

HOUSE BILL NO. 1391

Introduced by

Representatives Keiser, Bosch, Dockter, Lefor, Louser, Nathe

Senators Burckhard, Klein, Meyer

1 A BILL for an Act to create and enact chapter 26.1-26.9 of the North Dakota Century Code,
2 relating to regulation of self-service storage insurance.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1.** Chapter 26.1-26.9 of the North Dakota Century Code is created and enacted
5 as follows:

6 **26.1-26.9-01. Definitions.**

7 For purposes of this chapter, unless the context otherwise requires:

- 8 1. "Location" means any physical location in this state or any website, call center site, or
9 similar location directed to residents of this state.
- 10 2. "Occupant" means the person who rents a space at a self-service storage facility
11 under a rental agreement, or a sublessee, successor, or assignee of the renter.
- 12 3. "Owner" means any person who owns, leases, subleases, manages, or operates a
13 self-service storage facility and receives rent from an occupant under a rental
14 agreement.
- 15 4. "Personal property" means movable property not affixed to land, including
16 merchandise and household goods.
- 17 5. "Rental agreement" means a written agreement between the owner and the occupant
18 which establishes or modifies the terms and conditions of the occupant's use of a
19 space at a self-service storage facility.
- 20 6. "Self-service storage facility" means any real property used for renting or leasing
21 individual spaces in which occupants customarily store and remove their personal
22 property. The term does not include a garage used principally for parking motor
23 vehicles; any property of a financial institution which contains vaults, safe deposit
24 boxes, or other receptacles for the purpose and benefit of the financial institution's

- 1 customers; or a warehouse where warehouse receipts, bills of lading, or other
2 documents of title are issued for the personal property stored.
- 3 7. "Self-service storage insurance" means personal property insurance offered in
4 connection with and incidental to the rental of a space at a self-service storage facility
5 and which provides coverage to occupants at the self-service storage facility where
6 the insurance is transacted for the loss of or damage to personal property occurring at
7 the facility or when the property is in transit to or from the facility during the period of
8 the rental agreement.
- 9 8. "Supervising entity" means a person that is a licensed insurer or insurance producer
10 appointed by an insurer to supervise the administration of a self-service storage
11 insurance program.

12 **26.1-26.9-02. Licensure of owners.**

- 13 1. An owner shall obtain from the insurance commissioner and hold a limited lines
14 license under this section if the owner sells, solicits, or offers coverage for self-service
15 storage insurance. This section does not require an owner to be licensed solely to
16 display and make available to occupants and prospective occupants brochures and
17 other promotional materials created by or on behalf of an authorized insurer or surplus
18 lines insurer.
- 19 2. A limited lines license issued under this section is limited to authorizing an owner and
20 the owner's employees and authorized representatives to sell, solicit, and offer
21 coverage for self-service storage insurance to occupants.
- 22 3. A limited lines license issued under this section authorizes an owner and the owner's
23 employees and authorized representatives to sell, solicit, and offer self-service storage
24 insurance coverage at each location at which the owner conducts business.
- 25 4. The owner or supervising entity shall maintain a registry of owner locations authorized
26 to sell, solicit, or offer self-service storage insurance coverage in this state. Upon
27 request by the commissioner, and with five days' notice, the owner or supervising
28 entity shall provide the registry to the commissioner for inspection and examination.
- 29 5. Notwithstanding any other provision of law, a license issued under this section
30 authorizes the licensee and the licensee's employees and authorized representatives
31 to engage only in activities permitted by this chapter in connection with the business of

1 insurance unless authorized to do so under another license issued by the
2 commissioner.

3 **26.1-26.9-03. Sale of self-service storage insurance - Requirements.**

4 1. At every location where self-service storage insurance is offered to occupants, the
5 owner shall make available to occupants brochures or other written or electronic
6 materials that:

7 a. Disclose that self-service storage insurance may provide a duplication of
8 coverage already provided by an occupant's homeowner's insurance policy,
9 renter's insurance policy, or other source of coverage.

10 b. State the purchase by the occupant of the self-service storage insurance offered
11 by the owner is not required to lease a space at the self-service storage facility.

12 c. Provide the actual terms of the self-service storage insurance coverage, or
13 summarize the material terms of the insurance coverage, including:

14 (1) The identity of the insurer;

15 (2) The identity of the supervising entity, if any;

16 (3) The amount of any applicable deductible and how the deductible is to be
17 paid;

18 (4) Benefits of the coverage; and

19 (5) Key terms and conditions of the coverage.

20 d. Summarize the process for filing a claim.

21 e. State an occupant that purchases self-service storage insurance may cancel
22 enrollment for the occupant's coverage at any time, and the person paying the
23 premium shall receive a refund of any applicable unearned premium.

24 2. The written materials required by this section are not subject to filing or approval
25 requirements with the commissioner.

26 3. Self-service storage insurance may be provided under an individual policy or a
27 commercial, corporate, group, or master policy. Form, policy, and rate filings for
28 self-service storage insurance must be made with the commissioner in accordance
29 with this chapter and 26.1-30-19.

1 4. Eligibility and underwriting standards for occupants electing to purchase self-service
2 storage insurance coverage must be established by the commissioner for the
3 self-service storage insurance program.

4 5. The owner is exempt from the examination and education requirements in chapter
5 26.1-26.

6 **26.1-26.9-04. Authority of owners.**

7 1. Employees and authorized representatives of an owner may sell, solicit, and offer
8 self-service storage insurance to occupants and are not subject to licensure as an
9 insurance producer under this chapter if:

10 a. The owner obtains a limited lines license to authorize the owner's employees and
11 authorized representatives to sell, solicit, and offer self-service storage insurance
12 under this chapter.

13 b. The owner files an acknowledgment with the commissioner in a form and manner
14 directed by the commissioner that the owner's counter sales employees and
15 authorized representatives act on the owner's behalf and the owner is
16 responsible for any representations made by the counter sales employees or
17 authorized representatives relating to the self-service storage insurance offered
18 through the owner. The acknowledgment must state the commissioner may take
19 any administrative action included in this title.

20 c. The insurer issuing the self-service storage insurance or a supervising entity
21 supervises the development of a training program for employees and authorized
22 representatives of the owner. The training required by this subdivision:

23 (1) Must be delivered to employees and authorized representatives of the
24 owner who are engaged directly in the activity of selling, soliciting, or
25 offering self-service storage insurance, and the training materials must be
26 maintained by the owner and made available to the commissioner for
27 inspection upon request.

28 (2) Must include providing each employee and authorized representative with
29 basic instruction about the self-service storage insurance offered to
30 customers and the disclosures required under section 26.1-26.9-03; and

1 (3) May be provided in electronic form, provided the owner or supervising entity
2 implements a supplemental education program regarding the self-service
3 storage insurance conducted and overseen by a licensed producer.

4 d. An employee or authorized representative of an owner may not advertise,
5 represent, or otherwise be held out to the public as a nonlimited lines-licensed
6 insurance producer, unless otherwise licensed.

7 2. An owner's employees and authorized representatives may not be paid directly by an
8 insurance company, or be paid a commission or any other compensation for the sale
9 of self-service storage insurance. This section does not prevent an owner from
10 including the results of selling, soliciting, or offering self-service storage insurance in
11 an overall performance compensation incentive program for employees and
12 authorized representatives.

13 3. The owner may bill and collect charges for self-service storage insurance coverage.
14 Any charge to the occupant for coverage not included in the cost of the rental of a
15 space must be separately itemized on the occupant's bill. If the self-service storage
16 insurance coverage is included with the lease of a space, the owner clearly and
17 conspicuously shall disclose to the occupant, on the rental invoice or elsewhere, any
18 self-service storage insurance coverage included with the rental of a space. An owner
19 billing and collecting the charges is not required to maintain the funds in a segregated
20 account if the owner is authorized by the insurer to hold the funds in an alternative
21 manner. All premiums received by an owner from an occupant for the sale of
22 self-service storage insurance must be considered funds held by the owner in a
23 fiduciary capacity for the benefit of the insurer. An owner may receive compensation
24 for billing and collection services.

25 **26.1-26.9-05. Application for license and fees.**

26 1. An owner selling, soliciting, or offering self-service storage insurance shall apply to the
27 commissioner.

28 2. In lieu of providing the information for all officers, directors, and shareholders owning
29 more than ten percent of the applicant, the applicant shall provide the name,
30 residential address, and other information required by the commissioner for an
31 employee or officer of the owner or supervising entity designated by the applicant as

1 the person responsible for the owner's compliance with the requirements of this
2 chapter. However, if the owner derives more than fifty percent of the owner's revenue
3 from the sale of self-service storage insurance, the information required under this
4 subsection must be provided for all officers, directors, and shareholders of record
5 having beneficial ownership of ten percent or more.

6 3. Each owner licensed under this chapter shall pay to the commissioner a fee as
7 prescribed by the commissioner.

8 4. An owner selling, soliciting, or offering self-service storage insurance before the
9 effective date of this Act shall apply for licensure within ninety days of the application
10 being made available by the commissioner. An applicant that begins to sell, solicit, or
11 offer self-service storage insurance after the effective date of this Act shall obtain a
12 license before selling, soliciting, or offering self-service storage insurance.

13 **26.1-26.9-06. Authority of commissioner to investigate.**

14 Within a reasonable time after receipt of a properly completed application for a license
15 under this chapter, the commissioner may conduct investigations and propound interrogatories
16 concerning the applicant's qualifications, residence, business affiliations, and any other matter
17 the commissioner believes necessary or advisable to determine compliance with this chapter or
18 for the protection of the public.

19 **26.1-26.9-07. Examination and investigation by commissioner.**

20 If the commissioner believes this chapter has been violated, the commissioner, at the
21 expense of the insurer involved, may examine, at the offices of the insurer or insurance
22 producer, whether located within or outside this state, all books, records, and papers of the
23 insurer or insurance producer, and may examine under oath, the officers, managers, and
24 insurance producer of the insurer, or the insured, regarding the violation.

25 **26.1-26.9-08. License suspension, revocation, or refusal - Grounds.**

26 The commissioner may suspend, revoke, place on probation, or refuse to continue or issue
27 a license issued under this chapter if, after notice to the licensee or applicant and a hearing, the
28 commissioner finds as to the licensee any of the following conditions:

- 29 1. A materially untrue statement in the license application.
30 2. An acquisition or attempt to acquire a license through misrepresentation or fraud.
31 3. The applicant cheated on an examination for an insurance license.

- 1 4. Any cause for which issuance of the license could have been refused had it then
2 existed and been known to the commissioner at the time of issuance.
- 3 5. The applicant or licensee has been convicted of a felony or convicted of an offense, as
4 defined by section 12.1-01-04, determined by the commissioner to have a direct
5 bearing on a person's ability to serve the public as a licensee, or the commissioner
6 finds, after conviction of an offense, the person is not sufficiently rehabilitated under
7 section 12.1-33-02.1.
- 8 6. In the conduct of affairs under the license, the licensee has used fraudulent, coercive,
9 or dishonest practices, or has shown to be incompetent, untrustworthy, or financially
10 irresponsible.
- 11 7. A misrepresentation of the terms of any actual or proposed insurance contract.
- 12 8. The licensee knowingly solicited, procured, or sold unnecessary or excessive
13 insurance coverage to any person.
- 14 9. The licensee has forged another's name to an application for insurance.
- 15 10. An improper withholding of, misappropriating of, or converting to one's own use any
16 moneys belonging to policyholders, insurers, beneficiaries, or others received in the
17 course of one's insurance business.
- 18 11. The licensee has been found guilty of any unfair trade practice defined in this title or
19 fraud.
- 20 12. A violation of or noncompliance with any insurance laws of this state or a violation of or
21 noncompliance with any lawful rules or orders of the commissioner or of a
22 commissioner of another state.
- 23 13. The licensee's license has been suspended or revoked in any other state, province,
24 district, or territory for any reason or purpose other than noncompliance with
25 continuing education programs, or noncompliance with mandatory filing requirements
26 imposed upon a licensee by the state, province, district, or territory, provided the filing
27 does not directly affect the public interest, safety, or welfare.
- 28 14. The applicant or licensee has refused to respond within twenty days to a written
29 request by the commissioner for information regarding any potential violation of this
30 section.

- 1 15. Without express prior written approval from the commissioner, the licensee
2 communicates with a person the licensee knows has contacted the department
3 regarding an alleged violation committed by the licensee in an attempt to have the
4 complainant dismiss the complaint.
- 5 16. The licensee knowingly accepts insurance business from an individual who is not
6 licensed.
- 7 17. The applicant or licensee knowingly fails to comply with a court order imposing child
8 support obligation.
- 9 18. The applicant or licensee fails to file the required returns or pay the taxes due under
10 chapter 57-38 or comply with a court order directing payment of any income tax or
11 employer income tax withholding imposed by chapter 57-38.
- 12 **26.1-26.9-09. Rulemaking authority.**
- 13 The commissioner may adopt reasonable rules for the implementation and administration
14 of this chapter.