

HOUSE BILL REPORT

EHB 2457

As Passed House:
February 10, 2012

Title: An act relating to specialty producer licenses.

Brief Description: Addressing specialty producer licenses.

Sponsors: Representatives Kirby and Bailey.

Brief History:

Committee Activity:

Business & Financial Services: 1/24/12, 1/31/12 [DP].

Floor Activity:

Passed House: 2/10/12, 96-0.

Brief Summary of Engrossed Bill

- Makes a number of changes to the regulatory framework for communications equipment insurance.
- Changes communication equipment to portable electronics.
- Provides standards for employee training.
- Provides standards for disclosure materials.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 12 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Buys, Assistant Ranking Minority Member; Blake, Condotta, Hudgins, Hurst, Kretz, Pedersen, Rivers and Ryu.

Staff: Jon Hedegard (786-7127).

Background:

Communications Equipment Insurance.

A retailer or "vendor" must be licensed by the Office of the Insurance Commissioner (OIC) as a specialty producer if the vendor wants to offer or sell insurance products related to

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communications equipment. "Communications equipment" includes cell phones, pagers, portable computers, and myriad other devices designed to originate or receive communications signals. A specialty producer license allows the vendor and the employees or authorized representatives of the vendor to sell or offer insurance related to the communications equipment. 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.

The OIC may adopt rules regarding specialty producers including, but not limited to, rules regarding:

- the specialty producer license application process;
- the standards for approval and the required content of written materials;
- the approval and required content of training materials;
- license fees;
- requirements for the remittance of premium funds to the supervising agent under authority from the program insurer; and
- the applicability of other provisions of the Insurance Code.

Summary of Engrossed Bill:

The definition of "communications equipment" is replaced by "portable electronics." "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."

A number of conforming changes to related definitions and throughout the bill to reflect the change from communications equipment to portable electronics.

Several other changes are made to existing definitions and several new definitions are created.

Applications.

The standards application for licensure must conform to the standards required for insurance producers.

Disclosure Materials.

Additional standards are provided for the disclosure materials that must be made available to prospective customers. The written materials must:

- disclose that portable electronics insurance may duplicate coverage already provided by another source of coverage;
- state that the enrollment by the customer in a portable electronics insurance program is not required in order to purchase or lease portable electronics or services;
- summarize the material terms of the insurance coverage and key terms and conditions of coverage;
- summarize the process for filing a claim; and

- state that an enrolled customer may cancel coverage at any time and receive a refund of any applicable unearned premium.

Training Program.

Additional standards are provided for the required training for employees of a licensed vendor. The training:

- must be delivered to employees and authorized representatives of vendors who are directly engaged in the activity of selling or offering portable electronics insurance;
- may be provided in electronic form; and
- must receive basic instruction about the portable electronics insurance offered to customers and the required disclosures.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) This bill is an effort to update an outdated chapter in the Insurance Code. After a decade of use, this chapter has fallen out of date. Many common electronic devices do not fit within the existing statutes. Similar update legislation has been passed in about 20 states. The stakeholders and the OIC have been meeting on the subject and have resolved many of the issues. The work will continue, but it may be appropriate at some point to limit the scope of the bill and delay work on some issues that cannot be resolved in this short session.

(With concerns) The OIC is working with the stakeholders. The process has been delayed because the OIC did not receive a draft until a few weeks ago. The OIC will work to come to agreement on the issues. If action needs to be deferred in some areas, those will be identified and worked on over the interim.

(Opposed) None.

Persons Testifying: (In support) Representative Kirby, prime sponsor; and Mel Sorensen, Asurion.

(With concerns) John Hamje and Drew Bouton, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: None.