
Business & Financial Services Committee

HB 1032

Brief Description: Addressing portable electronics insurance.

Sponsors: Representatives Kirby, Chandler, Ryu and Hudgins.

Brief Summary of Bill

- Modifies rate and form filing requirements for portable electronics insurance.
- Modifies cancellation and nonrenewal requirements for portable electronics insurance.

Hearing Date: 1/23/13

Staff: Jon Hedegard (786-7127).

Background:

Certain transactions that fall within the definition of insurance have been addressed by exemptions from the Code or the creation of a specific regulatory structure. Entities regulated under these chapters may not be required to comply with the same capitalization and reserve requirements, reporting and solvency oversight, and claims handling practices as are required of an insurer selling a traditional insurance product. Persons regulated under these chapters may not have to be licensed or have the same degree of training. There are unique regulatory standards for the persons who sell portable electronics insurance and the people who process the claims for portable electronics insurance.

Inland marine insurance.

"Inland marine insurance" is not defined in the Insurance Code. It is generally defined as insurance for portable goods, whether in transit or not. The policies may be for an individual's goods or for the goods of a business. The Office of the Insurance Commissioner (OIC) has adopted rules that characterize over 30 different risks as types of inland marine insurance. Included among these risks are: accounts receivable; agricultural machinery, farm equipment and livestock coverage; bicycles; pleasure boats twenty-six feet and under in length; cameras;

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photographic equipment and musical instruments; communications equipment, including cell phones, pagers, and portable personal computers; fine arts private collections; golf equipment; furs; jewelry; silverware; and stamp and coin collections.

Regulation of Insurance Rates and Contracts.

The rates and forms used in insurance contracts are filed with the OIC. There are two main types of review for property and casualty insurance forms in Washington:

- *Prior approval* - Any rate or form for property and casualty insurance that doesn't qualify for "use and file" must be filed with the OIC and must be approved prior to being used by the insurer. Personal line insurance rates are subject to prior approval. Common examples of personal lines insurance are an individual's automobile insurance or homeowners insurance; and
- *Use and file* - Forms for most commercial property and commercial casualty insurance can be used prior to filing and approval. Filing must occur within 30 days of the issuance of a policy. Commercial property casualty insurance is generally property and casualty insurance pertaining to a business, profession, occupation, nonprofit organization, or public entity.

Portable Electronics Insurance.

A retailer or "vendor" must be licensed by the OIC as a specialty producer if the vendor wants to offer or sell insurance products related to portable electronics. Before a license may be issued to a vendor, the vendor must be appointed as the agent of an authorized insurer. The vendor must affiliate with a licensed insurance agent who must supervise a training program for the vendor's employees. A vendor selling the communications equipment insurance must provide prospective customers with written materials disclosing the terms of the insurance.

"Portable electronics" is defined as "personal, self-contained, easily carried by an individual, battery-operated electronic communication, viewing, listening, recording, gaming, computing, or global positioning devices and other similar devices and their accessories, and service related to the use of such devices."

The OIC may adopt rules regarding specialty producers of portable electronics insurance.

Summary of Bill:

It is specified that a master, corporate or group policy for personal electronics insurance is a commercial inland marine policy. An individual policy of personal electronics insurance may be sold on a monthly or other periodic basis.

Filing of Portable Electronics Insurance Rates, Contracts, and Disclosure Materials.

An insurer of a portable electronics insurance program:

- may use ranges of rating factors and may use actuarial judgment in the making of such rates; and
- must file rates for approval for portable electronics insurance offered on a group, master, or individual policy; and
- may not increase premiums or deductibles or otherwise restrict benefits more than once in any six month period. An insurer must comply with the notice requirements if any such changes are made.

The written disclosure materials are not required to be filed for the review or approval of the commissioner.

Cancellation and Nonrenewal.

The general cancellation provisions and the nonrenewal provisions in do not apply to portable electronics insurance policies. Any notice required to be provided to a person insured under a portable electronics insurance policy in the event of cancellation, modification, or nonrenewal of such policy is governed exclusively by this section.

An insurer may cancel, modify, or otherwise change the terms and conditions of a policy of portable electronics insurance:

- with at least 30 days notice to the policyholder and enrolled;
- with 15 days notice for discovery of fraud or material misrepresentation in obtaining coverage or in the presentation of a claim.
- immediately without prior notice: (a) for nonpayment of premium; (b) if the enrolled customer ceases to have an active service with the vendor of portable electronics or; (c) if an enrolled customer exhausts the aggregate limit of liability, if any, under the terms of the portable electronics insurance policy and the insurer sends notice of termination to the enrolled customer within thirty calendar days after exhaustion of the limit. However, if notice is not timely sent, coverage continues notwithstanding the aggregate limit of liability until the insurer sends notice of termination to the enrolled customer.

A policyholder terminating a portable electronics insurance policy must advise each enrolled customer of the termination of the policy and the effective date of termination by providing a written notice to the enrolled customer. The written notice must be mailed or delivered to the enrolled customer at least 30 days prior to the termination.

Contract Changes.

If an insurer changes the terms and conditions, then the insurer must provide the vendor policyholder with a revised policy or endorsement an each enrolled customer with:

- evidence indicating a change in the terms and conditions has occurred; and
- a summary of material changes.

Written Notices.

The must be sent to:

- the vendor at the vendor's mailing address specified for that purpose or vendor's electronic mail address specified for that purpose; and
- all affected enrolled customer's last known mailing addresses or last known electronic mail address as provided by each enrolled customer.

If an enrolled customer provides an electronic mail means, the enrolled customer consents to receive notices and correspondence by electronic mail. The enrolled customer must be provided with a disclosure to that effect at the time the electronic mail address is provided.

The insurer or vendor of portable electronics, as the case may be, must maintain proof that the notice or correspondence was sent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.