STATE OF OKLAHOMA

2nd Session of the 54th Legislature (2014)

SENATE BILL 2018 By: Sparks

AS INTRODUCED

An Act relating to insurance; amending 36 O.S. 2011, Section 1435.20, as amended by Section 1, Chapter 224, O.S.L. 2013 (36 O.S. Supp 2013, Section 1435.20), which relates to limited lines producers; modifying coverage requirements for travel insurance; amending 36 O.S. 2011, Section 1452, as amended by Section 2, Chapter 269, O.S.L. 2013 (36 O.S. Supp. 2013, Section 1452), which relates to administrator reporting; modifying filing requirements for dormant providers; defining terms; setting conditions; establishing annual requirements; designating responsible parties; authorizing representatives; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 36 O.S. 2011, Section 1435.20, as amended by Section 1, Chapter 224, O.S.L. 2013 (36 O.S. Supp. 2013, Section 1435.20), is amended to read as follows:

Section 1435.20. A. A limited lines producer may receive qualification for a license in one or more of the following categories:

1. Prepaid legal liability insurance, which means the assumption of an enforceable contractual obligation to provide

specified legal services or to reimburse policyholders for specified legal expenses, pursuant to the provisions of a group or individual policy;

2. Crop - insurance providing protection against damage to crops from unfavorable weather conditions, fire or lightning, flood, hail, insect infestation, disease or other yield-reducing conditions or perils provided by the private insurance market, or that is subsidized by the Federal Crop Insurance Corporation, including Multi-Peril Crop Insurance;

3. Car rental - insurance offered, sold or solicited in connection with and incidental to the rental of rental cars for a period of two (2) years, whether at the rental office or by preselection of coverage in master, corporate, group or individual agreements that:

a. is nontransferable,

b. applies only to the rental car that is the subject of the rental agreement, and

c. is limited to the following kinds of insurance:

(1) personal accident insurance for renters and other rental car occupants, for accidental death or dismemberment, and for medical expenses resulting from an accident that occurs with the rental car during the rental period,

(2) liability insurance that provides protection to the renters and other authorized drivers of a rental car for liability arising from the operation or use of the rental car during the rental period,

(3) personal effects insurance that provides coverage to renters and other vehicle occupants for loss of, or damage to, personal effects in the rental car during the rental period,

(4) roadside assistance and emergency sickness protection insurance, or

(5) any other coverage designated by the Insurance Commissioner.

A car rental limited lines license issued to a rental or leasing company shall authorize any employee or authorized representative of the rental or leasing company to sell or offer coverage at each location at which the rental or leasing company operates. Employees or authorized representatives are not required to be individually licensed;

4. Credit - credit life, credit disability, credit property, credit unemployment, involuntary unemployment, mortgage life, mortgage guaranty, mortgage disability, guaranteed automobile protection insurance, or any other form of insurance offered in connection with an extension of credit that is limited to partially

or wholly extinguishing that credit obligation and that is designated by the Insurance Commissioner as limited line credit insurance;

5. Surety - insurance or bond that covers obligations to pay the debts of, or answer for the default of another, including faithlessness in a position of public or private trust. For purpose of limited line licensing, surety does not include surety bail bonds; and

6. Travel - insurance coverage for ~~trip cancellation, trip interruption, baggage, life, sickness and accident, disability, and personal effects when limited to a specific trip and sold in connection with transportation provided by a common carrier~~ personal risks incident to planned travel, including, but not limited to:

a. interruption or cancellation of trip or event,

b. loss of baggage or personal effects,

c. damages to accommodations or rental vehicles, or

d. sickness, accident, disability or death occurring during travel.

Travel insurance does not include major medical plans, which provide comprehensive medical protections for travelers with trips lasting six (6) months or longer, including, but not limited to, those working overseas as expatriate or military personnel deployed overseas.

B. 1. An insurance producer or limited lines producer may solicit applications for and issue travel accident policies or baggage insurance by means of mechanical vending machines supervised by the insurance producer or limited lines producer only if the Insurance Commissioner shall determine that the form of policy to be sold is reasonably suited for sale and issuance through vending machines, that use of vending machines for the sale of ~~said~~ policies would be of convenience to the public, and that the type of vending machine to be used is reasonably suitable and practical for the sale and issuance of ~~said~~ policies. Policies so sold do not have to be countersigned.

2. The Commissioner shall issue to the insurance agent or limited insurance representative a special vending machine license for each such machine to be used. The license shall specify the name and address of the insurer and licensee, the kind of insurance and type of policy to be sold, and the place where the machine is to be in operation. The license shall expire, be renewable, and be suspended or revoked coincidentally with the insurance agent license or limited representative license of the licensee. The license fee for each vending machine shall be that stated in the provisions of Section 1435.23 of this title. Proof of existence of the license shall be displayed on or about each machine in such manner as the Commissioner may reasonably require.

SECTION 2. AMENDATORY 36 O.S. 2011, Section 1452, as amended by Section 2, Chapter 269, O.S.L. 2013 (36 O.S. Supp. 2013, Section 1452), is amended to read as follows:

Section 1452. A. On or before June 1 of each year, all licensed administrators shall file an annual report for the previous calendar year. The report shall have been reviewed by a certified public accountant who shall be independent of the administrator. The report shall be subscribed and sworn to by the president and attested to by the secretary or other proper officers substantiating that the information contained in the report is true and factual concerning each of the plans they administer which are governed pursuant to the provisions of the Third-party Administrator Act. The report shall include the name and address of each fund and a statement of fund equity, paid claims by the covered unit, the accumulated year-to-date paid claims, and the year-to-date reserve status. Failure of any third-party administrator to execute and file the annual reports as required by this section shall constitute cause, after notice and opportunity for hearing, for censure, suspension, or revocation of administrator licensure to transact business in this state, or a civil penalty of not less than One Hundred Dollars ($100.00) or more than One Thousand Dollars ($1,000.00) for each occurrence, or both censure, suspension, or revocation and civil penalty.

B. If a licensed administrator has had no business or activity in the past calendar year, has not administered any insurance plans or business in the past calendar year and no funds are under the licensed administrator's oversight and administration, then the annual report described in subsection A of this section may be waived upon application to the Insurance Commissioner by the administrator on a form prescribed by the Commissioner. Upon applying for a waiver, the administrator shall state under oath that the administrator has had no business, has not administered any funds and the licensee's administration of premiums and claims has been dormant for the past calendar year. The application must be submitted no later than May 1st on the form prescribed by the Commissioner.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6680 of Title 36, unless there is created a duplication in numbering, reads as follows:

As used in Sections 5 through 8 of this act:

1. "Limited Lines Travel Insurance Producer" means a:

a. licensed managing general underwriter,

b. licensed managing general agent or third party administrator, or

c. licensed insurance producer, including a limited lines producer, designated by an insurer as the travel

insurance supervising entity as set forth in Section 7 of this act;

2. "Offer and disseminate" means providing general information, including a description of the coverage and price, as well as processing the application, collecting premiums, and performing other non-licensable activities permitted by the state;

3. "Travel insurance" has the same meaning as defined in paragraph 6 of subsection A of Section 1435.20 of Title 36 of the Oklahoma Statutes; and

4. "Travel retailer" means a business entity that makes, arranges or offers travel services and may offer and disseminate travel insurance as a service to its customers on behalf of and under the direction of a Limited Lines Travel Insurance Producer.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6681 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Notwithstanding any other provision of law, a Travel Retailer may offer and disseminate Travel Insurance under a Limited Lines Travel Insurance Producer business entity ("licensed business entity") license only if the following conditions are met:

1. The Limited Lines Travel Insurance Producer or Travel Retailer provides to purchasers of travel insurance:

a. a description of the material terms or the actual material terms of the insurance coverage,

b. a description of the process for filing a claim,

c. a description of the review or cancellation process for the travel insurance policy, and

d. the identity and contact information of the insurer and Limited Lines Travel Insurance Producer;

2. At the time of licensure, the Limited Lines Travel Insurance Producer shall establish and maintain a register on a form prescribed by the Insurance Commissioner of each Travel Retailer that offers Travel Insurance on the Limited Lines Travel Insurance Producer's behalf. The register shall be maintained and updated annually by the Limited Lines Travel Insurance Producer and shall include the name, address, and contact information of the Travel Retailer and an officer or person who directs or controls the Travel Retailer's operations, and the Travel Retailer's Federal Tax Identification Number. The Limited Lines Travel Insurance Producer shall submit such register to the Insurance Department upon reasonable request. The Limited Lines Travel Insurance Producer shall also certify that the Travel Retailer registered complies with 18 U.S.C. 1033 and Section 405 of Title 36 of the Oklahoma Statutes;

3. The Limited Lines Travel Insurance Producer has designated one of its employees who is a licensed individual producer as the person (a "Designated Responsible Producer" or "DRP") responsible for the Limited Lines Travel Insurance Producer's compliance with the travel insurance laws, rules and regulations;

4. The Limited Lines Travel Insurance Producer has paid all applicable insurance producer licensing fees as set forth in Section 1435.23 of Title 36 of the Oklahoma Statutes;

5. The Limited Lines Travel Insurance Producer requires each employee and authorized representative of the Travel Retailer whose duties include offering and disseminating Travel Insurance to receive a program of instruction or training, which may be subject to review by the commissioner. The training material shall, at a minimum, contain instructions on the types of insurance offered, ethical sales practices, and required disclosures to prospective customers.

B. Any Travel Retailer offering or disseminating travel insurance shall make available to prospective purchasers brochures or other written materials that:

1. Provide the identity and contact information of the insurer and the Limited Lines Travel Insurance Producer;

2. Explain that the purchase of travel insurance is not required in order to purchase any other product or service from the Travel Retailer; and

3. Explain that an unlicensed Travel Retailer is permitted to provide general information about the insurance offered by the Travel Retailer, including a description of the coverage and price, but is not qualified or authorized to answer technical questions about the terms and conditions of the insurance offered by the

Travel Retailer or to evaluate the adequacy of the customer's existing insurance coverage.

C. A Travel Retailer's employee or authorized representative who is not licensed as an insurance producer may not:

1. Evaluate or interpret the technical terms, benefits, and conditions of the offered travel insurance coverage;

2. Evaluate or provide advice concerning a prospective purchaser's existing insurance coverage; or

3. Hold himself or herself out as a licensed insurer, licensed producer, or insurance expert.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6682 of Title 36, unless there is created a duplication in numbering, reads as follows:

A Travel Retailer whose insurance-related activities, and those of its employees and authorized representatives, are limited to offering and disseminating Travel Insurance on behalf of and under the direction of a Limited Lines Travel Insurance Producer meeting the conditions stated in this act, is authorized to do so and receive related compensation, upon registration by the Limited Lines Travel Insurance Producer as described in paragraph 6 of subsection A of Section 1 of this act.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6683 of Title 36, unless there is created a duplication in numbering, reads as follows:

Travel insurance may be provided under an individual policy or under a group or master policy.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6684 of Title 36, unless there is created a duplication in numbering, reads as follows:

As the insurer designee, the Limited Lines Travel Insurance Producer is responsible for the acts of the Travel Retailer and shall use reasonable means to ensure compliance by the Travel Retailer with this act.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6685 of Title 36, unless there is created a duplication in numbering, reads as follows:

The Limited Lines Travel Insurance Producer and any Travel Retailer offering and disseminating travel insurance under the Limited Lines Travel Insurance Producer License shall be subject to Section 1203 of Title 36 of the Oklahoma Statutes.

SECTION 9. This act shall become effective November 1, 2014.

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