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Proposed Amendments Signal Potential Disruption for Entire Travel Industry

Insurance code clarifications will have wide-ranging effects that extend beyond the insurance industry

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LEGAL UPDATE

As millions of Americans return from the Holidays and lay out ski trips, beach escapes, and family vacations for the coming year, drastic changes may be in store for the future of travel planning. The travel and tourism industry is a diverse ecosystem of consumers, tour operators, common carriers, hotels, travel agents, and credit card companies, among many others. Impending changes in regulation of the insurers and the products that protect purchasers across the industry will be felt by all these participants, who provide everything from routine business trips to "once in a lifetime" adventure experiences, exotic cruises, and family amusement park packages. These industries, which are responsible for 2.7% of U.S. GDP and one out of every nine jobs nationwide, are major economic drivers that will be forced to adjust as insurance laws and regulations continue to change.

Travel Protection Background

To address travel customers' unique needs, insurers have developed a broad array of related insurance and non-insurance products and services that are highly valued by travelers worldwide, but do not fit neatly within traditional channels of insurance distribution or regulation. Even though these products have evolved over decades of use, they are currently regulated in many states as inland marine insurance. While the growth and expansion of the \$2.1 trillion U.S. tourism industry is aided by innovation in travel protection, lack of clarity in filing and licensing, and jurisdictional issues have caused confusion and are now creating compliance pitfalls and regulatory threats to the availability of these products, despite continued consumer demand for these types of protections and services.

Legislators Hope to Improve Model Act with Amendments

At its recent Annual Meeting, the National Conference of Insurance Legislators (NCOIL) Property and Casualty Committee introduced Proposed Amendments to NCOIL's *Limited Lines Travel Insurance Model Act* to addresses issues surrounding licensing, form and rate filings, premium tax payments, sales and audit practices, and regulatory enforcement. Originally adopted by NCOIL in 2012 to complement the National Association of Insurance Commissioners (NAIC) *Uniform Licensing Standard and Implementation Guidelines*, the *Limited Lines Travel Insurance Model Act* has been adopted in 39 states. The Proposed Amendments are part of an ongoing effort by state legislators to improve the uniformity, consistency, and effectiveness of travel protection product regulation in a way that promotes workable compliance, consumer protection, and industry advancement. The Amendments will be discussed in greater detail at the NCOIL 2017 Spring Meeting in March, which all travel entities are encouraged to attend.

State Insurance Regulators React

Acknowledging the unique and varied nature of travel protection products, the NAIC formed a Travel Insurance Working Group ("Working Group") in 2015 under its Property and Casualty (C) Committee to consider the development of a model law or guideline to establish appropriate regulatory standards for the travel and tourism insurance industry. However, the group did not produce a proposal during 2016, instead meeting in December to discuss the NCOIL Proposed Amendments. The Working Group heard comments from the Center for Economic Justice, the U.S. Travel Insurance Association, the Tourism and Travel Industry Consumer Coalition, the Property Casualty Insurers of America, the American Insurance Association, and the Independent Insurance Agents and Brokers of America. The Working Group has not committed to a specific course of action, but multiple speakers urged regulators to address current market disruptions and impending distribution channel problems caused by enforcement actions taking place in a vacuum caused by the absence of clear statutory or regulatory guidance.

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If you have specific questions regarding the NCOIL Proposed Amendments, ongoing developments at the NAIC, and how they may affect your business, or if you require assistance with implementation or compliance once these laws are finalized, please do not hesitate to contact Greg Mitchell or Anthony Cotto in Frost Brown Todd's Insurance Industry Group.

Organizations interested in protecting the travel industry and working together to educate legislators and regulators about the industry can join the Travel & Tourism Industry Consumer Coalition (TTICC). For more information, email membership@tandtcoalition.com.

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