

Fiscal Estimate Narratives

OCI 3/28/2016

LRB Number	15-4790/1	Introduction Number	SB-769	Estimate Type	Original
Description Enforcing liens on personal property stored in self-service storage facilities and units, towing a vehicle of a lessee in default, authorizing the sale of self-service storage limited lines insurance, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

This bill would authorize and establish requirements for the sale of a new line of self-service storage insurance (insurance) by an operator, or by an employee or representative of the operator, covering personal property stored in the unit or at the facility. At the outset, the Office of the Commissioner of Insurance (OCI) notes that coverage for personal property stored off site is readily available in Wisconsin under standard homeowner's, renter's and private passenger motor vehicle policies. Therefore, a new line of insurance is not necessary to make available the coverage described in this bill.

OCI notes that, although the bill authorizes OCI to obtain a registry of operators, employees or representatives and locations at which the insurance is sold and to impose penalties for violations of the bill's requirements, the bill otherwise exempts this new line of insurance from existing insurance law and regulation. In particular the bill does not require the use of a licensed agent at any point in the sales process. By way of contrast, other Wisconsin statutes that permit the sale of insurance products by retail employees, such as property service contracts under s. 616.54, Wis. Stat., require supervision by a licensed agent.

The bill imposes several requirements on a storage facility operator who sells the insurance. For example, the bill prohibits the operator or employee or representative from advertising or representing that he or she is an insurance intermediary, if he or she does not hold such a license and prohibits the operator from basing an employee's compensation primarily on the sale of the insurance. The bill also requires several disclosures by the operator, including a disclosure that the coverage may duplicate coverage under the customer's homeowner's or renter's policy.

Although, as noted, the bill provides for OCI to impose penalties for violations of the provisions of the bill, it does not, as required by s. 227.11, Wis. Stat., specifically authorize OCI to promulgate rules for the filing and approval of policies under the new line of insurance or to otherwise enforce any of the bill's provisions. Assuming the bill is amended to provide for rulemaking, we estimate this rulemaking to be substantial, requiring significant staff time to develop and implement the rules. The form filing and enforcement responsibilities would likely require OCI to establish specific requirements not addressed in the bill. Furthermore, as drafted the bill carries an effective date of July 1, 2016. This short timeframe would require OCI to promulgate emergency rules, as well as permanent rules, which would add significantly to the required expenditures.

Assuming a change to the effective date, OCI anticipates that additional staff time required for rulemaking would specifically include 200 hours for an attorney and 100 hours for a chief insurance examiner to draft all rules necessary for implementation of the product line.

Estimated rulemaking (only) expenditures summary (Includes salary and fringe benefits):

Attorney \$12,172.00
Chief Insurance Examiner \$4,434.00
Total Salary and Fringe Benefits \$16,606.00

Long-Range Fiscal Implications

None