

# SENATE BILL REPORT

## EHB 2457

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As Reported by Senate Committee On:  
Financial Institutions, Housing & Insurance, February 21, 2012

**Title:** An act relating to specialty producer licenses.

**Brief Description:** Addressing specialty producer licenses.

**Sponsors:** Representatives Kirby and Bailey.

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

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/15/12, 2/21/12 [DPA].

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Majority Report:** Do pass as amended.

Signed by Senators Hobbs, Chair; Prentice, Vice Chair; Benton, Ranking Minority Member; Fain, Haugen and Keiser.

**Staff:** Edward Redmond (786-7471)

**Background:** The Office of Insurance Commissioner (OIC) licenses and regulates insurance producers, including specialty producer licenses. In 2002 the Legislature authorized OIC to implement a regulatory scheme governing the insurance marketing practices of specified communications equipment retailers. To market insurance products in the state, a vendor of communications equipment must obtain a specialty producer license from OIC. The license allows the vendor and its employees or authorized representatives to market insurance covering communications equipment. Communication equipment includes cell phones, pagers, portable computers, and other devices designed to originate or receive communication signals.

Prior to a license being issued to a vendor, the vendor must be appointed as the agent of an authorized insurer. The operation of the communication equipment insurance program requires that the vendor affiliate with a state-licensed insurance agent, who must supervise a training program for the vendor's employees.

**Summary of Bill (Recommended Amendments):** Terms and Definitions. Various terms and definitions are amended. The term communication equipment is removed and replaced with portable electronics. Portable electronics is defined as personal, self-contained, easily

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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.

Other amendments are made to incorporate the new terminology.

Scope of the Specialty Producer License. A vendor, its employees, and authorized representatives may sell insurance covering portable electronics on either a master, corporate, group, or individual policy at each location where the vendor engages in portable electronics transactions. A registry which identifies in-state vendor locations authorized to sell or solicit portable electronics insurance must be maintained and provided to OIC within ten day's request for such information. An employee or authorized representative may sell or offer portable electronics insurance without being licensed if the vendor is licensed and in compliance with state law and the rules adopted by OIC.

Individuals employed by a licensed independent adjuster to collect claim information for electronics equipment shall also be exempt from the specialty producers licensure requirement under specified circumstances. The activity must be exclusive to claims originating from policies of insurance issued through a portable equipment program, and the individual must be employed and supervised by a licensed independent adjuster. The licensed independent adjuster must keep and maintain records of employees engaged in the claims collection activity, and is liable for any unlawful conduct its employees engage in while collecting claims.

Training Program. A training program must be provided for the employees of the licensed vendor who are directly engaged in selling or offering portable electronics insurance. Employees and authorized representatives must receive basic instruction about portable electronics insurance and the disclosures that must be made to customers. No employees or authorized representatives of a vendor of portable electronics may identify themselves as a nonlimited lines licensed insurance producer. A licensed independent adjuster must also provide approved training to employees engaged in claims collection for electronics equipment.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Amendments):**

- Provides a licensing exemption for individuals employed by a licensed independent adjuster to collect claim information for portable electronics equipment;
- Requires the licensed adjuster to keep and maintain records of employees engaged in such service;
- Requires the licensed adjuster to provide approved training to employees engaged in these services; and
- Holds the licensed adjuster liable for any unlawful conduct its employees engage in while providing these services.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: The committee heard and passed the identical Senate companion bill earlier this session. That bill was voted out of the Senate and is scheduled for hearing in the House this week. The bill is an effort to modernize the statute as many of the changes that have taken place in the technology world were not contemplated when this legislation was first adopted. This bill reflects the changes in technology. Other states have enacted similar legislation recognizing the change in technology. The amendments in this bill are a result of collaborative efforts with the OIC.

**Persons Testifying:** PRO: Representative Kirby, prime sponsor; Mel Sorensen, Asurion.