

# SENATE BILL REPORT

## SB 5008

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As Reported by Senate Committee On:  
Financial Institutions, Housing & Insurance, February 5, 2013

**Title:** An act relating to portable electronics insurance.

**Brief Description:** Addressing portable electronics insurance.

**Sponsors:** Senators Hobbs, Benton and Hatfield.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 1/31/13, 2/05/13 [DPS].

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

**Majority Report:** That Substitute Senate Bill No. 5008 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hobbs, Chair; Mullet, Vice Chair; Benton, Ranking Member; Fain, Hatfield and Nelson.

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

**Background:** The Office of Insurance Commissioner (OIC) licenses and regulates insurance producers, including specialty producer licenses. Holders of specialty producer licenses are authorized to market insurance covering portable electronics in the state. Portable electronics are 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.

An insurer offering portable electronics coverage must follow specified rate filing and notification requirements regulated by OIC. Under current law, with limited exception, no insurance policy may be issued, delivered, or used unless it has been filed with or approved by OIC. An insurer must provide an enrolled customer with at least 45 days written notice and explanation for cancellation or nonrenewal of the policy. If termination is due to nonpayment of premiums, the customer must receive at least ten days written notice. Such notification must be delivered to the customer by prepaid postage through the United States Postal Service.

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*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:** The bill as referred to committee not considered.

**Summary of Bill (Recommended Substitute):** A master, corporate, or group policy for personal electronics insurance is classified as commercial inland marine insurance. An insurer of a portable electronics program with insufficient loss experience to support its proposed rates may submit to OIC a complete and logical explanation of how it developed its proposed rates, including the insurer's analysis of any relevant information and why the proposed rates are reasonable.

Written materials for prospective customers at vendor locations detailing the insurance program are not subject to the review or approval of OIC.

Premiums may be collected on a month-to-month or other periodic basis. An insurer may not increase premiums or deductibles nor restrict benefits more than once in a six-month period. Any change to rates or benefits must adhere to specified notification requirements.

Notification requirements for modification or cancellation of portable electronics insurance are amended. Policyholders and enrolled customers must receive at least 30 days' notice along with written material evidencing a change in the terms and conditions of insurance coverage, and a summary of the significant changes. A policy may be terminated within 15 days' notice for discovery of fraud or misrepresentation. A policy may be terminated immediately for nonpayment of premiums; inactivity of service; or exhaustion of the aggregate limit of liability, if any, under the terms of the portable electronics insurance policy if the insurer sends notice of termination to the enrolled customer within 30 calendar days after exhaustion of such limits.

Notice of such modification or cancellation of portable electronics insurance must be delivered using either regular mail or, if authorized by the enrolled customer, an electronic delivery method.

Written disclosure materials made available to prospective customers must also disclose what circumstances and subject to what limitations an insurer may cancel, terminate, modify, or otherwise change the terms and conditions of a policy of portable electronics insurance. The written disclosure materials are not required to be filed for the review or approval of OIC.

Until July 1, 2015, a vendor must deliver materials to enrolled customers that disclose what circumstances and subject to what limitations an insurer may cancel, terminate, modify, or otherwise change the terms and conditions of a policy of portable electronics insurance.

If an insurer changes the terms and conditions, then the insurer must provide the vendor policyholder with a revised policy or endorsement. The insurer must also provide each enrolled customer with evidence indicating that a change in the terms and conditions has occurred, and a summary of the material changes.

**EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute):** Technical amendment changing the word deductions to deductibles.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** Ninety days after adjournment of session in which bill is passed, except for section 6 which replaces an expiring section and takes effect July 1, 2015.

**Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee:**

PRO: Asurion brought the statutory framework for this statute to the Legislature 11 years ago. The bill before the committee is an update to that statute. The bill has been extensively negotiated between Asurion and OIC. Last year's bill dealt with many issues related to portable electronics insurance, this bill addresses the outstanding pieces from last year's bill that required further negotiation. The principle component of the bill has to do with the reference of portable electronic insurance as a commercial product. OIC had originally taken the position that portable electronics insurance functionally needed to be a personalized product regulated the same as auto and home owner's insurance. Forty other states almost uniformly make this a commercial product. Rate and filing provisions have also been extensively negotiated with OIC. This bill will create greater uniformity between this state and the other 40 states.

**Persons Testifying:** PRO: Mel Sorenson, Asurion.