



Senate Fiscal Agency
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Senate Bill 418 (as enacted)
Sponsor: Senator Joe Hune
Senate Committee: Insurance
House Committee: Insurance

PUBLIC ACT 150 of 2014

Date Completed: 6-24-14

RATIONALE

Under the Insurance Code, an insurance producer is someone who is required to be licensed in order to sell, solicit, or negotiate insurance. Generally, to become licensed as an insurance producer, 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 to these requirements. First, the Department Director has the discretion to 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. Also, Section 1202 describes certain parties who are not required to obtain a license as an insurance producer.

Previously, travel agents who sold travel insurance policies incidental to other travel services were not included in Section 1202. These agents typically sell short-term travel insurance provided by a separate insurance producer. It was suggested that the Code should exempt these agents from the license requirements.

CONTENT

The bill amended the Insurance Code to provide that a license as an insurance producer is not required of a person whose only sale of insurance is for travel insurance sold in conjunction with and incidental to planned travel.

The bill defines "travel insurance" as a limited lines 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 does 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.

The bill took effect on June 11, 2014.

MCL 500.1202

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 removes a regulatory burden facing travel agents, by exempting them from the requirement to obtain an insurance producer license. Although DIFS regularly waived study and exam requirements for travel agents who sought a producer license, they still had to submit an application and pay a fee. In addition, according to the US Travel Insurance Association, there are 41 different licensing qualification codes throughout the country. This type of patchwork regulation can make it difficult for travel agents to operate as insurance producers, since many do business in multiple states and must conform to myriad standards.

Travel insurance policies are very limited in scope and duration, and the licensure exemption presents no risk to the consumer. When people buy a travel insurance policy as an add-on to the service provided by a travel agent, they do not consider the agent to be in the insurance business. The insurance company itself is still responsible if there are problems with the policy, and the bill does not reduce licensure requirements for the provision of long-term policies that include major medical coverage.

Also, the bill will be good for consumers, as it will decrease travel agent costs that are associated with licensure.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will have no fiscal impact on State or local government.

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.