

SENATE BILL REPORT

SB 6242

As of January 31, 2012

Title: An act relating to specialty producer licenses.

Brief Description: Addressing specialty producer licenses.

Sponsors: Senators Hobbs and Litzow.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/24/12.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

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 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 vendor of communications equipment must obtain a specialty producer license from the 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: 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 carried by an individual, battery-operated electronic communication, viewing, listening, recording, gaming, computing or global positioning devices, including cell or satellite phones, pagers, personal global positioning satellite units, portable computers, portable audio listening, video viewing or recording devices, digital cameras, video camcorders, portable gaming systems, docking

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stations, automatic answering devices, and other similar devices and their accessories, and service related to the use of such devices.

The term location is added and defined as any physical locale in this state and any website, call center site, or similar site directed to residents of this state.

Other amendments are made to incorporate the new terminology.

Vendor Specialty Producer License Application. New requirements are added concerning the vendor's application for a specialty producer license. A vendor must submit:

- contact information for the employee or officer in charge of compliance;
- if the vendor derives more than 50 percent revenue from the sale of portable electronics, then contact information is required of all the vendor's officers, directors, and shareholders with 10 percent or more securities ownership;
- the home office location; and
- written materials regarding the portable electronics insurance program.

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 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 the 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 the OIC.

Cancellation and Nonrenewal. Portable electronics insurance policies are exempt from insurance cancellation and nonrenewal provisions currently in statute. New provisions are added detailing the terms and conditions for when such policies may be terminated, which includes nonpayment of premiums, service inactivity, and exhausting the aggregate limit of liability.

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: PRO: This bill deals with the licensing provisions and basic statutory underpinnings of the current law. 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. There are also some competitors that are not complying with current law; the bill provides extra tools for the OIC to address those issues. Other states have enacted

similar legislation recognizing the change in technology. We are in current discussions with the OIC.

OTHER: There was a similar bill heard this session regarding the regulation of adjusters for these products. The OIC worked with Mel over the interim to develop language that would work for both sides. The OIC was not given that opportunity with the bill before the committee today. It was brought to the OIC two weeks ago and the OIC has been working diligently to analyze the proposals in the bill. The OIC was not familiar with any issues around this product, how it is regulated, or providers that were escaping our notice and not complying with existing law. The OIC would prefer to have time over the interim to continue to work this bill in order to develop agreeable language. The OIC is particularly concerned with moving these products from personal insurance to a commercial product because there are certain protections that would go away. There are added license regulations that the OIC does not think is necessary and would only increase agency costs without any real benefit to the state.

Persons Testifying: PRO: Mel Sorenson, Asurian.

OTHER: John Hamje, Drew Bouton, OIC.