

HOUSE BILL 732

C4

5l2485
CF 5l2517

By: **Delegate Vaughn**

Introduced and read first time: February 13, 2015

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Motor Vehicle Rental Companies – Limited Lines License to Sell**
3 **Insurance**

4 FOR the purpose of applying certain provisions of law relating to employees of a motor
5 vehicle rental company that holds a certain limited lines license to authorized
6 representatives of the motor vehicle rental company; requiring a motor vehicle rental
7 company to hold a certain limited lines license to sell certain insurance before
8 authorized representatives of the company may sell or offer to sell any policies of
9 insurance to renters of motor vehicles; providing that a certain limited lines license
10 authorizes any authorized representative of the motor vehicle rental company
11 holding the license to act on behalf of the company with respect to certain kinds of
12 insurance, under certain circumstances; altering the types of employees of a motor
13 vehicle rental company who are authorized to act on behalf of the company with
14 respect to certain kinds of insurance; providing that certain acts of an authorized
15 representative of a motor vehicle rental company shall be deemed to be the acts of
16 the company for certain purposes; authorizing an employee or an authorized
17 representative of a motor vehicle rental company to be compensated for offering or
18 selling certain insurance coverage; prohibiting the employee or authorized
19 representative from being compensated for certain activities in a certain manner;
20 providing for the construction of certain provisions of law; altering the circumstances
21 under which a motor vehicle rental company is authorized to offer or sell certain
22 insurance under a limited lines license; altering the circumstances under which
23 certain disciplinary action may be taken by the Maryland Insurance Commissioner;
24 prohibiting an authorized representative of a motor vehicle rental company from
25 advertising, representing, or otherwise holding itself out as a certain insurer or
26 certain insurance producer; exempting certain compensation from the prohibition
27 against paying, directly or indirectly, to certain persons certain consideration for
28 selling, soliciting, or negotiating insurance; defining a certain term; making certain
29 conforming changes; and generally relating to motor vehicle rental companies and
30 limited lines licenses to sell insurance to renters of motor vehicles.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 BY repealing and reenacting, with amendments,
2 Article – Insurance
3 Section 10–130(a), 10–601, 10–602, 10–604(a), 10–606, and 10–607
4 Annotated Code of Maryland
5 (2011 Replacement Volume and 2014 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
7 That the Laws of Maryland read as follows:

8 **Article – Insurance**

9 10–130.

10 (a) Except as otherwise provided in §§ 10–102, 10–119, and 10–122 of this subtitle
11 **AND § 10–602 OF THIS TITLE**, a commission, fee, reward, rebate, or other consideration
12 for selling, soliciting, or negotiating insurance may not be paid, directly or indirectly, to a
13 person other than a licensed insurance producer.

14 10–601.

15 (a) In this subtitle the following words have the meanings indicated.

16 **(B) “AUTHORIZED REPRESENTATIVE” MEANS AN INDEPENDENT**
17 **CONTRACTOR OF A MOTOR VEHICLE RENTAL COMPANY.**

18 **[(b)] (C)** “Motor vehicle rental company” means any person that is in the
19 business of providing motor vehicles to the public under a rental agreement for a period of
20 180 days or less.

21 **[(c)] (D)** “Rental agreement” means any written agreement containing the terms
22 and conditions that govern the use of a vehicle provided by a motor vehicle rental company
23 under the provisions of Title 18 of the Transportation Article.

24 **[(d)] (E)** “Renter” means any person obtaining the use of a vehicle from a motor
25 vehicle rental company under the terms of a rental agreement.

26 **[(e)] (F)** “Vehicle” means a motor vehicle:

27 (1) of the private passenger type, including passenger vans, minivans, and
28 sport utility vehicles; or

29 (2) of the cargo type, including cargo vans, pickup trucks, and trucks that
30 do not require the operator to possess a commercial driver’s license.

31 10–602.

1 (a) A motor vehicle rental company shall hold a limited lines license to sell
2 insurance in connection with, and incidental to, the rental of a motor vehicle before the
3 company or its employees **OR AUTHORIZED REPRESENTATIVES** may sell or offer any
4 policies of insurance in this State to a renter in connection with, and incidental to, a rental
5 agreement.

6 (b) A limited lines license to sell insurance in connection with, and incidental to,
7 the rental of a motor vehicle issued under this subtitle shall also authorize any [salaried or
8 hourly] employee **AND ANY AUTHORIZED REPRESENTATIVE** of the motor vehicle rental
9 company who is trained, under § 10–604(a)(4) of this subtitle, to act on behalf of, and under
10 the supervision of, a motor vehicle rental company, with respect to the kinds of insurance
11 specified in § 10–604(b)(2) of this subtitle.

12 (c) The acts of an employee **OR AUTHORIZED REPRESENTATIVE** offering or
13 selling insurance coverage on behalf of a motor vehicle rental company shall be deemed the
14 acts of the motor vehicle rental company for the purposes of this subtitle.

15 (d) A motor vehicle rental company holding a limited lines license to sell
16 insurance in connection with, and incidental to, the rental of a motor vehicle issued under
17 this subtitle is not required to treat premiums collected from a renter that purchased
18 insurance from the motor vehicle rental company as funds received in a fiduciary capacity
19 if:

20 (1) the insurer represented by the motor vehicle rental company has
21 consented in a written agreement, signed by an officer of the insurer, that the premiums
22 do not need to be segregated from other funds received by the motor vehicle rental company
23 in connection with the vehicle rental; and

24 (2) the charges for insurance coverage are itemized but not billed to the
25 renter separately from the charges for the vehicle rental.

26 **(E) AN EMPLOYEE OR AN AUTHORIZED REPRESENTATIVE OF A MOTOR**
27 **VEHICLE RENTAL COMPANY WHO OFFERS OR SELLS INSURANCE COVERAGE ON**
28 **BEHALF OF THE MOTOR VEHICLE RENTAL COMPANY:**

29 **(1) MAY BE COMPENSATED FOR OFFERING OR SELLING INSURANCE**
30 **COVERAGE UNDER THIS SUBTITLE; BUT**

31 **(2) MAY NOT BE COMPENSATED FOR INSURANCE-RELATED**
32 **ACTIVITIES IN A MANNER THAT IS BASED SOLELY ON THE NUMBER OF CUSTOMERS**
33 **WHO PURCHASE RENTAL VEHICLE INSURANCE.**

34 **(F) THIS SUBTITLE MAY NOT BE CONSTRUED TO PROHIBIT PAYMENT OF**
35 **COMPENSATION TO AN EMPLOYEE OR AN AUTHORIZED REPRESENTATIVE OF A**
36 **MOTOR VEHICLE RENTAL COMPANY WHO OFFERS OR SELLS INSURANCE COVERAGE**

1 **ON BEHALF OF THE MOTOR VEHICLE RENTAL COMPANY FOR ACTIVITIES THAT ARE**
2 **INCIDENTAL TO THE EMPLOYEE'S OVERALL ACTIVITIES.**

3 10-604.

4 (a) A limited lines license to sell insurance in connection with, and incidental to,
5 the rental of a motor vehicle issued under this subtitle authorizes the motor vehicle rental
6 company to offer or sell, in connection with, and incidental to, a motor vehicle rental
7 agreement in which the **INITIAL** rental period does not exceed 30 days, the insurance
8 products specified in paragraph (b) of this section if:

9 (1) the policies have been filed with and approved by the Commissioner;

10 (2) the motor vehicle rental company holds an appointment with each
11 authorized insurer, under § 10-118 of this title, that the motor vehicle rental company
12 intends to represent;

13 (3) prior to completion of the rental transaction, **AN EMPLOYEE OR**
14 **AUTHORIZED REPRESENTATIVE OF** the motor vehicle rental company provides to the
15 renter disclosures approved by the Commissioner that:

16 (i) summarize, clearly and correctly, the material terms of coverage,
17 including limitations or exclusions;

18 (ii) identify the authorized insurer or insurers;

19 (iii) specify that the policies offered by the motor vehicle rental
20 company may provide a duplication of coverage already provided by a renter's personal
21 automobile insurance policy, homeowner's insurance policy, personal liability insurance
22 policy, or other source of coverage;

23 (iv) specify that the purchase of the coverages offered by the motor
24 vehicle rental company is not required in order for the renter to rent a vehicle;

25 (v) describe the process by which the renter can file a claim; and

26 (vi) specify that any excess liability coverage purchased by the renter
27 may duplicate coverage required to be provided under § 18-102(a)(2) of the Transportation
28 Article; and

29 (4) the motor vehicle rental company provides a training program,
30 approved by the Commissioner, for any employee **OR AUTHORIZED REPRESENTATIVE**
31 who sells, solicits, or negotiates insurance coverage under this subtitle that includes:

32 (i) instruction about the kinds of insurance specified in subsection
33 (b) of this section that can be offered to renters;

1 (ii) instruction that the trainee shall inform a renter that the
2 purchase of any insurance from the motor vehicle rental company is not required in order
3 for the renter to rent a vehicle; and

4 (iii) instruction that the trainee shall inform a renter that the renter
5 may have insurance policies that already provide the coverage being offered by the motor
6 vehicle rental company.

7 10-606.

8 (a) The Commissioner may suspend, revoke, or refuse to renew a limited lines
9 license to sell insurance in connection with, and incidental to, the rental of a motor vehicle
10 issued under this subtitle after notice and opportunity for a hearing under Title 2, Subtitle
11 2 of this article if the motor vehicle rental company or an employee **OR AUTHORIZED**
12 **REPRESENTATIVE** of the motor vehicle rental company has:

13 (1) willfully violated this article or another law of the State that relates to
14 insurance;

15 (2) operated without a limited lines license to sell insurance in connection
16 with, and incidental to, the rental of a motor vehicle as required under this subtitle;

17 (3) failed to provide required disclosures;

18 (4) offered or sold unapproved insurance products;

19 (5) failed to hold an appointment with the insurer;

20 (6) failed to train employees **AND AUTHORIZED REPRESENTATIVES**
21 selling or soliciting, or negotiating the sale of, insurance products on behalf of the motor
22 vehicle rental company; or

23 (7) misrepresented pertinent facts or policy provisions that relate to the
24 coverage offered or sold pursuant to this subtitle.

25 (b) A motor vehicle rental company and its employees **AND AUTHORIZED**
26 **REPRESENTATIVES** may not advertise, represent, or otherwise hold itself out as an
27 authorized insurer, or as an insurance producer, for any kind or subdivision of insurance.

28 (c) Instead of, or in addition to, suspending or revoking the limited lines license
29 to sell insurance in connection with, and incidental to, the rental of a motor vehicle, the
30 Commissioner may:

31 (1) impose on the motor vehicle rental company a penalty of not less than
32 \$100 but not more than \$2,500 for each violation of this subtitle; and

1 (2) require that restitution be made to any person who has suffered
2 financial injury because of the violation of this article.

3 10-607.

4 The Commissioner may adopt regulations to carry out the provisions of this subtitle,
5 including regulations concerning the form and content of required disclosures to renters,
6 the training requirements for employees **AND AUTHORIZED REPRESENTATIVES** of motor
7 vehicle rental companies, and the qualifications of the individuals who provide [employee]
8 training **FOR EMPLOYEES AND AUTHORIZED REPRESENTATIVES OF MOTOR VEHICLE**
9 **RENTAL COMPANIES.**

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
11 1, 2015.