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BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF CALIFORNIA

In the Matter of the Unlicensed Sale of  
Insurance by  
SMARTSTOP ASSET MANAGEMENT,  
LLC,  
  
Respondent.

CDI File No. OC 201900202  
  
ORDER ADOPTING SETTLEMENT  
AGREEMENT

WHEREAS, Respondent SmartStop Asset Management LLC (Respondent) and the California Department of Insurance entered into a Settlement Agreement which is attached hereto and made a part hereof, which resolves the matters set forth in the Order to Cease and Desist From Acting In a Capacity For Which a License is Required and Order to Show Cause Re Monetary Penalty for Acting In a Capacity For Which a License Was Required; and

WHEREAS, as set forth in the Settlement Agreement, Respondent has waived its right to a hearing and stipulates to entry of an order based upon the Settlement Agreement; and

WHEREAS, Insurance Code §12921(b)(1) requires the Insurance Commissioner to approve the settlement of this matter.

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NOW, THEREFORE, IT IS ORDERED AS FOLLOWS:

The Settlement Agreement is adopted by the Insurance Commissioner and its terms shall be binding on Respondent.

This Order is effective immediately.

Date: August 31, 2020

RICARDO LARA  
Insurance Commissioner

By   
Teresa R. Campbell  
Assistant Chief Counsel

1 CALIFORNIA DEPARTMENT OF INSURANCE  
LEGAL DIVISION  
2 Harry J. LeVine, Bar No. 105972  
1901 Harrison Street, 4<sup>th</sup> Floor  
3 Oakland, CA 94612  
Telephone: (415) 538-4109  
4 Facsimile: (510) 238-7830  
Email: harry.levine@insurance.ca.gov

5 Attorneys for the California Department of Insurance

6  
7 BEFORE THE INSURANCE COMMISSIONER  
8 OF THE STATE OF CALIFORNIA

9  
10 In the Matter of the Unlicensed Sale of Insurance by  
11 SMARTSTOP ASSET MANAGEMENT,  
12 LLC,  
13  
14 Respondent.

CDI File No. OC 201900202  
SETTLEMENT AGREEMENT

15  
16 The California Department of Insurance (“CDI”) and SmartStop Asset Management LLC  
17 (“SmartStop”) enter into this Settlement Agreement as follows.

18 I

19 RECITALS

20 1. CDI served an “Order to Cease and Desist from Acting in a Capacity for Which a  
21 License is Required and Order to Show Cause Re Monetary Penalty for Acting in a Capacity for  
22 Which a License is Required” (the “C&D”) on SmartStop on July 27, 2020, alleging as  
23 specifically provided therein, that SmartStop acted as a joint venturer with certain entities in  
24 transacting self-storage insurance without complying with the requirements of Insurance Code  
25 §1758.7 *et seq.*

26 2. SmartStop denies the allegations set forth in the C&D but in lieu of exercising its right  
27 to a hearing as provided for in Insurance Code §12921.8(c), agrees to resolve the C&D pursuant  
28 to the terms set forth herein without admission of liability or wrongdoing.

1 II

2 AGREEMENT

3 1. Pursuant to Insurance Code §12921.8(a)(3), in resolution of the allegations in the  
4 C&D that SmartStop and/or certain affiliates acted in a capacity for which a license from the  
5 Insurance Commissioner is required, including the allegations that the “Protection Plan”  
6 described in the C&D is self-storage insurance for which a license is required to transact,  
7 SmartStop will pay a monetary penalty in the amount of \$250,000. Payment of the penalty will  
8 be invoiced by the Insurance Commissioner and will be due within 30 days of receipt of the date  
9 of the invoice by SmartStop. The payment shall be mailed to the following address:

10 California Department of Insurance  
11 Accounting Services Bureau  
12 300 Capitol Mall, 13th Floor  
13 Sacramento, California 95814

14 2. On the effective date of the Insurance Commissioner’s order adopting this Settlement  
15 Agreement and concluding the proceeding commenced by the C&D, SmartStop will:

16 a. cease and desist from offering the Protection Plan in California in the form that the  
17 Protection Plan was offered to renters of California self-storage facilities commencing on  
18 or about August 1, 2019, as alleged in the C&D (the “Old Protection Plan”);

19 b. terminate all in-force Old Protection Plans that it sold, to the extent any remain in-  
20 force, by no later than August 1, 2020, subject to the right of Old Protection Plan  
21 customers to submit claims in accordance with the terms of the Old Protection Plan based  
22 on acts and omissions occurring during the period when the Old Protection Plan was in-  
23 force; and

24 c. use its reasonable best efforts to cause its affiliates engaged in the self-storage  
25 business in California, including but not limited to SmartStop Self Storage REIT, Inc.,  
26 Strategic Storage Trust IV, Inc., Strategic Storage Growth Trust II, Inc. and each of their  
27 respective subsidiaries (collectively, the “SmartStop Affiliates”) to:

28 (i) cease and desist from offering to new customers the Old Protection Plan in  
California;

1 (ii) terminate all in-force Old Protection Plans no later than August 1, 2020,  
2 subject to the right of Old Protection Plan customers to submit claims in accordance  
3 with the terms of the Old Protection Plan based on acts and omissions occurring  
4 during the period when the Old Protection Plan was in-force; and

5 (iii) to the extent not previously accomplished, issue a notice to existing  
6 customers informing them that:

7 (a) the Old Protection Plan will no longer be offered for sale in  
8 California;

9 (b) existing customers will not have the option to continue the Old  
10 Protection Plan past July 30, 2020; and

11 (c) the SmartStop Affiliates will offer a different protection plan  
12 described in the following paragraph effective as of August 1, 2020.

13 3. SmartStop advised CDI that, effective immediately as to new customers and effective  
14 as of August 1, 2020 for existing customers, the SmartStop Affiliates will offer a protection plan  
15 to renters of self-storage facilities (the "New Protection Plan") that identifies risks that the  
16 SmartStop Affiliates will assume or retain from such renters substantially as follows (the  
17 "Release Language"):

18 LIMITED RELEASE OF LIABILITY FOR PROPERTY DAMAGE: No  
19 bailment is created by this Agreement. Neither Owner nor Manager is a  
20 warehouseman engaged in the business of storing goods for hire. The exclusive  
21 care, custody and control of any and all property stored in the Leased Space shall  
22 remain vested in the Occupant. Notwithstanding the foregoing, Owner and  
23 Manager shall each retain, rather than contractually extinguish to the extent  
24 permitted by law, their liability as imposed by law for loss of or damage to your  
25 stored property resulting from the Owner's or Manager's negligence or as a result  
26 of acts or omissions for which either the Owner or Manager is liable under the  
27 law. The retained liability of Owner and Manager for such loss or damage,  
28 however, is subject to the limitations and conditions set forth in an amendment to  
this Agreement titled "Waiver of Insurance Requirement and Limited Release of  
Liability for Property Damage."

4. CDI acknowledges that the Release Language is not insurance within the meaning of  
Insurance Code §1758.75.

1           5. Except for the Limited Release of Liability for Property set forth in Paragraph 3, the  
2 CDI has not reviewed the terms of the New Protection Plan and has not reviewed any  
3 agreements between renters of self-storage facilities and SmartStop Affiliates, and the CDI  
4 offers no opinion or agreement herein as to whether the New Protection Plan constitutes a  
5 bailment or whether the Owner or Manager constitutes a warehouseman thereunder.

6           6. CDI's acknowledgement in Paragraph 4 above is based solely on the Release  
7 Language and CDI has not reviewed any aspect of SmartStop's protection plan (however  
8 denominated) that will include the Release Language. CDI has not reviewed whether a  
9 protection plan that uses the Release Language contains other terms that could result in the  
10 protection plan being a self-storage insurance policy within the meaning of Insurance Code  
11 §1758.75 and subject to the requirements of Insurance Code §1758.7 *et seq.*. Further, CDI has  
12 not reviewed any insurance policies, contractual arrangements or other circumstances that could  
13 result in the protection plan being a self-storage insurance policy within the meaning of  
14 Insurance Code §1758.75 and that is subject to the requirements of Insurance Code §1758.7.  
15 Accordingly, nothing in this Settlement Agreement limits the Insurance Commissioner's right to  
16 determine that other terms of a protection plan, insurance policies, contractual arrangements or  
17 circumstances (collectively, "Other Circumstances") result in the protection plan being self-  
18 storage insurance policy within the meaning of Insurance Code §1758.75 and subject to the  
19 requirements of Insurance Code §1758.7 *et seq.* The term "Other Circumstances" includes, but  
20 is not limited to, the manner in which the Release Language is implemented or enforced by  
21 SmartStop and SmartStop Affiliates. Nothing in this Settlement Agreement limits the Insurance  
22 Commissioner's authority to bring an action under Insurance Code §§1758.74 or 12921.8 if the  
23 Insurance Commissioner believes that a new protection plan that includes the Release Language  
24 is insurance as the result of Other Circumstances.

25           7. Nothing in this Settlement Agreement limits the Insurance Commissioner's authority  
26 to bring an action under Insurance Code §§ 1758.74 or 12921.8 against any SmartStop Affiliate  
27 that fails to: (i) terminate Old Protection Plans in California by August 1, 2020 as described in  
28 paragraph 2 above, or (ii) cease and desist from offering the Old Protection Plan for sale to new

1 customers in California after August 1, 2020.

2 8. SmartStop waives a hearing on the C&D and all other due process rights that may be  
3 accorded by the California Administrative Procedure Act (Government Code sections 11500-  
4 11528), the Insurance Code, the California Constitution, the United States Constitution, and  
5 every other statute, case and regulation.

6 9. This Settlement Agreement will be interpreted and construed in accordance with  
7 California law, without regard to choice of law considerations.

8 10. SmartStop acknowledges that this Settlement Agreement is a public record pursuant  
9 to Government Code §6250 *et seq.* and will be posted on CDI's internet website.

10 11. This Settlement Agreement may be executed in counterparts, each of which shall  
11 constitute duplicate original. Execution by facsimile or by electronically transmitted signature  
12 shall be fully and legally binding.

13 12. This Settlement Agreement shall enure to the benefit of the parties, the SmartStop  
14 Affiliates, and their respective successors and assigns. As such, the SmartStop Affiliates are  
15 recognized as third party beneficiaries that are entitled to the rights and benefits hereunder, and  
16 CDI agrees that it will not assert the allegations of the C&D against the SmartStop Affiliates.

17 11. SmartStop acknowledges that Insurance Code section 12921(b)(1) requires the  
18 Insurance Commissioner to approve this Settlement Agreement. The terms and conditions  
19 contained herein and the acceptance of those terms and conditions are contingent upon the  
20 Insurance Commissioner's approval.

21 [The remainder of this page is intentionally left blank and the signature page follows  
22 immediately hereafter.]

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July 27, 2020

CALIFORNIA DEPARTMENT OF INSURANCE



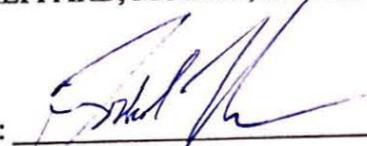
By \_\_\_\_\_  
Harry J. LeVine  
Attorney IV

July 27, 2020

SMARTSTOP ASSET MANAGEMENT, LLC

By James J. Bey  
General Counsel  
(Title)

Approved as to form:  
SHEPPARD, MULLIN, RICHTER & HAMPTON, LLP

By:   
\_\_\_\_\_  
Todd L. Padnos

Attorneys for SmartStop Asset Management, LLC