

BILL ANALYSIS

Senate Research Center

H.B. 3563
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Economic Development
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Engrossed

DIGEST

For years, rental car companies have purchased liability insurance to protect themselves and their customers for liability; and provided customers optional additional coverage for an additional charge included in the customer's rental agreement and paid to the insurance company. The Department of Insurance has initiated an investigation to determine a rental car company's authority to sell insurance. This bill would require a rental car company or franchisee to obtain a limited license from the commissioner of insurance. Additionally, this bill would require a licensed rental car company or franchisee to conduct a training program for salaried employees to sell insurance.

PURPOSE

As proposed, H.B. 3563 sets forth procedures for issuing rental car companies limited licenses as insurance agents.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 21.07, Insurance Code, by adding Section 21, as follows:

Sec. 21. (a) Authorizes the commissioner of insurance (commissioner) to issue a license under this article to a rental car company, or to the franchisee of a rental car company, that complies with the provisions of this section and only for the limited purposes set forth in this section.

(b) Defines "limited license," "rental agreement," "rental car company," "renter," and "vehicle."

(c) Authorizes the commissioner to issue to a rental car company, or to a franchisee of a rental car company, that has complied with the requirements of this section, a limited license authorizing the licensee, known as a "limited licensee" for the purposes of this section, to act as agent, with reference to the kinds of insurance specified in this section, or any insurer authorized to write such kinds of insurance in this state.

(d) Provides that the prerequisites for issuance of a limited license under this section are the filing with the commissioner a written application and a certificate by the insurer that is to be named in such limited license, stating that it has satisfied itself that the named applicant is trustworthy and competent to act as its insurance agent for this limited purpose and that the insurer will appoint such applicant to act as the agent in reference to the doing of such kind or kinds of insurance as are permitted by this section, if the limited license applied for is insured by the commissioner.

(e) Authorizes the commissioner, in the event that any provision of this section is violated by a limited licensee, to revoke or suspend a limited license issued under this section in accordance with the provisions of Article 21.01-2 of this code; or, after notice and hearing, to impose such other penalties as the commissioner deems to be necessary or convenient

to carry out the purposes of this section.

(f) Authorizes the rental car company or franchisee licensed pursuant to Subsection (c) to act as agent for an authorized insurer only in connection with the rental of vehicles and only with respect to certain kinds of insurance.

(g) Prohibits insurance from being issued under this section unless the rental period of the rental agreement does not exceed 30 consecutive days; at every rental car location where rental car agreements are executed, brochures or other written materials are prominently displayed and readily available to the prospective renter that contain certain information; and evidence of coverage is provided to every renter who elects to purchase such coverage.

(h) Requires any limited license issued under this section to also authorize any salaried employee of the licensee who, pursuant to Subsection (i), is trained to act individually on behalf, and under the supervision, of the licensee with respect to the kinds of insurance specified in this section.

(i) Requires each rental car company or franchisee licensed pursuant to this section to conduct a training program which shall be submitted to the commissioner for approval prior to use and which shall meet certain minimum standards.

(j) Requires each limited licensee acting pursuant to and under the authority of this section to comply with all applicable provisions of this article, except that notwithstanding any other provision of this article, or any rule adopted by the commissioner, a limited licensee pursuant to this section shall not be required to treat premiums collected from renters purchasing such insurance when renting vehicles as funds received in a fiduciary capacity, provided that certain conditions are established.

(k) Prohibits a limited licensee under this section from advertising, representing, or otherwise holding itself or any of its employees out as licensed insurance agents.

SECTION 2. Effective date: September 1, 1997.

SECTION 3. Emergency clause.