

Date of Hearing: April 17, 2024

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
AB 3104 (Valencia) – As Amended April 9, 2024

SUBJECT: California Travel Insurance Act

SUMMARY: Implements the California Travel Insurance Act to revise and recast the requirements for the transaction of travel insurance. Specifically, **this bill:**

- 1) Expands the definition of travel insurance to include coverage for emergency evacuations and repatriation of remains.
- 2) Requires a travel insurer to pay premium tax on travel insurance premiums, as provided.
- 3) Requires a travel insurer to document the state of residence of the policyholder or certificate holder and report as premium only the amount allocable to travel insurance.
- 4) Authorizes travel protection plans to be offered for one price for the combined features of the plan if specified conditions are met, as provided.
- 5) Requires a person offering travel insurance to be subject to existing provisions governing unfair trade practices, including requiring the documents provided to consumers prior to the purchase of travel insurance to be consistent with the policy itself.
- 6) Authorizes the policyholder or certificate holder to cancel a policy or certificate for a full refund until 15 days following the date of delivery, as provided.
- 7) Prohibits a person transacting travel insurance or travel protection plans from using a negative option or opt out requiring an affirmative action to deselect coverage.
- 8) Prohibits a person from representing themselves as a travel administrator unless the individual is a licensed property and casualty insurance agent or holds other specified licenses.

EXISTING LAW:

- 1) Authorizes the Insurance Commissioner to issue a limited lines travel insurance agent license to any organization engaged in transacting travel insurance through travel retailers, as specified. (Insurance Code (INS) Section 1752)
- 2) Requires the transaction of travel insurance under the license of an organization holding a limited lines travel insurance agent license to be subject to the following conditions: (INS Section 1754)
 - a) The limited lines travel insurance agent is clearly identified on marketing materials and fulfillment packages distributed by the travel retailers to customers, as provided.

- b) The limited lines travel insurance agent, at the time of licensure and thereafter, maintains a register noting each travel retailer that transacts travel insurance on the licensee's behalf, as provided.
 - c) The limited lines travel insurance agent has designated one of its employees to be responsible for its compliance with the insurance laws, rules, and regulations of the state, as provided.
 - d) The limited lines travel insurance agent has paid all applicable licensing fees required under California law.
 - e) The limited lines travel insurance agent uses all reasonable means at its disposal to ensure compliance by the travel retailer and the travel retailer's employees with their obligations under this article, as provided.
- 3) Requires an applicant for a limited lines travel insurance agent license to submit specified documents to the commissioner, as provided. (INS Section 1755)
 - 4) Requires the licensed person or organization to pay the costs associated with any enforcement actions. (INS Section 1755)

FISCAL EFFECT: Unknown

COMMENTS:

- 1) *Purpose.* According to the author:

The current regulatory structure of the travel insurance market has left customers with a less competitive market that has negatively impacted prices, availability of insurers and marketplaces, and limits coverage options. AB 3104 will simplify the travel insurance structure so insurers can easily react to market forces, make policy changes that will benefit customers, and provide a more robust and competitive market. The changes proposed by AB 3104 further protect customers' interests and better ensures their intentions are protected and they understand the product they are purchasing.

- 2) *Background.* Travel insurance, unlike home or auto insurance, is not something that people typically receive competitive bids for. The result is people may be paying significantly more for their travel insurance, because they are not shopping around or considering multiple options. Additionally, many individuals travel without insurance and face significant financial harm when unexpected events happen that interrupt their travel.

Travel insurance in California is currently issued under a limited lines insurance model. This bill seeks to build on the existing framework and align California's requirements more closely with those of the National Association of Insurance Commissioners (NAIC) Model Act that was adopted in December 2018. As of March 2023, 29 states have adopted some form of the NAIC model.

- 3) *Discussion.* Travel insurance is a product that by nature will follow a consumer across state and national boundaries. Therefore, there is value in adopting a model that is consistent with

and similar to the licensing requirements used in other states. However, this also does not prevent the state from including additional safeguards and protections for consumers.

The changes proposed by this bill establish more uniform meanings and definitions and require additional consumer disclosures. Specifically, additional consumer disclosures would include, but not be limited to, a 15 day free look period during which time the consumer may cancel the policy without penalty, prohibiting the use of a negative option or opt out by the person transacting the travel insurance, and requiring that documents provided to consumers prior to the purchase of travel insurance to be consistent with the policy itself.

REGISTERED SUPPORT / OPPOSITION:**Support**

American Property Casualty Insurance Association

Opposition

None on file.

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