



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 418 (as reported without amendment)
Sponsor: Senator Joe Hune
Committee: Insurance

Date Completed: 8-27-13

RATIONALE

Generally, to become licensed as an insurance producer under the Insurance Code, an individual must file an application with the Department of Insurance and Financial Services (DIFS), complete a course of study, take a written examination, and pay associated fees. The Code provides some exceptions. First, DIFS is allowed discretion; the Department Director may waive exam or course requirements if the applicant applies for a limited license, has been a licensed insurance provider within the previous year, or obtained an appropriate underwriter designation. Second, there are codified exceptions; Section 1202 describes certain parties who are not required to obtain a license as an insurance producer.

Travel agents who provide travel insurance incidental to other travel services are not included in Section 1202. These agents typically sell short-term travel insurance provided by a separate insurance producer. It has been suggested that the Code should exempt these agents from the license requirements.

CONTENT

The bill would amend the Insurance Code to exempt a person who sold travel insurance from licensure as an insurance producer.

Specifically, a license as an insurance producer would not be required of a person whose only insurance sale was for travel insurance sold incidental to planned travel if he or she were working under the authority of a limited lines producer, and the producer

or the person gave written disclosure material to a purchaser or prospective purchaser.

The disclosure material would have to include the identity and contact information of the insurer and limited lines producer. For a prospective purchaser, the material also would have to include a statement that the purchase of travel insurance was not required for the purchase of any other product or service from the person. For a purchaser, the material would have to include the following:

- A summary of the material terms or the actual material terms of the insurance coverage.
- A summary of the process for filing a claim, as well as the review or cancelation process for the policy.

"Travel insurance" would mean insurance coverage for personal risk incident to planned travel, including any of the following:

- Interruption or cancelation of a trip or event.
- Loss of baggage or personal effects.
- Damage to accommodations or rental vehicles.
- Sickness, accident, disability, or death occurring during travel.

Travel insurance would not include major medical plans that provide comprehensive medical protection for travelers with trips lasting six months or longer, such as those working overseas as expatriates or military personnel being deployed.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would remove a regulatory burden facing travel agents. It would exempt them from the requirements for obtaining an insurance producer license, appropriately placing the regulatory burden on the "true" insurance producer. According to the US Travel Insurance Association ("USTiA"), there are 41 different licensing qualification codes throughout the country. This type of patchwork regulation can make it difficult for travel agents to operate, since many travel agents operate in multiple states and must conform to myriad standards.

A travel agent as insurance provider is distinct from a typical insurance producer. Travel agents' activities with regard to providing insurance policies are very limited when compared to other insurance providers. According to the USTiA, only 1.9% of travel agents' average revenue relates to travel insurance. Also, travel insurance policies are very limited in scope and duration. The bill would not reduce licensure requirements for the provision of long-term policies that include major medical coverage.

Response: It is unnecessary to codify this exception. According to DIFS, pursuant to Section 1204, it already waives study and exam requirements for travel agents seeking insurance producer licensure. As a result, any burden on these agents is minimal; travel agents currently need only to complete an application and pay any associated fees to obtain a license. Under current law, DIFS is able to keep track of these travel agents through licensure while the agents enjoy a streamlined process for obtaining licenses to sell travel insurance.

The Department has expressed concerns that travel agents would operate without oversight or knowledge. Travel agents who fall under a licensed insurance provider's umbrella would be unlicensed, making it difficult for DIFS to monitor their operations and contact them if necessary.

Supporting Argument

The bill would be good for consumers, as it would decrease agent costs that are associated with compliance, while including protections via its disclosure requirements. Consumers would be made fully aware that a travel agent was not an insurance agent and therefore unqualified to answer specific questions about policies. The disclosures would direct consumers to the licensed insurance producer.

Opposing Argument

The bill would set a bad precedent for insurance regulation by encouraging limited exceptions on a case-by-case basis. This is a slippery slope, and could inundate the Code with exceptions. According to DIFS, various industries continue to push for exemptions that are specific to their industry. For example, a recent amendment to Section 1202 makes an exemption for a person who sells insurance for portable electronics devices. Crafting a general rule of applicability would be preferable to a piecemeal approach.

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bill would have a minor, but likely negative fiscal impact on the Department of Insurance and Financial Services. Currently, producers of travel insurance pay the \$10 fee required of insurance producers and are essentially exempted from other insurance producer requirements. The bill would remove the requirement that travel insurance producers pay the \$10 fee, which would reduce the amount of revenue received by DIFS by an unknown, but likely small amount.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.