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**OLR Bill Analysis****SB 597*****AN ACT CONCERNING PORTABLE ELECTRONICS INSURANCE.*****SUMMARY:**

This bill establishes licensing and regulatory requirements for portable electronics insurance. It prohibits a seller (i.e., one who leases or sells portable electronics) from offering or selling portable electronics insurance in Connecticut without first obtaining a license from the insurance commissioner. The bill (1) requires sellers to make certain information about portable electronics insurance available to prospective buyers and (2) allows buyers, insurers, and sellers to cancel coverage under certain conditions. It establishes the following fees: \$100 for filing an application for an initial license, \$500 for the initial license, and \$450 for a license renewal. Licenses are valid for two years.

The bill exempts specified portable electronics insurance claims employees from the casualty adjuster licensing requirements. It also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2013

**PORTABLE ELECTRONICS INSURANCE*****Definitions***

The bill defines “portable electronics insurance” as insurance coverage for (1) the repair or replacement of a portable electronic device and related accessories due to loss, theft, mechanical failure, malfunction, damage, or other similar causes of loss and (2) Internet, video, audio, or telephone service related to the use of the device. It excludes an extended warranty; an insurance policy covering a seller’s or manufacturer’s obligations under a warranty; and a homeowners, renters, or other insurance policy that includes similar coverage.

A “portable electronic device” is any self-contained, easily carried, battery-operated electronic equipment for personal use for communicating, viewing, listening, recording, playing video games, computing, or global positioning. It includes a cellular or satellite telephone, paging device, personal global positioning system unit, portable computer, audio listening or recording device, digital camera, portable video game system, telephone answering machine, docking or charging station for a portable electronic device, and similar devices.

***Seller Must Obtain License***

The bill prohibits a seller from offering or selling portable electronics insurance in Connecticut without first obtaining a portable electronics insurance license from the insurance commissioner. The license must authorize the seller’s employees or representatives to offer or sell portable electronics insurance at each of the seller’s locations. “Location” includes any physical location in Connecticut, Internet website, or call center site directed at Connecticut residents.

The seller’s employees or representatives do not have to be individually licensed as insurance producers in the state if:

1. the seller obtains and maintains a portable electronics insurance license,
2. the insurer or its supervising entity oversees the administration of the seller’s portable electronics insurance program, and
3. the employees and representatives do not hold themselves out as licensed insurance producers.

***Licensing Process and Fees***

A seller seeking a portable electronics insurance license must submit a sworn license application to the Insurance Department on a form the commissioner prescribes, with a \$100 filing fee. A seller offering or selling portable electronics insurance in Connecticut before October 1, 2013 must apply for a license within 90 days after the commissioner makes the application available. Beginning October 1, 2013, a seller (presumably one who has not been offering or selling such insurance

previously) must obtain a license before offering or selling portable electronics insurance here.

The license application must include the (1) applicant's home office address and (2) name, residential address, and other information the commissioner may require for the seller's officer or employee who is responsible for the seller's compliance with the bill. If the seller derives more than 50% of its revenue from selling portable electronics insurance, the application must include the name, home address, and other information the commissioner may require for the seller's (1) shareholders who own 10% or more of the affected company's securities and (2) officers and directors.

The bill does not explicitly (1) state what the commissioner must do upon receipt of an application, (2) specify conditions for license issuance, or (3) give him latitude to disapprove an application. Presumably, if the commissioner accepts an application, he must issue an initial license to the seller.

The bill requires the seller to pay a \$500 fee for the initial license. It specifies that a license is valid for two years. A seller who wants to renew a license must provide the Insurance Department with any changes to the initial application, other information the commissioner may require, and a \$450 fee.

### ***License Suspension and Revocation; Cease and Desist Orders***

The bill authorizes the commissioner, after notice and hearing, to suspend or revoke a portable electronics insurance license for cause. In addition to or in lieu of a suspension or revocation, the commissioner may impose a fine of up to \$5,000.

In lieu of a suspension or revocation, he may issue a cease and desist order suspending the seller's ability to offer or sell portable electronics insurance at specific locations or through specific employees or representatives.

### ***Insurance Disclosure***

The bill requires a seller, at each location where he or she offers or

sells portable electronics insurance, to make specified information available to prospective buyers in writing. The information must disclose:

1. that portable electronics insurance may duplicate insurance coverage already provided by a buyer's homeowners, renters, or other insurance policy;
2. that a buyer need not buy portable electronics insurance to lease or purchase portable electronics;
3. how to file a claim, including how to return a portable electronic device, and the maximum fee if the buyer does not comply with the return requirements;
4. that a person who buys portable electronics insurance may cancel the coverage at any time and have the person who paid the premium receive a refund of any applicable unearned premium;
5. the identity of the insurer and any supervising entity (see below) for the insurance program;
6. any applicable deductible and how the deductible is paid; and
7. the insurance benefits, key terms, and conditions, including whether portable electronic devices can be repaired or replaced with a reconditioned device of similar make and model or nonoriginal manufacturer parts or equipment.

Additionally, if the insurance is included at no charge with a portable electronic device lease or purchase, the seller must clearly and conspicuously disclose this (presumably in writing) with the lease or purchase.

### ***Premium Payments***

The bill authorizes a seller to bill for and collect premium payments for portable electronics insurance if (1) premium payments are itemized separately on the buyer's invoice and (2) the seller remits

premiums to the insurer within 60 days after collection.

The insurer may compensate the seller for this premium billing and collection service as mutually agreed. The seller can commingle premiums collected with other accounts if the insurer allows it to do so. But the seller must hold all premium payments collected in a fiduciary capacity for the benefit of the insurer.

***Insurer and Supervising Entity***

Portable electronics insurance cannot be issued, sold, or offered unless the policy is issued by an insurer authorized to sell that line of business in Connecticut. A portable electronics insurance policy may be issued as a group policy or master commercial inland marine policy to a seller for buyers who enroll in the insurance program (i.e., enrolled buyers).

A portable electronics insurer must file the policy form for the insurance commissioner's approval.

If a portable electronics insurer does not directly supervise the administration of a seller's insurance program, the insurer must appoint a supervising entity and provide the commissioner and the seller with the entity's name and contact information. A "supervising entity" is a Connecticut-licensed (1) insurer authorized to write personal or commercial risk insurance here or (2) insurance producer appointed by an insurer to supervise the insurer's portable electronics insurance program.

A supervising entity must maintain a registry of seller locations in the state that are authorized to offer or sell the insurer's portable electronics insurance policies here. The entity must make the registry available to the insurance commissioner or his designee for inspection and examination during regular business hours. The commissioner must provide 10 days notice when making a request.

***Cancellation Provisions and Insurer Policy Changes***

The bill specifies that buyers, insurers, and sellers may cancel coverage under certain conditions. It also allows an insurer to change

the policy terms with notice to the policyholders and enrolled buyers.

**Buyers.** The bill allows an enrolled buyer to cancel coverage under a portable electronics insurance certificate at any time orally or in writing. An oral cancellation must be made to the seller at the location where the buyer elected coverage or to a telephone number specified for such purpose. A written cancellation must be sent to the (1) insurer if premiums are paid to the insurer or (2) seller if premiums are paid to the seller.

If cancellation is made to the seller, the seller must notify the insurer of the cancellation within three days after receiving the cancellation from the enrolled buyer.

The insurer must refund, within 60 days after receiving a cancellation, any unearned premium to the person who paid the premium.

**Insurers.** The bill allows an insurer to cancel, terminate, or change the terms and conditions of a portable electronics insurance policy after providing at least 30 days written notice to the policyholders (i.e., sellers) and enrolled buyers. If the insurer is changing the policy terms and conditions, it must provide (1) the policyholder with a revised insurance policy or endorsement and (2) each enrolled buyer with a revised insurance certificate, endorsement, updated brochure, or other document summarizing the material changes.

An insurer may cancel a portable electronics insurance policy or certificate with 15 days written notice to the policyholder and enrollees, respectively, for nonpayment of premiums. A policyholder or enrollee may avoid cancellation by paying the premium due in full before the cancellation effective date. The bill prohibits an insurer from cancelling a buyer's insurance on the basis of nonpayment of premium if the buyer paid premiums on time to the seller.

Additionally, an insurer may cancel a portable electronics insurance certificate with 15 days written notice to the policyholder and enrolled buyer for fraud or material misrepresentation by the enrolled buyer in

obtaining the insurance coverage or in making a claim.

Lastly, an insurer may cancel an enrolled buyer's portable electronics insurance certificate immediately if the buyer (1) cancels Internet, video, audio, or telephone service from the seller or (2) exhausts the insurance coverage limit, provided the insurer sends the buyer a written cancellation notice within 30 days after the buyer exhausts the coverage limit. If notice is not sent in time, coverage must continue regardless of the limit until the insurer sends notice to the enrolled buyer.

**Sellers.** The bill allows a seller to terminate a portable electronics insurance policy at any time, if it provides at least 30 days written notice before the termination to the insurer or supervising entity and each enrolled buyer. The notice must include the termination effective date.

**Written Notices.** All written notices referred to above must be sent by first class mail or electronically. They must be sent to the (1) buyer's last-known mailing or e-mail address on file with the insurer or seller and (2) insurer's or seller's mailing or e-mail address specified for such purpose. An enrolled buyer who provides an insurer or seller with an e-mail address consents to receiving correspondence electronically.

Each seller, insurer, or supervising entity acting on behalf of an insurer must keep, for at least three years, proof that the notices were sent.

### **CASUALTY ADJUSTER LICENSING EXEMPTION**

The bill exempts certain portable electronics insurance claim employees from the casualty adjuster licensing requirement. The law already exempts Connecticut attorneys in the general practice of law who are in good standing. Unless exempt, no one may adjust casualty claims without a license from the insurance commissioner. By law, a violator is fined up to \$2,000, imprisoned up to one year, or both.

Specifically, the bill exempts from the casualty adjuster licensing requirement a Connecticut-licensed casualty adjuster's or affiliate's

employee who collects or furnishes claim information and enters data into an automated claims adjudication system for portable electronics insurance claims. The employee must be one of no more than 25 such employees under the supervision of the licensed casualty adjuster or affiliate. The bill specifies that a licensed insurance producer acting pursuant to the bill does not have to be licensed as a casualty adjuster.

The bill defines “automated claims adjudication system” as a preprogrammed computer system designed for the collection, data entry, calculation, and resolution of portable electronics insurance claims. The system must be used only by a supervised employee of a Connecticut-licensed casualty adjuster or insurance producer. It must comply with all claims payment requirements under Connecticut law. Lastly, if the casualty adjuster using the system is a business entity, an officer of the entity who is licensed as a casualty adjuster in Connecticut must certify that the system complies with the bill.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 19 Nay 0 (02/05/2013)