

SENATE BILL REPORT

SB 6242

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, February 1, 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, 1/31/12, 2/01/12 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 6242 be substituted therefor, and the substitute bill do pass.

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 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.

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.

Summary of Bill (Recommended Substitute): 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 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 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.

Training Program. A training program must be provided for the employees of the licensed vendor that 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.

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

- Amends definition of portable electronics;
- Provides standardized licensing requirements for specialty producers;
- Removes language authorizing commercial coverage;
- Requires specified disclosure requirements;
- Removes language providing new cancellation policies for portable electronics; and
- makes technical amendments.

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: 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.