

SENATE BILL REPORT

SB 5694

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, January 18, 2012

Title: An act relating to handling claims associated with products issued under specialty producer licenses.

Brief Description: Addressing the handling of claims associated with products issued under specialty producer licenses.

Sponsors: Senators Hobbs and Benton.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/11/12, 1/18/12 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 5694 be substituted therefor, and the substitute bill do pass.

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

Staff: Edward Redmond (786-7471)

Background: The Office of Insurance Commissioner (OIC) licenses and regulates insurance producers, title agents, surplus line brokers, and adjusters. An adjuster is a person who investigates or reports to his principal in regard to claims arising under insurance contracts on behalf of either the insurer or the insured. An independent adjuster is an adjuster representing the interest of the insurer, while a public adjuster is employed by and represents the interest of the insured named in the policy. Adjusters are licensed or otherwise authorized to conduct business in Washington State by the OIC.

In 2002 the Legislature authorized the OIC to implement a regulatory scheme governing the insurance marketing practices of specified communications equipment retailers. To market insurance products in the state, a retailer of communications equipment must obtain a specialty producer license from the OIC. The license allows the retailer or vender, 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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): An individual that collects claim information for communications equipment or furnishes such information to an insured or claimant is exempt from adjuster classification under specified circumstances. The activity must be exclusive to claims originating from policies of insurance issued through a communications equipment program and the individual must be employed and supervised by a person that is licensed as an independent adjuster. The licensed independent adjuster must provide a training and education program to its employees before they can engage in the activity. The adjuster must also keep records of its employees engaged in such activity and submit a list of such employees to the commissioner annually. The supervising adjuster is responsible for the conduct of such employees and the OIC may impose a combination of actions including revocation or nonrenewal of license for any violation of law that may result.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The reason for the bill is that as insurance claims come in for damaged communications equipment, there needs to be a process for collecting those claims. Most of those claims are handled expeditiously; Asurian drop-ships a device in usually a day or two of the claim being processed. The challenge Asurian currently has is that the individuals who take the calls for these claims are customer service representatives, they sit in front of a computer and enter objective data. They do not exercise any judgment as to the value of the device or any other adjusting functions typical of an insurance adjuster. Under current law, however, the customer service representatives could be required to obtain a full adjuster's license. This bill seeks to clarify that such employees are not adjusters and the language has been negotiated with the OIC. Instead of the employees that enter data being required to obtain an adjuster's license, Asurian would be required to be licensed and would be responsible for the activities of the employees.

Persons Testifying: PRO: Mel Sorenson, Asurian.