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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/18/19

SPONSOR Munoz LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Self-Service Storage Insurance License Act SB 378

ANALYST Martinez

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	See Fiscal Impact	See Fiscal Impact	See Fiscal Impact	See Fiscal Impact

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Office of Superintendent of Insurance (OSI)

### SUMMARY

#### Synopsis of Bill

Senate Bill 378 creates a new section of the insurance code to provide for a limited lines self-service storage insurance license act, which will be enforced by the superintendent of insurance.

SB378 states a “self-service storage insurance” means personal or commercial property insurance offered to an occupant in connection with and incidental to the rental of storage space at a self-storage facility and that provides coverage for the loss of or damage to the occupant’s personal property that occurs at the self-storage facility or when such property is in transit to or from the facility during the period of the rental agreement.

SB378 states a limited lines “self-service storage insurance producer” is a business entity licensed only to offer insurance in connection with, and incidental to, rental agreements on behalf of an insurer authorized to write self-storage insurance.

SB378 states the superintendent of insurance may issue a self-service storage insurance producer license to an applicant who is qualified to solicit or sell self-storage insurance.

### FISCAL IMPLICATIONS

SB378 carries no appropriation.

SB378 states a self-service storage insurance producer license authorizes the licensee and its employees and authorized representatives to sell, solicit, and offer self-storage insurance to occupants at any self-service storage facility at which the owner conducts business.

Section 11 does not state what fund will receive the fees collected at the Office of the Superintendent of Insurance. Section 11 also states the superintendent may contract with an outside testing services for administering examinations and collecting of nonrefundable fees.

Section 13 allows the superintendent to impose a penalty not to exceed \$50 thousand for a licensee's failure to timely report continuing education. The superintendent shall also charge \$1 per credit hour of continuing education credits as a condition of continuation of license.

Senate Bill 378 does not clearly state the timeframe in which a fee will be charged to obtain a self-service storage license. It can be assumed the intention is to provide licenses on an annual basis and charge an annual fee. Currently, the Office of the Superintendent of Insurance charges between \$20-\$100 for licensing fees.

It is uncertain how many applications will be received for self-service storage licenses. OSI could potentially issue one to 1,000 licenses, generating between \$30 to \$30,000 annually. As other fees are collected by OSI, these fees can be used to administer the collection of fess and operating budget uses, with remaining balances building a fund balance. However, Senate Bill 378 does not clearly state the intention of the fees collected.

OSI would not incur an additional appropriation or an increase to the operating budget to administer the self-service storage licenses. This bill states that fees collected can be used to contract with an independent agency to receive and review fees and continuing education. However, if OSI does not contract, it is unclear how many current full time staff would take on additional work to process payments, applications, continuing education requirements, and renewals.

## **SIGNIFICANT ISSUES**

Section 8 requires the supervising entity shall supervise the administration of the self-storage insurance program, including development of a training program approved by the superintendent (of insurance). The training materials shall be submitted to the superintendent at the time the owner applies for a self-storage insurance producer license and whenever modified. Failure to submit training materials or changes for the superintendent s review, or use of disapproved training materials shall constitute grounds for the denial of an application for license, nonrenewal, of a license or a suspension of a license.

Section 9 states the details of the collection of fees. An occupant that purchases self-storage insurance may cancel the insurance at any time by notifying the insurer or the supervising entity in writing and shall receive a refund of any unearned premium within 20 days of cancellation.

Section 11 creates penalties. After notice and hearing by the superintendent, the superintendent may impose a penalty on a person who violates a provision of the Self-Storage Insurance License Act. The fine is not to exceed \$1,000 per violation and not to exceed a total of \$10 thousand.

This is unclear if the amount is not to exceed \$10 thousand in what amount of time period, this could either be annually or indefinitely.

Section 13 provides for continuing education. The superintendent shall require that a licensee has attended the minimum number of hours of formal class instruction, lectures or seminars required and approved by the superintendent. This section does not state specifics on the continuing education requirements but allows the superintendent authority for determination.

The following was provided by the Superintendent of Insurance:

These limited licensees will be competing with fully licensed producers who sell this type of insurance through major insurance companies.

The bill creates limited licenses for producers who would supervise unlicensed individuals who could sell only this type of insurance and only to persons who are leasing space at a storage facility associated with the producer. The licensee is exempt from a licensing exam and continuing education. OSI would:

- maintain lists of unlicensed individuals who have been trained and are supervised by the limited line producer,
- approve the training program,
- and impose penalties for violations.

### **TECHNICAL ISSUES**

The following was provided by the Superintendent of Insurance:

The license types in SB378 are not supported through SBS, a national database OSI uses to track producer licenses. Therefore, they will require manual processing by OSI staff. With time, OSI might have the functionality to have licenses and applications submitted electronically. However, tracking of the unlicensed individuals will be manually entered and updated. This would also apply to the tracking of training materials.

### **ALTERNATIVES**

The following was provided by the Superintendent of Insurance:

If SB378 fails to pass, these insurance policies will remain available through major insurers and the self-storage facilities can direct interested persons to fully licensed producers to purchase the coverage.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Persons wishing to purchase the insurance can purchase the coverage through a fully licensed producer.

JM/al