



**TESTIMONY**

**House Insurance Committee**

**SB 14**

**An Act concerning insurance; relating to limited lines; pertaining to self-storage units**

**Whitney Damron**

**On behalf of the Self Storage Association**

[www.selfstorage.org](http://www.selfstorage.org)

**March 7, 2017**

Good morning Chairman Vickrey and Members of the Committee.

I am Whitney Damron representing the Self Storage Association appearing before you today in support of SB 14, which was requested for introduction in the Senate on behalf of this organization. SB 14 was approved earlier this session by the Senate on a vote of 38-1.

The Self Storage Association is a national trade organization headquartered in Alexandria, Virginia representing thousands of owners and operators of self storage facilities in all fifty states.

By way of information, nationally there are more than 50,000 self storage facilities in operation. Kansas is the 27<sup>th</sup> largest in this industry with more than 700 facilities and the Self Storage Association counts 110 as members.

SB 14 would allow a self-storage company or franchisee, under certain conditions, to offer limited-line insurance to their customers (renter) at the same facility for the loss of or damage to the personal effects of the customer at such facility.

Similar legislation has been approved in 25 states. SB 14 is virtually identical to HB 798 approved unanimously by the Louisiana Legislature last year and signed into law. The Self Storage Association has brought similar legislation in a handful of states every year for the past few years where they see statutory ambiguity or legal vulnerability and Kansas is one of their priority states for 2017. Not less than seven additional states, including Colorado and New Mexico are considering this legislation this year; As for our other surrounding states, Missouri passed similar legislation last year; Nebraska is not considering insurance legislation this year; and, Oklahoma will be a priority state for the Self Storage Association in 2018.

Limited-line policies are not uncommon. Similar policies are written in relation to travel insurance, rental cars, mobile electronics as well as self storage.

Examples in Kansas:

K.S.A. 40-5601 et. seq.

Portable Electronic Insurance Act

K.S.A. 50-654 et. seq.

Kansas Collision Damage Waiver Act

919 South Kansas Avenue ■ Topeka, Kansas 66612-1210

(785) 354-1354 (O) ■ (785) 354-8092 (F) ■ (785) 224-6666 (M)

[www.wbdpa.com](http://www.wbdpa.com) ■ [wbdamron@gmail.com](mailto:wbdamron@gmail.com)

The company providing the insurance to the renter must comply with all requirements for selling insurance in Kansas, including registration with the Kansas Insurance Department.

The self-storage company or franchisee must obtain a limited license authorizing its representatives to sell this limited-line insurance.

An applicant for a license must provide the following information to the Commissioner of Insurance, as outlined in Section 1. (c)(1)-4), found on pages 1-2, beginning at line 30:

- Application form provided by the Commissioner;
- Submission of any additional information or documentation required by the Commissioner;
- Payment of applicable fees;
- A certificate by the insurance company stating their limited-line agent has satisfied itself that the named applicant is trustworthy and competent to act as its agent for this limited purpose. The certificate must be subscribed by an officer or managing agent of the insurer and affirmed as true under penalty of perjury.

The Act will require the self-storage company or franchisee to conduct a training program for their employees, which must be submitted to the Commissioner for approval prior to use and shall meet minimum standards outlined in Section 1. (h)(1)-(3), found on page 3, beginning on line 14.

I have brought a handful of copies of a training manual created and utilized by Bader Company, one of the leading self-storage insurance providers in the country. Bader Company is not a client and the manual is proprietary to them. However, I have been authorized to allow committee members to review this 18-page comprehensive training manual. If SB 14 is passed, we would anticipate Bader Company and other insurance carriers interested in offering this business line in Kansas would work with the Kansas Insurance Department to create a Kansas-centric manual for use with self-storage operators and in our state.

### **Background.**

When an individual enters into a rental agreement for a self-storage unit, in some instances, the self-storage operator will require the renter to have insurance for their items and use of the facility. The operator may wish to insure there is coverage in the event their facility is damaged by the renter either through use of the property or improper storage of harmful items. The renter may have coverage through an existing homeowner's or rental insurance contract or may be able to obtain coverage through an independent insurance company.

Currently, there are insurance companies licensed in Kansas that do provide third party insurance to self-storage renters. However, the self-storage operator does not act as an agent for the company and their employees are not required to be trained or licensed by the Commissioner of Insurance. For example, an insurance company may have a point-of-sale brochure displayed at a self-storage facility that can be purchased at the time of rental. Typically, this transaction would be separate and apart from the rental agreement. Under SB 14, the self-storage operator would be able to collect and remit for an insurance premium in a single transaction.

In many respects, SB 14 is clarification of existing law regarding these policies and the Self Storage Association is being proactive in bring it forward in Kansas. For example, in Michigan, the State took the position a leading self-storage insurance provider was not allowed to write the kind of policies similar to what they write in Kansas and were subjected to an enforcement action. Once clarified that a change in state law was needed, the law was changed to allow for limited-line insurance policies for self-storage units. Kansas providers could find themselves in a similar situation.

### **Opposition Concerns.**

Prior to introduction of SB 14, we provided a bill draft to the Office of the Commissioner of Insurance and to the Kansas Association of Insurance Agents. We maintained a steady dialog with representatives of both entities throughout the drafting and introduction of this legislation. We have not heard of concerns from the Commissioner of Insurance, but KAIA did present opposition testimony in the Senate.

We would like to address what we believe to be their primary concerns:

We have heard this kind of legislation – limited-line insurance – is the proverbial camel’s nose under the tent and that other entities may seek similar insurance, which would further erode the business of a typical or traditional insurance company.

First of all, many insurance companies do not provide stand-alone renter’s insurance for self-storage renters. People who already have homeowner’s or renter’s insurance may already have coverage included in their exiting policy or easily obtained through a rider. SB 14 specifically requires the self-storage operator to disclose to the customer the fact that its limited line insurance may be duplicative of coverage already provided by a homeowner’s or renter’s insurance policy or other coverage {Section 1. (f)(2)(B), found on page 2, beginning on line 40}.

If a person does not have an underlying policy – perhaps they are moving out of state and desire to store certain items for a period of time before settling in another location, they probably no longer have a homeowner’s or renter’s policy. A soldier being deployed or reassigned would not have such a policy. Children storing elderly parents or relative’s property as they move into assisted living quarters may not have a policy. These are real-world instances where insurance coverage simply may not be available absent a specialty product such as a limited-line policy.

In addition, even if a renter has an existing homeowner’s or renter’s policy, such policy may not fully cover the contents of the renter’s storage unit, may have a high deductible or otherwise not be comparable coverage. Self storage insurance typically has no deductible and is tailored for the risk profile of a self-storage facility customer.

Secondly, the Self Storage Association believes its approach provided enhanced protections for the consumer, as the Kansas self-storage operator or franchisee will be required to be licensed by the State of Kansas and complaints from policy holders can be handled much more readily by the Commissioner when dealing with a Kansas licensee and will continue to have regulatory authority over the insurance company licensed to conduct business in the state as well. Requiring storage operators or franchisees to obtain full property and casualty insurance licensure is unduly burdensome and regulatory overkill.

Finally, perhaps an unspoken concern is the financial impact of allowing for this kind of insurance to compete, so to speak with traditional insurers. Premiums for self-storage renter’s insurance is relatively nominal. \$10-15 per month for a total annual premium of \$120-150.

In summary, we see little impact on existing insurance products or Kansas insurance agencies and agents. Agents and companies with customers desirous of self-storage insurance coverage will continue to be the primary provider. SB 14, upon implementation and adoption of any necessary rules and regulations will create an opportunity for an affordable option for those without coverage under existing or available policies.

We received no proposed amendments from the insurance agents, so we negotiated with ourselves and proposed two amendments in the Senate Committee in attempts to mitigate their concerns:

1. Require posting of a sign at a self-service storage location where such agreements are executed to post a sign indicating the renter may wish to confirm whether they have existing insurance coverage; and,
2. Limit the amount of insurance coverage to not exceed \$5,000 .00 per customer per storage unit.

Both amendments were adopted.

You will see on page 3, line 16 the words, “Kansas Insurance Department, Ken Selzer, Commissioner”.

This portion of our amendment was meant as an example, not to be taken literally and we would suggest the Commissioner’s name should be removed. Under Section 1. (f)(3) of the bill, found on page 3, starting on line 7, the Commissioner has authority to modify this language, if necessary. However, we thought an amendment would be appropriate rather than having this language and Commissioner Selzer’s name placed in statute.

### **Concluding Remarks.**

The Self Storage Association respectfully believes the statutory and regulatory provisions contained and authorized by SB 14 will be beneficial for consumers and have little, if any impact on insurance agents and agencies in our state. This legislation will enhance the Commissioner’s ability to regulate limited-line insurance providers and provide greater service to the consumers of limited-line insurance at self-storage facilities. The Self Storage Association, based upon its industry experience and implementation of similar legislation in 25 states, are confident this product can be provided to Kansas consumers in a responsible manner by those who can meet the requirements to become licensed and regulated.

There is a need for this product and a ready market to responsibly meet that need.

On behalf of the Self Storage Association, I thank you for your time and consideration. I am pleased to stand for questions at the appropriate time.

WBD

Attachment

1 specified in this section is not required in order to rent a storage unit;  
2 (D) describe the process for filing a claim in the event the renter  
3 elects to purchase coverage and in the event of a claim; and  
4 (E) contain any additional information on the price, benefits,  
5 exclusions, conditions or other limitations of such policies as the  
6 commissioner may, by rules and regulations, prescribe; and

7 (3) *at every self-service storage location where self-service storage*  
8 *agreements are executed, a sign, approved by the Kansas insurance*  
9 *department, is posted that contains the following, or substantially the*  
10 *same information:*

State law

11 ~~Section 1 requires the operator of this facility to inform you that~~  
12 ~~insurance sold by this self-storage company may provide duplication of~~  
13 ~~coverage already provided by a renter's or homeowner's policy or other~~  
14 ~~source of coverage. You are encouraged to contact your primary~~  
15 ~~insurance carrier if you have questions about your existing coverage.~~

16 ~~Kansas Insurance Department, Ken Setzer, Commissioner,~~ delete

17 (4) *the insurance policy issued by the self-service storage company*  
18 *is in an amount that does not exceed \$5,000 of coverage per customer*  
19 *per storage unit; and*

20 (5) evidence of coverage is provided to every renter who elects to  
21 purchase such coverage.

22 (g) Any limited license issued pursuant to this section shall also  
23 authorize any employee of the licensee who is trained, pursuant to  
24 subsection (h) of this section, to act individually on behalf and under the  
25 supervision of the licensee with respect to the kinds of insurance specified  
26 in this section.

27 (h) Each self-service storage company or franchisee licensed pursuant  
28 to this section shall conduct a training program which shall be submitted to  
29 the commissioner for approval prior to use and which shall meet all of the  
30 following minimum standards:

31 (1) Each trainee shall receive basic instruction about the kinds of  
32 insurance specified in this section offered for purchase by prospective  
33 renters of storage units;

34 (2) each trainee shall be instructed to acknowledge to a prospective  
35 renter of a storage unit that purchase of any such insurance specified in  
36 this section is not required in order for the renter to rent a storage unit; and

37 (3) each trainee shall be instructed to acknowledge to a prospective  
38 renter of a storage unit that the renter may have insurance policies that  
39 already provide the coverage being offered by the self-service storage  
40 company pursuant to this section.

41 (f) Limited licensees acting pursuant to and under the authority of this  
42 section shall comply with all applicable provisions of this section, except  
43 that, notwithstanding any other provision of this section, or any rule or