

JAN 18 2019

A BILL FOR AN ACT

RELATING TO SELF-SERVICE STORAGE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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

7 The legislature also finds that many of the occupants of
8 self-service storage facilities do not have homeowners' or
9 renters' insurance policies and are unlikely to seek insurance
10 from the traditional insurance market for the property in their
11 storage facility unit. Even if the occupant has a homeowner's
12 or renter's policy that covers property stored off-premises, the
13 occupant will have to pay the full policy deductible to access
14 the coverage.

15 Moreover, the generally short-term and low-cost nature of a
16 storage unit rental provides little economic incentive for
17 insurance producers to pursue stored property insurance



1 customers on a regular basis. This makes it difficult for
2 individuals wishing to purchase insurance to protect the value
3 of their stored property. Affording individuals the opportunity
4 to purchase insurance at the point of rental will provide a more
5 accessible means to obtain optional affordable coverage for
6 their stored property.

7 The purpose of this Act is to:

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

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

16 **"ARTICLE**

17 **SELF-SERVICE STORAGE OCCUPANTS' INSURANCE**

18 §431: -101 Definitions. For purposes of this article:

19 "Occupant" has the same meaning as in section 507-61.

20 "Owner" has the same meaning as in section 507-61.



1 "Self-service storage facility" has the same meaning as in
2 section 507-61.

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

10 "Supervising entity" means a business entity that is a
11 licensed insurer or insurance producer that is appointed or
12 authorized by an insurer to supervise the administration of a
13 stored property insurance program.

14 **§431: -102 Licensure of owners.** (a) An owner shall hold
15 a limited lines license to sell, solicit, or offer coverage
16 under a policy of stored property insurance. An owner is not
17 required to hold a license solely to display and make available
18 to occupants and prospective occupants brochures and other
19 promotional materials created by or on behalf of an authorized
20 insurer or surplus lines insurer.



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

6 (c) The supervising entity shall maintain a registry of
7 owner locations that are authorized to sell, solicit, or offer
8 stored property insurance coverage in the State. Upon request
9 by the commissioner and with ten days' notice to the supervising
10 entity, the registry shall be open to inspection and examination
11 by the commissioner during regular business hours of the
12 supervising entity.

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

17 **§431: -103 Requirements for sale of stored property**
18 **insurance.** (a) At every location at which stored property
19 insurance is offered, brochures or other written or electronic
20 materials shall be made available to occupants. The brochures
21 or other written or electronic materials shall:



- 1 (1) Disclose that stored property insurance may provide a
2 duplication of coverage already provided by an
3 occupant's homeowner's insurance policy, renter's
4 insurance policy, or other source of coverage;
- 5 (2) State that purchase by the occupant of the stored
6 property insurance offered by the owner is not
7 required to rent storage space or that, if renting
8 storage space does require the occupant to have
9 property insurance, that the occupant may satisfy the
10 requirement by providing evidence that the occupant
11 has coverage from another source of property
12 insurance;
- 13 (3) Contain the actual material terms of the insurance
14 coverage, or summarize the material terms of the
15 insurance coverage, including:
- 16 (A) The identity of the insurer;
- 17 (B) The identity of the supervising entity; and
- 18 (C) The price, deductible, benefits, exclusions, and
19 conditions or other limitations of the coverage;
- 20 (4) Summarize the process for filing a claim in the event
21 the occupant elects to purchase coverage;



1 (5) Disclose that the employee of the self-service storage
2 facility is not qualified or authorized to evaluate
3 the adequacy of the occupant's existing coverages,
4 unless otherwise licensed; and

5 (6) State that the occupant may cancel enrollment for
6 coverage under a stored property insurance policy at
7 any time and the person paying the premium shall
8 receive a refund of any applicable unearned premium.

9 (b) Eligibility and underwriting standards for occupants
10 electing to enroll in coverage shall be established for each
11 stored property insurance program.

12 **§431: -104 Authority of owners.** (a) The employees and
13 authorized representatives of owners may sell, solicit, and
14 offer stored property insurance and shall not be subject to
15 licensure as an insurance producer under this chapter; provided
16 that:

17 (1) The owner obtains a limited lines license to authorize
18 its employees and authorized representatives to sell,
19 solicit, and offer stored property insurance pursuant
20 to this section;



1 (2) The insurer issuing the stored property insurance
2 either directly supervises or appoints a supervising
3 entity to supervise the administration of a stored
4 property insurance program, including development of a
5 training program for employees and authorized
6 representatives of the owner. The training shall
7 comply with the following:

8 (A) The training shall be delivered to employees and
9 authorized representatives of the owner who are
10 directly engaged in the activity of selling,
11 soliciting, or offering stored property
12 insurance;

13 (B) The training may be conducted in electronic form;
14 provided that, if the training is conducted in an
15 electronic form, the supervising entity shall
16 implement a supplemental education program
17 regarding the stored property insurance product
18 that is conducted and overseen by a licensed
19 employee of the supervising entity; and

20 (C) Each employee and authorized representative
21 directly engaged in the activity of selling,



1 soliciting, or offering stored property insurance
2 shall receive basic instruction about the stored
3 property insurance offered to occupants and the
4 disclosures required under section 431: -103;
5 and

6 (3) No employee or authorized representative of an owner
7 shall advertise, represent, or otherwise portray the
8 employee or authorized representative as a non-limited
9 lines licensed insurance producer, unless so licensed.

10 (b) The charges for stored property insurance coverage may
11 be billed and collected by the owner. Any charge to the
12 enrolled occupant for coverage that is not included in the cost
13 associated with the rental of storage space or related services
14 shall be separately itemized on the enrolled occupant's bill.
15 If the stored property insurance coverage is included with the
16 rental of storage space or related services, the owner shall
17 clearly and conspicuously disclose to the enrolled occupant that
18 the stored property insurance coverage is included with the
19 rental of storage space or related services. An owner that
20 bills and collects the charges shall not be required to maintain
21 the funds in a segregated account; provided that the owner is



1 authorized by the insurer or supervising entity to hold the
2 funds in an alternative manner and remits the funds to the
3 insurer or supervising entity within sixty days of receipt. All
4 premiums received by an owner from an enrolled occupant for the
5 sale of stored property insurance shall be held in a fiduciary
6 capacity for the benefit of the insurer. Owners may receive
7 compensation for billing and collection services.

8 **§431: -105 Sanctions for violations.** An owner or its
9 employee or authorized representative shall be subject to
10 sanctions pursuant to this chapter for the violation of any
11 provision of this chapter.

12 **§431: -106 Application for license and fees.** (a) A
13 sworn application for a license under this article shall be
14 filed with the commissioner on forms prescribed and furnished by
15 the commissioner.

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

18 (1) Name, residence address, electronic-mail address, and
19 other information required by the commissioner for an
20 employee or officer of the owner or supervising entity
21 that is designated by the applicant as the person



1 responsible for the owner's compliance with the
2 requirements of this article; provided that, if the
3 owner derives more than fifty per cent of its revenue
4 from the sale of stored property insurance, the
5 information in this paragraph shall be provided for
6 all officers, directors, and shareholders of record
7 having beneficial ownership of ten per cent or more of
8 any class of securities registered under the federal
9 securities law; and

10 (2) Location of the applicant's home office.

11 (c) Any owner engaging in stored property insurance
12 transactions on or before the effective date of Act , Session
13 Laws of Hawaii 2019, shall apply for licensure within ninety
14 days of the date the application is made available by the
15 commissioner. Any applicant commencing operations after the
16 effective date of Act , Session Laws of Hawaii 2019, shall
17 obtain a license prior to offering stored property insurance.

18 (d) Initial licenses issued pursuant to this article shall
19 be valid for a period of not less than twenty-four months.
20 Renewed licenses shall be valid for a period of twenty-four
21 months.



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1 (e) Each owner licensed under this article shall pay to
 2 the commissioner a fee of \$2 for the issuance of the initial
 3 stored property limited lines license, plus a license fee of \$1
 4 per year for the renewal term. A pro rata portion of the
 5 license fee may be applied for a partial year of the initial
 6 term."

7 SECTION 3. This Act does not affect rights and duties that
 8 matured, penalties that were incurred, and proceedings that were
 9 begun before its effective date.

10 SECTION 4. The revisor of statutes shall insert the
 11 effective date of this Act in the appropriate places in section
 12 2 of this Act.

13 SECTION 5. This Act shall take effect upon its approval.
 14

INTRODUCED BY:

Karl Rhoads Randy H. Bell
 Bruce Harris
 Dan K...



S.B. NO. 817

Report Title:

Self-service Storage; Stored Property Insurance

Description:

Authorizes the sale of stored property insurance by self-service storage facility owners under certain conditions. Requires self-service storage facility owners to hold a limited lines license in order to sell, solicit, or offer coverage under a stored property insurance policy.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

