance shall be held in a fiduciary capacity for the benefit of the insurer.

§431:9A-E Sanctions for violations. An owner or its employee or authorized representative shall be subject to sanctions pursuant to this chapter for the violation of any provision of this chapter.

§431:9A-F Application for license and fees. (a) A sworn application for a license under this part shall be filed with the commissioner on forms prescribed and furnished by the commissioner.

- (b) The application for a license shall provide the following:

- (1) Name, residence address, electronic-mail address, and other information required by the commissioner for an employee or officer of the owner or supervising entity that is designated by the applicant as the person responsible for the owner's compliance with the requirements of this part; provided that, if the owner derives more than fifty per cent of its revenue from the sale of stored property insurance, the information in this paragraph shall be provided for all officers, directors, and shareholders of record having beneficial ownership of ten per cent or more of any class of securities registered under the federal securities law; and
- (2) Location of the applicant's home office.
- (c) Any owner engaging in stored property insurance transactions on or before the effective date of Act , Session Laws of Hawaii 2019, shall apply for licensure within ninety days of the date the application is made available by the commissioner. Any applicant commencing operations after the effective date of Act , Session Laws of Hawaii 2019, shall obtain a license prior to offering stored property insurance.
- (d) Initial and renewed licenses issued pursuant to this part shall be valid for periods consistent with this article.
- (e) Each owner licensed under this part shall pay to the commissioner the limited lines producer's application fee and license fee pursuant to section 431:7-101."

SECTION 3. Section 431:9A-107.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Notwithstanding any other provision of this article, the commissioner may issue:

- (1) A limited license to persons selling travel tickets of a common carrier of persons or property who shall act only as to travel ticket policies of accident and health or sickness insurance or baggage insurance on personal effects;
- (2) A limited license to each individual who has charge of vending machines used in this State for the effectuation of travel insurance;
- (3) A limited license to any individual who sells policies of accident and health or sickness insurance as a promotional device to improve the circulation of a newspaper in this State; [øø]
- (4) A limited line credit insurance producer license to any individual who sells, solicits, or negotiates limited line credit insurance[-]; or
- (5) A limited license to any owner of a self-service storage facility, as defined in section 507-61, to sell stored property insurance, as defined in section 431:9A-A."

SECTION 4. This Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

SECTION 5. The revisor of statutes shall insert the effective date of this Act in the appropriate places in section 2 of this Act.

SECTION 6. In codifying the new sections added by section 2 of this Act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on January 1, 2020.

(Became law on July 9, 2019, without the governor's signature, pursuant to Art. III, §16, State Constitution.)