

1 HB489  
2 150386-1  
3 By Representative Wren  
4 RFD: Insurance  
5 First Read: 20-MAR-13

2  
3  
4  
5  
6  
7  
8 SYNOPSIS: Under existing law, insurance producers may  
9 be licensed for the limited line of travel  
10 insurance.

11 This bill would provide a broader definition  
12 of the limited line of travel insurance for  
13 insurance producers and provide additional duties  
14 and responsibilities for travel insurance  
15 producers.

16  
17 A BILL  
18 TO BE ENTITLED  
19 AN ACT

20  
21 Relating to travel insurance; to add Section  
22 27-7-5.2 to the Code of Alabama 1975, to provide a broader  
23 definition of the limited line of travel insurance for  
24 insurance producers and provide additional duties and  
25 responsibilities for limited lines travel insurance producers;  
26 and to amend Sections 27-7-1 and 27-7-14.1, as amended by Act

1 2012-312 of the 2012 Regular Session, Code of Alabama 1975, to  
2 conform with this act.

3 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

4 Section 1. Section 27-7-5.2 is added to the Code of  
5 Alabama 1975, to read as follows:

6 §27-7-5.2. Licenses; Limited license for travel  
7 insurance producers.

8 (a) As used in this section, the following terms  
9 shall have the following meanings:

10 (1) OFFER AND DISSEMINATE. Provide general  
11 information, including a description of the coverage and  
12 price, as well as processing the application, collecting  
13 premiums, and performing other non-licensable activities  
14 permitted by the state.

15 (2)a. TRAVEL INSURANCE. Insurance coverage for  
16 personal risks incident to planned travel, including, but not  
17 limited to:

- 18 1. Interruption or cancellation of trip or event.
- 19 2. Loss of baggage or personal effects.
- 20 3. Damages to accommodations or rental vehicles.
- 21 4. Sickness, accident, disability, or death
- 22 occurring during travel.

23 b. Travel insurance does not include major medical  
24 plans which provide comprehensive medical protection for  
25 travelers with trips lasting six months or longer, including  
26 for example, those working overseas or military personnel  
27 being deployed.

1 (3) TRAVEL INSURANCE PRODUCER. A limited lines  
2 producer or managing general agent designated by an insurer to  
3 sell, solicit, or negotiate travel insurance coverage to  
4 individuals through a master, corporate, group, or individual  
5 policy, to include a limited lines producer designated by an  
6 insurer as the travel insurance supervising entity as set  
7 forth in subsection (e).

8 (4) TRAVEL RETAILER. A business entity that makes,  
9 arranges, or offers travel services.

10 (b) A travel retailer may offer and disseminate  
11 travel insurance as a service to its customers on behalf of  
12 and under the direction of a travel insurance producer only if  
13 the following conditions are met:

14 (1) The travel insurance producer is clearly  
15 identified as the licensed producer on marketing materials and  
16 fulfillment packages distributed by travel retailers to  
17 customers.

18 (2) The travel insurance producer or the travel  
19 retailer provides to purchasers of travel insurance all of the  
20 following:

21 a. A description of the material terms or the actual  
22 material terms of the insurance coverage.

23 b. A description of the process for filing a claim.

24 c. A description of the review or cancellation  
25 process for the travel insurance policy.

26 d. The identity and contact information of the  
27 insurer and travel insurance producer.

1           (3) The travel insurance producer shall establish at  
2 the time of licensure and thereafter maintain a register, in a  
3 form prescribed by the commissioner, of each travel retailer  
4 that offers travel insurance on behalf of the travel insurance  
5 producer. The register shall be maintained and updated  
6 annually by the travel insurance producer and shall include  
7 the name, address, and contact information of the travel  
8 retailer and of an officer or person who directs or controls  
9 the operations of the travel retailer, and the federal tax  
10 identification number of the travel retailer. The travel  
11 insurance producer shall submit the register to the  
12 commissioner upon request. The travel insurance producer shall  
13 also certify that a registered travel retailer complies with  
14 18 USC § 1033.

15           (4) The travel insurance producer shall designate  
16 one of its employees who is a licensed individual producer as  
17 the "designated responsible producer" or "DRP" responsible for  
18 the business entity's compliance with the insurance laws,  
19 rules, and regulations of the state.

20           (5) The DRP, president, secretary, treasurer, and  
21 any other officer or person who directs or controls the  
22 insurance operations of the travel insurance producer shall  
23 comply with the fingerprinting requirements applicable to  
24 insurance producers in the resident state of the travel  
25 insurance producer.

1           (6) The travel insurance producer has paid all  
2 applicable insurance producer licensing fees as set forth in  
3 applicable state law.

4           (7) The travel insurance producer requires each  
5 employee or authorized representative of the travel retailer  
6 whose duties include offering and disseminating travel  
7 insurance to receive a program of instruction or training,  
8 which may be subject to review by the commissioner. The  
9 training material, at a minimum, shall contain instructions on  
10 the types of insurance offered, ethical sales practices, and  
11 required disclosures to prospective customers.

12           (c) Any travel retailer offering or disseminating  
13 travel insurance shall make brochures or other written  
14 materials available to prospective purchasers to do all of the  
15 following:

16           (1) Provide the identity and contact information of  
17 the insurer and the travel insurance producer.

18           (2) Explain that the purchase of travel insurance is  
19 not required in order to purchase any other product or service  
20 from the travel retailer.

21           (3) Explain that an unlicensed travel retailer is  
22 permitted to provide general information about the insurance  
23 offered by the travel retailer, including a description of the  
24 coverage and price, but is not qualified or authorized to  
25 answer technical questions about the terms and conditions of  
26 the insurance offered by the travel retailer or to evaluate  
27 the adequacy of the customer's existing insurance coverage.

1 (d) A travel retailer employee or authorized  
2 representative who is not licensed as an insurance producer  
3 may not:

4 (1) Evaluate or interpret the technical terms,  
5 benefits, and conditions of the offered travel insurance  
6 coverage.

7 (2) Evaluate or provide advice concerning the  
8 existing insurance coverage of a prospective purchaser.

9 (3) Hold himself or herself out as a licensed  
10 insurer, licensed producer, or insurance expert.

11 (e) A travel retailer whose insurance-related  
12 activities, and those of its employees and authorized  
13 representatives, are limited to offering and disseminating  
14 travel insurance on behalf of and under the direction of a  
15 travel insurance producer meeting the conditions stated in  
16 this section, may offer and disseminate travel insurance and  
17 receive related compensation, upon registration by the travel  
18 insurance producer as described in this section.

19 (f) As the insurer designee, the travel insurance  
20 producer is responsible for the acts of the travel retailer  
21 and shall use reasonable means to ensure compliance by the  
22 travel retailer with this act.

23 (g) The travel insurance producer and any travel  
24 retailer offering and disseminating travel insurance under the  
25 travel insurance producer license shall be subject to the  
26 applicable trade practices provisions of Chapter 12 and the

1 enforcement provisions applicable to insurance producers  
2 generally.

3 Section 2. Sections 27-7-1 and 27-7-14.1, as amended  
4 by Act 2012-312 of the 2012 Regular Session, Code of Alabama  
5 1975, are amended to read as follows:

6 "§27-7-1.

7 "For the purposes of this chapter, the following  
8 terms shall have the meanings respectively ascribed to them by  
9 this section:

10 "(1) BUSINESS ENTITY. A corporation, association,  
11 partnership, limited liability company, limited liability  
12 partnership, or other legal entity.

13 "(2) COMMISSIONER. The Alabama Commissioner of  
14 Insurance.

15 "(3) HOME STATE. The District of Columbia and any  
16 state or territory of the United States in which an insurance  
17 producer maintains his or her principal place of residence or  
18 principal place of business and is licensed to act as an  
19 insurance producer.

20 "(4) INSURANCE. As defined in Section 27-1-2.

21 "(5) INSURANCE PRODUCER or PRODUCER. A person  
22 required to be licensed under the laws of this state to sell,  
23 solicit, or negotiate insurance.

24 "(6) INSURER. As defined in Section 27-1-2. For the  
25 purposes of this chapter, insurer shall also mean an insurance  
26 company licensed pursuant to Chapter 3, commencing with  
27 Section 27-3-1 of this title; a health care service plan



1 licensed pursuant to Article 6, commencing with Section  
2 10A-20-6.01 of Chapter 20 of Title 10A; a dental service  
3 corporation licensed pursuant to Article 12, commencing with  
4 Section 22-21-360 of Chapter 21 of Title 22; a health  
5 maintenance organization licensed pursuant to Chapter 21A,  
6 commencing with Section 27-21A-1 of this title; a mutual aid  
7 association licensed pursuant to Chapter 30, commencing with  
8 Section 27-30-1 of this title; a fraternal benefit society  
9 licensed pursuant to Chapter 34, commencing with Section  
10 27-34-1 of this title; an automobile club or association  
11 licensed pursuant to Chapter 39, commencing with Section  
12 27-39-1 of this title; and a legal service insurance  
13 corporation licensed pursuant to Chapter 43, commencing with  
14 Section 27-43-1 of this title.

15 "(7) LICENSE. A document issued by the commissioner  
16 authorizing a person to act as an insurance producer for the  
17 lines of authority specified in the document. The license  
18 itself does not create any authority, actual, apparent, or  
19 inherent, in the holder to represent or commit an insurance  
20 carrier.

21 "(8) LICENSEE. A producer or service representative  
22 licensed in accordance with this chapter; a reinsurance  
23 intermediary licensed in accordance with Chapter 5A; a  
24 managing general agent licensed in accordance with Chapter 6A;  
25 and a surplus line broker licensed in accordance with Chapter  
26 10.

1           "(9) LICENSEE PENALTIES. For a producer or service  
2 representative licensed in accordance with this chapter, the  
3 penalties set forth in Section 27-7-19; for a reinsurance  
4 intermediary licensed in accordance with Chapter 5A, the  
5 penalties set forth in Section 27-5A-11; for a managing  
6 general agent licensed in accordance with Chapter 6A, the  
7 penalties set forth in Section 27-6A-7; and for a surplus line  
8 broker licensed in accordance with Chapter 10, the penalties  
9 set forth in Section 27-10-32.

10           "(10) LIFE LINES OF AUTHORITY. Any one or more of  
11 the following lines as defined in Section 27-7-14.1: Life;  
12 accident and health or sickness, also known as disability; and  
13 variable life and variable annuity products.

14           "(11) LIMITED LINE CREDIT INSURANCE. Credit life,  
15 credit disability, credit property, credit unemployment,  
16 creditor-placed, also known as forced-placed, nonfiling,  
17 involuntary unemployment, mortgage life, mortgage guaranty,  
18 mortgage disability, guaranteed automobile protection (GAP),  
19 family and medical leave insurance, and any other form of  
20 insurance offered in connection with an extension of credit  
21 that is limited to partially or wholly extinguishing that  
22 credit obligation that the commissioner determines should be  
23 designated a form of limited line credit insurance.

24           "(12) LIMITED LINE CREDIT INSURANCE PRODUCER. A  
25 person who sells, solicits, or negotiates one or more forms of  
26 limited line credit insurance coverage to individuals through  
27 a master, corporate, group, or individual policy.

1           "(13) LIMITED LINES INSURANCE. Limited line credit  
2 insurance, insurance on rental vehicles as defined in Section  
3 27-7-5.1, travel ~~and~~ insurance as defined in Section 27-7-5.2,  
4 crop insurance as defined in Section 27-7-14.1, portable  
5 electronics insurance as defined in Chapter 22A, and any other  
6 line of insurance that the commissioner deems necessary to  
7 recognize for the purposes of complying with subsection (e) of  
8 Section 27-7-28.

9           "(14) LIMITED LINES PRODUCER. A person authorized by  
10 the commissioner to sell, solicit, or negotiate limited lines  
11 insurance.

12           "(15) NAIC. The National Association of Insurance  
13 Commissioners.

14           "(16) NEGOTIATE. The act of conferring directly with  
15 or offering advice directly to a purchaser or prospective  
16 purchaser of a particular contract of insurance concerning any  
17 of the substantive benefits, terms, or conditions of the  
18 contract, provided that the person engaged in that act either  
19 sells insurance or obtains insurance from insurers for  
20 purchasers.

21           "(17) PERSON. An individual or a business entity.

22           "(18) PROPERTY LINES OF AUTHORITY. Any one or more  
23 of the following lines as defined in Section 27-7-14.1:  
24 Property; casualty; and personal lines.

25           "(19) SELL. To exchange a contract of insurance by  
26 any means, for money or its equivalent, on behalf of an  
27 insurance company.

1           "(20) SERVICE REPRESENTATIVE. A natural person,  
2 other than an officer, manager, or managing general agent of  
3 the insurer, employed on salary or at an hourly rate by an  
4 insurer, managing general agent, or a captive producer to work  
5 for, with or through producers in selling, soliciting, or  
6 negotiating insurance in the insurer or in the insurers  
7 represented by the managing general agent or a captive  
8 producer, but only in the property lines of authority.  
9 Officers and salaried nonresident traveling representatives of  
10 a mutual insurer operating on the premium deposit plan or of a  
11 reciprocal insurer not using resident producers for the  
12 solicitation of business who inspect risks or solicit  
13 insurance in this state and who receive no commissions from  
14 the insurer shall be deemed also to be service  
15 representatives. A service representative shall otherwise  
16 qualify and be licensed as a service representative under this  
17 chapter, but shall not be required to take and pass an  
18 examination nor be a resident of Alabama if qualified as a  
19 service representative in the state of his or her domicile.  
20 The service representative must be appointed for each insurer  
21 or association of insurers represented and for each class of  
22 insurance handled by the insurer or insurers in this state.

23           "(21) SOLICIT. Attempting to sell insurance or  
24 asking or urging a person to apply for a particular kind of  
25 insurance from a particular company.

26           "(22) TERMINATE. The cancellation of the  
27 relationship between an insurance producer and the insurer or

1 the termination of a producer's authority to transact  
2 insurance.

3 "(23) UNIFORM BUSINESS ENTITY APPLICATION. The  
4 current version of the NAIC Uniform Business Entity  
5 Application for resident and nonresident business entities.

6 "(24) UNIFORM APPLICATION. The current version of  
7 the NAIC Uniform Application for resident and nonresident  
8 producer licensing.

9 "§27-7-14.1.

10 "(a) Unless denied licensure pursuant to Section  
11 27-7-19, persons who have met the requirements of Sections  
12 27-7-4.3 and 27-7-5 shall be issued an insurance producer  
13 license. An insurance producer may receive qualification for a  
14 license in one or more of the following lines of authority:

15 "(1) LIFE. Insurance coverage on human lives  
16 including benefits of endowment and annuities, and may include  
17 benefits in the event of death or dismemberment by accident  
18 and benefits for disability income.

19 "(2) ACCIDENT AND HEALTH OR SICKNESS, commonly known  
20 as disability. Insurance coverage for sickness, bodily injury,  
21 or accidental death and may include benefits for disability  
22 income.

23 "(3) PROPERTY. Insurance coverage for the direct or  
24 consequential loss or damage to property of every kind.

25 "(4) CASUALTY. Insurance coverage against legal  
26 liability, including that for death, injury, or disability or  
27 damage to real or personal property, and surety.

1           "(5) VARIABLE LIFE and VARIABLE ANNUITY PRODUCTS.  
2 Insurance coverage provided under variable life insurance  
3 contracts and variable annuities.

4           "(6) PERSONAL LINES. Property and casualty insurance  
5 coverage sold to individuals and families for primarily  
6 noncommercial purposes.

7           "(7) CREDIT. Limited line credit insurance.

8           "(8) BAIL BOND. Surety coverage for bail, as defined  
9 in Chapter 13 of Title 15.

10          "(9) RENTAL VEHICLE. As described in Section  
11 27-7-5.1.

12          "(10) CROP. Insurance providing protection against  
13 damage to crops from unfavorable weather conditions, fire, or  
14 lightning, flood, hail, insect infestation, disease or other  
15 yield-reducing conditions or peril provided by the private  
16 insurance market, or that is subsidized by the Federal Crop  
17 Insurance Corporation, including Multi-Peril Crop Insurance.

18          "(11) PORTABLE ELECTRONICS. As defined in Section  
19 27-22A-1.

20          "(12) TRAVEL. ~~Insurance coverage for trip~~  
21 ~~cancellation, trip interruptions, baggage, life, sickness and~~  
22 ~~accident, disability, and personal effects when limited to a~~  
23 ~~specific trip and sold in connection with transportation~~  
24 ~~provided by a common carrier~~ As described in Section 27-7-5.2.

25          "(13) Any other line of insurance permitted under  
26 state laws or regulations.

1           "(b) Unless denied licensure pursuant to Section  
2 27-7-19, persons who have met the requirements of Section  
3 27-7-5 shall be issued a service representative license. A  
4 service representative shall receive qualification for a  
5 license in the following lines of authority:

6           "(1) PROPERTY. Insurance coverage for the direct or  
7 consequential loss or damage to property of every kind.

8           "(2) CASUALTY. Insurance coverage against legal  
9 liability, including that for death, injury, or disability or  
10 damage to real or personal property, and surety.

11           "(c) An insurance producer or service representative  
12 license shall remain in effect unless revoked or suspended as  
13 long as the license renewal fee set forth in Section 27-8A-9  
14 is paid and education requirements for resident individual  
15 producers and service representatives set forth in Chapter 8A  
16 of this title are met by the due date.

17           "(d) An individual insurance producer who allows his  
18 or her license to lapse may, within 12 months from the due  
19 date of the renewal fee, reinstate the same license without  
20 the necessity of completing the prelicensing course or passing  
21 a written examination; a service representative who allows his  
22 or her license to lapse may, within 12 months from the due  
23 date of the renewal fee, reinstate the same license without  
24 the necessity of completing the prelicensing course; however,  
25 a penalty in the amount of double the unpaid renewal fee shall  
26 be required for any renewal fee received after the due date.

1           "(e) A licensed insurance producer or service  
2 representative who is unable to comply with license renewal  
3 procedures due to military service or some other extenuating  
4 circumstance, e.g., a long-term medical disability, may  
5 request a waiver of those procedures. The producer or service  
6 representative may also request a waiver of any examination  
7 requirement or any other fine or sanction imposed for failure  
8 to comply with renewal procedures."

9           Section 3. This act shall become effective on the  
10 first day of the third month following its passage and  
11 approval by the Governor, or its otherwise becoming law.