

# SENATE BILL REPORT

## SB 5933

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As Reported by Senate Committee On:  
Financial Institutions, Housing & Insurance, February 24, 2009

**Title:** An act relating to self-service storage specialty producers.

**Brief Description:** Allowing the owner of a self-service storage facility to offer self-service storage insurance.

**Sponsors:** Senators McDermott, Benton, Hobbs, Shin and Kohl-Welles.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/17/09, 2/24/09 [DPS, w/oRec].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Majority Report:** That Substitute Senate Bill No. 5933 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, McDermott and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Parlette.

**Staff:** Philip Brady (786-7460)

**Background:** The Insurance Commissioner (commissioner) regulates insurance in Washington. This includes oversight of rates, forms, financial conditions, claims practices, and other matters related to the business of insurance. In order to sell insurance in Washington, a person must be licensed by the commissioner.

Self-service storage facilities are regulated under the Washington Self-Storage Facility Act (Act). Facilities are not licensed or registered with any state agency. The Act requires that all rental and lease agreements are in writing. Owners of a self-storage facility must comply with certain procedures when addressing past due rent, terminating the rental or lease agreement, placing liens on personal property stored in the unit, and disposing of unclaimed personal property. Owners are not required to provide insurance coverage to tenants, and there are no discrete penalties for violations of the Act.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Summary of Bill (Recommended Substitute):** Self-service storage facilities may be licensed by the commissioner as specialty lines insurance producers (producers) to sell insurance on behalf of an insurer. Unless they are licensed, they may not offer, sell, or solicit the purchase of self-service storage insurance (insurance). They may, however, continue to display and make available materials from authorized insurers.

Applications for licensure must include a written application with verification and certification from the insurer. Producers must provide written disclosure materials at all locations with a summary of the material terms of insurance and other specified information. Disclosure must include a statement that if insurance is required as a condition of rental, that requirement is met by the product offered by the producers. Producers must submit and maintain with the commissioner a list of employees authorized to sell insurance, which must be reported annually. They must also provide a training and education program for authorized employees that meets requirements set out in statute. The training program must be approved by the commissioner. The commissioner must respond to receipt of training program materials within 30 days or is deemed to have approved the program.

The commissioner may adopt rules to implement this chapter, and fees are specified. Proceeds from required fees are directed to the General Fund.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute):** Previously, insurance could not be required as a condition of rental. Now insurance can be a condition of rental, as long as the disclosure includes a statement that purchase of the producer's product meets the insurance requirement.

Producers must submit lists of employees who are qualified to sell insurance annually. In the original bill, this update was quarterly.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect on July 1, 2010.

**Staff Summary of Public Testimony on Original Bill:** PRO: People don't think about storage unit insurance, but they might need it. Many may not even know they are uninsured because most self-storage owners insure the buildings but not customer's goods. This bill will protect consumers, help bring back insurers that have left the market, and increase competitiveness. Of the five former insurers, only two still offer this insurance. It would also require producers to inform customers that such coverage might be duplicative of existing coverage, but the majority of this market doesn't have homeowner's insurance. This creates a framework for licensing.

OTHER: This bill isn't a problem itself, but is indicative of the specialty insurance line creep that is encroaching on the existing insurance industry. People might end up with double

coverage under a homeowner's policy, but that problem is outweighed by the needs of the uninsured.

**Persons Testifying:** PRO: Senator McDermott, prime sponsor; Alan Ameche, Northwest Storage Properties; Patrick Reilly, Washington State Self-Storage Association; Drew Bouton, Office of the Insurance Commissioner; Terry Kohl, Washington State Storage Association; Don Arsenault, Arsenault Realty Advisors, LLC.

OTHER: Bill Stauffacher, Independent Insurance Agents & Brokers.