



US Travel Insurance Association

Statement in Support of Raised Bill No. 7024

An Act Regulating the Offer and Dissemination of Travel Insurance

Connecticut General Assembly Insurance and Real Estate Committee

February 21, 2017

The members of the US Travel Insurance Association (USTiA) thank you for considering Raised Bill No. 7024, An Act Regulating the Offer and Dissemination of Travel Insurance. We support enactment of the bill and urge you to adopt it. The legislation would update Connecticut's producer licensing requirements for travel insurance and does so in a way that (1) provides legislators and regulators with the information they need for good governance, (2) updates the licensing process to reflect the way the marketplace operates today, and (3) most importantly, protects consumers.

Similar reforms are in place in 43 states and the District of Columbia, and currently pending or under consideration in the most of the remaining states. This bill is based on a model act adopted by the National Conference of Insurance Legislators (NCOIL) in November 2012, and uniform licensing standards adopted by the National Association of Insurance Commissioners (NAIC) in late 2010.

The USTiA is a national association of insurance carriers, third-party administrators, insurance agencies and related businesses involved in the development, administration and marketing of travel insurance and travel assistance products. USTiA works to assist our members to ensure that travelers have affordable access to travel protection and travel assistance; to educate consumers about travel insurance and related issues; to foster ethical and professional standards of industry conduct; and to inform and assist members with matters pertaining to the industry.

Prior to adoption of the travel producer licensing reform widely across the country, travel insurance producer licensing was in dire need of modernization. The need for reform continues in Connecticut and the handful of other states that have yet to adopt the model act. Licensing difficulties and regulatory inconsistencies among the states are driven by a number of underlying factors, reflecting both the realities of the market and the regulatory approaches of the states. The pending legislation provides a fix for those problems that addresses the needs of consumers, regulators, and the industry players who must comply with state licensing requirements in Connecticut and across the country.

Although may it seem straightforward, the process for licensing travel insurance limited lines producers has not worked for the simple reason that the travel business is different now from decades ago. It is a much more national business, with travel agencies serving customers across the country. This complicates the distribution of travel insurance because each state has its own licensing requirements for insurance producers. Non-resident licenses are very difficult to obtain for travel insurance producers because, unlike major lines of authority like life & health or property & casualty, there is very little licensing reciprocity among states. In fact, before states started enacting the model act a few years ago, there were 41 different licensing qualification codes to get licensed for travel insurance across the states; states had different licensing processes and procedures; and many states did not accept any or the same electronic application. As a result, it could take 6 months to get licensed to sell travel insurance across the U.S., making full compliance nearly impossible in an industry that can suffer high turnover. This is a significant burden and regulatory risk to the approximately 220 retail travel agencies in Connecticut, which provide more than 1000 full-time jobs and millions in direct economic impact to the state. Compliance burdens can be more keenly felt because these are predominantly small businesses, with approximately 90 percent of them employing fewer than 10 people.

This situation has improved as more and more states have enacted the model act's reforms, but compliance difficulties will remain until all states have adopted the model language.

The legislation would permit licensed insurance providers (MGAs, insurers, administrators) to be the licensed insurance producers for products distributed through non-

insurance travel retailers (travel agents), if and only if certain consumer protections are met – such as training and consumer disclosures not currently required under law. The names and contact information for these travel agents would be registered and provided to the insurance department upon request, so if there are any problems, the department knows who is responsible and can take action. Licensees would be legally responsible for the acts of the travel retailers registered under their license, and the insurance department would have authority to enforce these provisions. In addition, the definition of travel insurance would be updated to reflect the current marketplace in common with the other states that have enacted the model.

With respect to the pending legislation, there are a few minor changes we would like to respectfully propose to the legislation:

1. Clarify that a “Limited lines travel insurance producer” can be either an individual or business entity:
 - Line 9 should be amended by adding “or business entity” after “individual.”
 - Line 24 should be amended by adding “or business entity” after “individual.”
2. Limited lines travel insurance producers should not be limited to “a managing general agent or similar administrator, managing general underwriter or insurance producer.” This would preclude individuals and entities that are not so licensed from obtaining a limited lines travel insurance producer license. To that end, we propose that, in addition to the change proposed in 1 above, lines 24-26 be amended by deleting “who is a managing general agent or similar administrator, managing general underwriter or insurance producer licensed or authorized to do business in this state”.
3. Clarify that certain references to “limited lines travel insurance producer” in the legislation refer to only business entity limited lines travel insurance producers, and not individuals who are so licensed.
 - Line 37 should be amended by adding “for an applicant that is a business entity,” after “(ii).)

- Lines 48, 64, 69, 73, and 81, should be amended by adding “that is a business entity” after “producer” in each line.

4. Revise the definition of “Offer and disseminate” to clarify that it applies to the provision of information and services:

- Line 13 should be amended by adding “or general services for” after “about”.
- Line 14 should be amended by moving “(A)” before “a description of” and deleting the colon after “of”.

Thank you for your consideration of these proposed amendments, and for the opportunity to present the views of the UStiA with respect to Raised Bill No. 369.