



INSURANCE
ADMINISTRATION

2016 Report on Limited Lines
Insurance Licenses Self-Service
Storage Producers
MSAR# 10123

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I. INTRODUCTION

The 2014 General Assembly enacted SB 490, Limited Lines Insurance Licenses – Self-Service Storage Producers (2014 Laws of Maryland, Chapter 174, hereinafter, “the Act”)¹. The Act, which became effective July 1, 2014, includes a reporting requirement. Specifically, the Insurance Commissioner:

- (1) shall keep track of complaints from consumers regarding the offering and sale of self-service storage insurance by self-service storage producers and employees and authorized representatives who offer and sell self-service storage insurance on behalf of an owner of a self-service storage facility, including:
 - (i) the number of complaints;
 - (ii) a summary of the allegations contained in the complaints;
 - and
 - (iii) the disposition of the complaints;
- (2) based on the complaints under paragraph (1) of this section and any other information the Commissioner determines necessary, shall determine whether and how self-service storage producers and employees and authorized representatives who offer and sell self-service storage insurance on behalf of an owner of a self-service storage facility should be compensated for offering and selling self-service storage insurance; and
- (3) on or before January 1, 2017, shall report the Commissioner’s findings and recommendations, in accordance with § 2-1246 of the State Government Article, to the Senate Finance Committee and the House Economic Matters Committee.

This report summarizes the Commissioner’s findings and recommendations.

II. Background

This Act authorizes an owner of a self-service storage facility and the owner’s designated responsible producer to obtain a self-service storage producer limited lines license to sell coverage to occupants at the self-service storage facility for the loss of or damage to stored personal property that occurs at the facility. An owner may not sell this insurance unless he or she holds a self-service storage limited lines license and has a designated responsible producer. The Insurance Commissioner is authorized to issue a limited lines license as a self-service insurance producer to the owner of a self-service storage facility who satisfies the stated requirements; and, to an individual designated by the owner of a self-service storage facility to be responsible for the owner’s compliance with all insurance laws, rules and regulations of the State. At the time of this report, a total of sixty-one (61) such licenses were in force in the State.

¹ <http://mgaleg.maryland.gov/2014RS/bills/sb/sb0490T.pdf>

III. Complaints Analysis

Between the effective date of the Act and the time of this report, the Property & Casualty Complaints Unit had received a total of three (3) complaints concerning self-service storage insurance. The three (3) complaints included one (1) case involving a claim denial, in which the insurer's position was upheld; and, two (2) cases of delayed claim payments, which were promptly resolved by payment of the claims following the Insurance Administration's initial interaction with the insurer.

IV. Determination Regarding Compensation

Maryland insurance law provides that only a licensed insurance producer may sell a property and casualty insurance product. With the passage of the Act, only an individual that is licensed by the Insurance Administration as a limited lines self-service storage producer may sell a policy to the occupant of a self-service storage facility. The Act establishes the minimum requirements, including the payment of a licensing fee, for an individual or business entity to initially obtain and subsequently renew the required license.

Insurance companies that offer self-service storage insurance policies are also required to be licensed or otherwise authorized by the Insurance Administration to sell such products. The insurance company compensates the insurance producer by payment of a commission. The amount of the commission to be paid is typically described in a contract between the insurer and the producer. The cost of the compensation is accounted for by the insurer within their filed rating program.

Section 10-811 of the Act specifically addresses compensation:

This subtitle may not be construed to prohibit:

- (1) an insurer from paying and a self-service storage producer from receiving a commission, service fee, or any other valuable consideration dependent on the sale of insurance; or
- (2) the payment of compensation by the self-service storage producer to an employee or authorized representative who offers or sells limited lines insurance that is incidental to the employee's or authorized representative's overall compensation and not dependent on the sale of insurance.

After reviewing the complaint data during the reporting period, there have not been any complaints regarding the acts of any licensee or their employees in the sale of the self-service storage insurance. As there have not been any complaints, it is recommended that the current compensation framework for the offering and selling of self-service storage insurance continue as provided under §10-811 of the Insurance Article.