



House of Representatives

General Assembly

File No. 3

February Session, 2014

House Bill No. 5023

House of Representatives, March 11, 2014

The Committee on Insurance and Real Estate reported through REP. MEGNA of the 97th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING PORTABLE ELECTRONICS INSURANCE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2014*) (a) As used in this
2 section:

3 (1) "Portable electronics insurance" means insurance coverage for
4 the repair or replacement of a portable electronic device because of
5 loss, theft, inoperability due to mechanical failure, malfunction,
6 damage or other similar causes of loss. "Portable electronics insurance"
7 does not include (A) an extended warranty, as defined in section 42-
8 260 of the general statutes, as amended by this act, (B) an insurance
9 policy covering a seller's or manufacturer's obligations under a
10 warranty, or (C) a homeowners, renter's or other insurance policy that
11 includes coverage similar to portable electronics insurance;

12 (2) "Portable electronic device" means any self-contained, easily
13 carried, battery-operated electronic equipment for personal use for
14 communicating, viewing, listening, recording, playing video games,

15 computing or global positioning, including a cellular or satellite
16 telephone, paging device, personal global positioning system unit,
17 portable computer, audio listening or audio recording device, video
18 viewing or video recording device, digital camera, portable video
19 game system, telephone answering machine, docking or charging
20 station for any portable electronic device, and other similar device.
21 "Portable electronic device" includes accessories for and services
22 related to the use of such devices;

23 (3) "Buyer" means a person who leases or purchases a portable
24 electronic device;

25 (4) "Enrolled buyer" means a buyer who elects coverage under a
26 portable electronics insurance policy;

27 (5) "Insurance producer" has the same meaning as provided in
28 section 38a-702a of the general statutes;

29 (6) "Insurer" has the same meaning as provided in section 38a-1 of
30 the general statutes;

31 (7) "Location" means any physical location in this state or any
32 Internet web site or call center site directed at residents of this state;

33 (8) "Portable electronics transaction" means the lease or sale of a
34 portable electronic device by a seller to a buyer;

35 (9) "Seller" means a person in the business of direct or indirect
36 portable electronics transactions; and

37 (10) "Supervising entity" means a business entity licensed as an
38 insurer in this state and authorized to write personal or commercial
39 risk insurance business in this state or an insurance producer licensed
40 in this state, appointed by an insurer to supervise such insurer's
41 portable electronics insurance program.

42 (b) (1) No seller shall offer or sell portable electronics insurance in
43 this state without obtaining a portable electronics insurance license

44 from the Insurance Commissioner as set forth in this subsection. Such
45 license shall authorize any employee or authorized representative of
46 such seller to offer or sell portable electronics insurance at each
47 location where the seller engages in portable electronics transactions.

48 (2) No such employee or authorized representative shall be required
49 to be licensed under chapter 701a of the general statutes, provided:

50 (A) The seller obtains and maintains such portable electronics
51 insurance license;

52 (B) The insurer issuing a portable electronics insurance policy to the
53 seller or a supervising entity of such insurer supervises the
54 administration of the seller's portable electronics insurance program;
55 and

56 (C) No such employee or authorized representative holds himself or
57 herself out as a licensed insurance producer.

58 (3) (A) (i) Any seller seeking to obtain a portable electronics
59 insurance license shall submit an initial sworn application to the
60 Insurance Department on a form prescribed by the Insurance
61 Commissioner. Such application shall include (I) the name, residence
62 address and other information as said commissioner may require for
63 an employee or an officer of the seller that is designated by such seller
64 as the individual responsible for the seller's compliance with this
65 section. If the seller derives more than fifty per cent of its revenue from
66 the sale of portable electronics insurance, the seller shall include the
67 name, residence address and other information as said commissioner
68 may require of all the seller's shareholders who are directly or
69 indirectly the beneficial owner of ten per cent or more of any class of
70 security of such seller, and of all its officers and directors, and (II) the
71 address of the applicant's home office. Such application shall be
72 accompanied by the fees set forth in section 38a-11 of the general
73 statutes, as amended by this act. Each portable electronics insurance
74 license shall be valid for two years.

75 (ii) Any seller seeking to renew a portable electronics insurance
76 license shall submit to the Insurance Department any changes to the
77 initial application and any other information the Insurance
78 Commissioner may require and the renewal fee set forth in section 38a-
79 11 of the general statutes, as amended by this act.

80 (B) Any seller offering or selling portable electronics insurance in
81 this state prior to October 1, 2014, shall apply for a portable electronics
82 insurance license not later than ninety days after the Insurance
83 Commissioner makes the application for such license available. On
84 and after October 1, 2014, a seller seeking to offer or sell portable
85 electronics insurance in this state shall obtain such license prior to
86 offering or selling such insurance in this state.

87 (c) At each location where a seller offers or sells portable electronics
88 insurance to buyers, such seller shall make available to prospective
89 buyers brochures or other written materials that contain all of the
90 following:

91 (1) A disclosure that portable electronics insurance may duplicate
92 insurance coverage already provided by a buyer's homeowners,
93 renter's or other insurance policy;

94 (2) A statement that enrollment in portable electronics insurance is
95 not required for a buyer to lease or purchase a portable electronics
96 device;

97 (3) (A) The identity of the insurer issuing the portable electronics
98 insurance policy, (B) the identity of the supervising entity of such
99 insurer, if any, (C) the amount of any applicable deductible and a
100 summary of how such deductible is to be paid, (D) a summary of the
101 insurance policy benefits, and (E) a summary of key terms and
102 conditions of such insurance policy, including, but not limited to,
103 whether, under such insurance policy, portable electronic devices may
104 be repaired or replaced with similar make and model reconditioned or
105 nonoriginal manufacturer parts or equipment;

106 (4) A summary of the process for filing a claim, including a
107 description of how to return portable electronic devices and the
108 maximum fee applicable if the buyer fails to comply with any
109 equipment return requirements; and

110 (5) A statement that a buyer enrolled in a portable electronics
111 insurance policy may cancel the insurance certificate at any time and
112 that the person paying the premium will receive a refund of or a credit
113 for any applicable unearned premium.

114 (d) (1) If portable electronics insurance is included at no additional
115 charge with the lease or purchase of a portable electronic device, the
116 seller shall clearly and conspicuously disclose to the buyer that such
117 insurance is included at no additional charge with the lease or
118 purchase of a portable electronic device.

119 (2) A seller may bill for and collect premium payments for portable
120 electronics insurance policies, provided:

121 (A) Any premium payment that is not included in the cost of the
122 lease or purchase of a portable electronic device is itemized separately
123 on the enrolled buyer's invoice; and

124 (B) The seller remits such premium payment to the insurer issuing
125 such insurance policy not later than sixty days after the seller receives
126 such payment. Such insurer shall not cancel an enrolled buyer's
127 certificate on the basis of nonpayment of premium if such enrolled
128 buyer timely pays such premium to the seller.

129 (3) A seller shall not be required to maintain premium payments
130 collected pursuant to this subsection in a segregated account if such
131 insurer authorizes the seller to commingle such payments. All such
132 premium payments collected shall be held by the seller in a fiduciary
133 capacity for the benefit of such insurer.

134 (4) A seller may receive compensation from such insurer for such
135 billing and collection services, as agreed to by such insurer and such
136 seller.

137 (e) (1) A portable electronics insurance policy shall not be issued,
138 sold or offered for sale unless such insurance policy is issued by an
139 insurer authorized to write such line of business in this state. Such
140 insurance policy may be issued as a group policy or a master
141 commercial inland marine policy to a seller for its enrolled buyers. An
142 insurer authorized to issue a portable electronics insurance policy in
143 this state shall file a copy of the form for such policy in accordance
144 with subsection (c) of section 38a-676 of the general statutes, as
145 amended by this act.

146 (2) An insurer that issues portable electronics insurance policies and
147 does not directly supervise the administration of a seller's portable
148 electronics insurance program shall appoint a supervising entity and
149 shall provide the name and contact information of such supervising
150 entity to the Insurance Commissioner and to any seller that offers or
151 sells such insurance policy to buyers.

152 (3) The supervising entity shall maintain a registry of seller locations
153 in this state that are authorized to offer or sell such insurer's portable
154 electronics insurance policies in this state. Upon request by the
155 Insurance Commissioner with at least ten days' notice, such
156 supervising entity shall make such registry available during the
157 regular business hours of such supervising entity to said commissioner
158 or said commissioner's designee for inspection and examination.

159 (f) (1) An enrolled buyer may cancel a portable electronics insurance
160 certificate at any time. Such cancellation may be (A) oral to the seller at
161 the location where such enrolled buyer elected such coverage or to a
162 telephone number specified for such purpose, or (B) in writing, which
163 writing shall be sent by United States mail or electronic means to (i) the
164 insurer that issued such insurance policy if such enrolled buyer pays
165 the premium to such insurer, or (ii) the seller if such seller collects the
166 premium payment for such insurance policy. Not later than three days
167 after a seller receives a cancellation, such seller shall notify, or forward
168 such cancellation to, the supervising entity or the insurer that issued
169 such insurance policy if such insurer has not appointed a supervising

170 entity. The supervising entity shall notify, or forward such cancellation
171 to, the insurer that issued such insurance policy. Such insurer shall
172 refund or arrange for credit any applicable unearned premium to be
173 provided, not later than sixty days after receiving such notice or
174 cancellation, to the person who paid the premium.

175 (2) (A) An insurer may cancel, terminate or change the terms and
176 conditions of a portable electronics insurance policy only upon
177 providing at least thirty days' written notice, sent by United States mail
178 or electronic means, to the seller policyholder and enrolled buyers. If
179 the insurer changes the terms and conditions of such insurance policy,
180 such insurer shall provide the seller policyholder with a revised
181 insurance policy or endorsement and each enrolled buyer with a
182 revised certificate, endorsement, updated brochure or other materials
183 that indicate a change in the terms and conditions of such insurance
184 policy and a summary of the material changes.

185 (B) An insurer may cancel, with at least fifteen days' written notice,
186 sent by United States mail or electronic means to the seller
187 policyholder and enrolled buyers:

188 (i) A portable electronics insurance policy for nonpayment of
189 premium by the seller policyholder or a portable electronics insurance
190 certificate for nonpayment of premium by an enrolled buyer. Such
191 seller policyholder or enrolled buyer may continue the coverage and
192 avoid the effect of the cancellation by payment in full at any time prior
193 to the effective date of cancellation. If an enrolled buyer timely made a
194 payment to the seller pursuant to subdivision (2) of subsection (d) of
195 this section, such insurer shall not cancel such enrolled buyer's
196 certificate for nonpayment of premium; or

197 (ii) A portable electronics insurance certificate for fraud or material
198 misrepresentation by the enrolled buyer in obtaining such insurance
199 coverage or in the presenting of a claim thereunder.

200 (C) An insurer may cancel a portable electronics insurance
201 certificate, effective immediately, (i) if an enrolled buyer ceases to have

202 an active service with the seller, or (ii) for exhaustion of the aggregate
203 limit of liability, if any, of such insurance coverage, provided the
204 insurer sends written notice of such cancellation by United States mail
205 or electronic means to such enrolled buyer not later than thirty days
206 after such buyer exhausts such limit. If such notice is not timely sent,
207 coverage shall continue notwithstanding the aggregate limit of liability
208 until the insurer sends such notice of cancellation to such enrolled
209 buyer.

210 (3) A seller may terminate a portable electronics insurance policy at
211 any time, provided such seller provides at least thirty days' written
212 notice prior to such termination, by United States mail or electronic
213 means, to the insurer issuing such insurance policy or to the
214 supervising entity of such insurer and to each enrolled buyer, of such
215 termination and the effective date of such termination.

216 (4) (A) Any written notices or correspondence sent pursuant to this
217 subsection or otherwise required by law shall be sent to, as applicable,
218 (i) the enrolled buyer at such enrolled buyer's last known mailing
219 address or electronic mail address on file with the insurer or the seller,
220 (ii) the insurer at such insurer's mailing address or electronic mail
221 address specified for such purpose, or (iii) the seller at such seller's
222 mailing address or electronic mail address specified for such purpose.
223 For purposes of this subsection, the provision of an enrolled buyer's
224 electronic mail address by such enrolled buyer to the insurer or the
225 seller shall be deemed consent by such enrolled buyer to receive such
226 notices or correspondence by electronic mail.

227 (B) Each insurer or seller that sends a written notice or
228 correspondence pursuant to this subsection shall maintain proof that
229 such notice or correspondence was sent for not less than three years
230 after such notice or correspondence was sent.

231 (C) A supervising entity may send a written notice or
232 correspondence pursuant to this subsection on behalf of the insurer or
233 a seller for which the insurer has issued a portable electronics
234 insurance policy. Such supervising entity shall maintain proof that

235 such notice or correspondence was sent for not less than three years
236 after such notice or correspondence was sent.

237 (g) The Insurance Commissioner may:

238 (1) Refuse to renew, for cause, after notice and hearing, a portable
239 electronics insurance license. Any person aggrieved by the action of
240 the commissioner in disapproving or refusing to renew a portable
241 electronics license may appeal therefrom in accordance with the
242 provisions of section 4-183 of the general statutes, except venue for
243 such appeal shall be in the judicial district of New Britain; and

244 (2) Suspend or revoke a portable electronics insurance license and
245 impose a fine in addition to or in lieu of suspension or revocation, in
246 accordance with section 38a-774 of the general statutes. In addition, in
247 lieu of suspension or revocation, the commissioner may issue a cease
248 and desist order suspending the privilege of offering or selling
249 portable electronics insurance at specific locations of a seller or by
250 specific employees or authorized representatives of such seller.

251 Sec. 2. Section 38a-792 of the general statutes is repealed and the
252 following is substituted in lieu thereof (*Effective October 1, 2014*):

253 (a) (1) No person may act as an adjuster of casualty claims for any
254 insurance company or firm or corporation engaged in the adjustment
255 of casualty claims unless such person has first secured a license from
256 the commissioner, and has paid the license fee specified in section
257 38a-11, as amended by this act, for each two-year period or fraction
258 thereof. Application for such license shall be made as provided in
259 section 38a-769. [The commissioner may waive the requirement for
260 examination in the case of any applicant for a casualty claims adjuster's
261 license who is a nonresident of this state and who holds an equivalent
262 license from any other state.] Any such license issued by the
263 commissioner shall be in force until [the thirtieth day of] June thirtieth
264 in each odd-numbered year unless sooner revoked or suspended. The
265 [license] person may, [in] at the discretion of the commissioner, [be
266 renewed] renew the license biennially upon payment of the fee

267 specified in section 38a-11, as amended by this act. [The commissioner
268 may waive the examination required under section 38a-769, in the case
269 of an applicant who at any time within two years next preceding the
270 date of application has been licensed in this state under a license of the
271 same type as the license applied for.]

272 (2) The commissioner may waive the examination required under
273 section 38a-769, in the case of any applicant for a casualty claims
274 adjuster's license that (A) is a nonresident of this state or has its
275 principal place of business in another state, and holds an equivalent
276 license from any other state, or (B) at any time within two years next
277 preceding the date of application has been licensed in this state under
278 a license of the same type as the license applied for.

279 (b) The commissioner may prescribe reasonable regulations, in
280 accordance with the provisions of chapter 54, governing the licensing
281 of casualty claims adjusters and the adjustment of casualty claims.

282 (c) Any person who violates any provision of this section shall be
283 fined not more than two thousand dollars or imprisoned not more
284 than one year or both.

285 (d) The provisions of this section shall not apply to any: [member]

286 (1) (A) Individual who, for purposes of claims for portable
287 electronics insurance, as defined in section 1 of this act, only (i) collects
288 claim information from or furnishes claim information to insureds or
289 claimants, and (ii) conducts data entry, including data entry into an
290 automated claims adjudication system, provided (I) such individual is
291 an employee of a casualty insurance company licensed in this state, an
292 employee of a casualty claims adjuster licensed in this state or an
293 employee of an affiliate of such insurance company or adjuster, and
294 (II) not more than twenty-five such individuals are under the
295 supervision of a casualty claims adjuster licensed in this state or an
296 insurance producer who adjusts portable electronics insurance claims
297 and is licensed in this state. A licensed insurance producer who adjusts
298 portable electronics insurance claims or supervises individuals

299 pursuant to this subparagraph shall not be required to be licensed as a
300 casualty claims adjuster.

301 (B) For purposes of this subdivision, "automated claims adjudication
302 system" means a preprogrammed computer system, designed for the
303 collection, data entry, calculation and final resolution of portable
304 electronics insurance claims, that (i) is used only by a supervised
305 individual, a casualty claims adjuster licensed in this state or an
306 insurance producer licensed in this state, in accordance with
307 subparagraph (A) of this subdivision, (ii) complies with all applicable
308 claims payment requirements under this title, and (iii) is certified as
309 complying with the provisions of this subdivision by a licensed
310 casualty claims adjuster who is an officer of a business entity licensed
311 in this state as a casualty claims adjuster; or

312 (2) Member of the bar of this state in good standing who is engaged
313 in the general practice of the law.

314 Sec. 3. Subsection (a) of section 38a-11 of the general statutes is
315 repealed and the following is substituted in lieu thereof (*Effective*
316 *October 1, 2014*):

317 (a) The commissioner shall demand and receive the following fees:
318 (1) For the annual fee for each license issued to a domestic insurance
319 company, two hundred dollars; (2) for receiving and filing annual
320 reports of domestic insurance companies, fifty dollars; (3) for filing all
321 documents prerequisite to the issuance of a license to an insurance
322 company, two hundred twenty dollars, except that the fee for such
323 filings by any health care center, as defined in section 38a-175, shall be
324 one thousand three hundred fifty dollars; (4) for filing any additional
325 paper required by law, thirty dollars; (5) for each certificate of
326 valuation, organization, reciprocity or compliance, forty dollars; (6) for
327 each certified copy of a license to a company, forty dollars; (7) for each
328 certified copy of a report or certificate of condition of a company to be
329 filed in any other state, forty dollars; (8) for amending a certificate of
330 authority, two hundred dollars; (9) for each license issued to a rating
331 organization, two hundred dollars. In addition, insurance companies

332 shall pay any fees imposed under section 12-211; (10) a filing fee of
333 fifty dollars for each initial application for a license made pursuant to
334 section 38a-769; (11) with respect to insurance agents' appointments:
335 (A) A filing fee of fifty dollars for each request for any agent
336 appointment, except that no filing fee shall be payable for a request for
337 agent appointment by an insurance company domiciled in a state or
338 foreign country which does not require any filing fee for a request for
339 agent appointment for a Connecticut insurance company; (B) a fee of
340 one hundred dollars for each appointment issued to an agent of a
341 domestic insurance company or for each appointment continued; and
342 (C) a fee of eighty dollars for each appointment issued to an agent of
343 any other insurance company or for each appointment continued,
344 except that (i) no fee shall be payable for an appointment issued to an
345 agent of an insurance company domiciled in a state or foreign country
346 which does not require any fee for an appointment issued to an agent
347 of a Connecticut insurance company, and (ii) the fee shall be twenty
348 dollars for each appointment issued or continued to an agent of an
349 insurance company domiciled in a state or foreign country with a
350 premium tax rate below Connecticut's premium tax rate; (12) with
351 respect to insurance producers: (A) An examination fee of fifteen
352 dollars for each examination taken, except when a testing service is
353 used, the testing service shall pay a fee of fifteen dollars to the
354 commissioner for each examination taken by an applicant; (B) a fee of
355 eighty dollars for each license issued; (C) a fee of eighty dollars per
356 year, or any portion thereof, for each license renewed; and (D) a fee of
357 eighty dollars for any license renewed under the transitional process
358 established in section 38a-784; (13) with respect to public adjusters: (A)
359 An examination fee of fifteen dollars for each examination taken,
360 except when a testing service is used, the testing service shall pay a fee
361 of fifteen dollars to the commissioner for each examination taken by an
362 applicant; and (B) a fee of two hundred fifty dollars for each license
363 issued or renewed; (14) with respect to casualty claims adjusters: (A)
364 An examination fee of twenty dollars for each examination taken,
365 except when a testing service is used, the testing service shall pay a fee
366 of twenty dollars to the commissioner for each examination taken by

367 an applicant; (B) a fee of eighty dollars for each license issued or
368 renewed; and (C) the expense of any examination administered
369 outside the state shall be the responsibility of the entity making the
370 request and such entity shall pay to the commissioner two hundred
371 dollars for such examination and the actual traveling expenses of the
372 examination administrator to administer such examination; (15) with
373 respect to motor vehicle physical damage appraisers: (A) An
374 examination fee of eighty dollars for each examination taken, except
375 when a testing service is used, the testing service shall pay a fee of
376 eighty dollars to the commissioner for each examination taken by an
377 applicant; (B) a fee of eighty dollars for each license issued or renewed;
378 and (C) the expense of any examination administered outside the state
379 shall be the responsibility of the entity making the request and such
380 entity shall pay to the commissioner two hundred dollars for such
381 examination and the actual traveling expenses of the examination
382 administrator to administer such examination; (16) with respect to
383 certified insurance consultants: (A) An examination fee of twenty-six
384 dollars for each examination taken, except when a testing service is
385 used, the testing service shall pay a fee of twenty-six dollars to the
386 commissioner for each examination taken by an applicant; (B) a fee of
387 two hundred fifty dollars for each license issued; and (C) a fee of two
388 hundred fifty dollars for each license renewed; (17) with respect to
389 surplus lines brokers: (A) An examination fee of twenty dollars for
390 each examination taken, except when a testing service is used, the
391 testing service shall pay a fee of twenty dollars to the commissioner for
392 each examination taken by an applicant; and (B) a fee of six hundred
393 twenty-five dollars for each license issued or renewed; (18) with
394 respect to fraternal agents, a fee of eighty dollars for each license
395 issued or renewed; (19) a fee of twenty-six dollars for each license
396 certificate requested, whether or not a license has been issued; (20)
397 with respect to domestic and foreign benefit societies shall pay: (A) For
398 service of process, fifty dollars for each person or insurer to be served;
399 (B) for filing a certified copy of its charter or articles of association,
400 fifteen dollars; (C) for filing the annual report, twenty dollars; and (D)
401 for filing any additional paper required by law, fifteen dollars; (21)

402 with respect to foreign benefit societies: (A) For each certificate of
403 organization or compliance, fifteen dollars; (B) for each certified copy
404 of permit, fifteen dollars; and (C) for each copy of a report or certificate
405 of condition of a society to be filed in any other state, fifteen dollars;
406 (22) with respect to reinsurance intermediaries, a fee of six hundred
407 twenty-five dollars for each license issued or renewed; (23) with
408 respect to life settlement providers: (A) A filing fee of twenty-six
409 dollars for each initial application for a license made pursuant to
410 section 38a-465a; and (B) a fee of forty dollars for each license issued or
411 renewed; (24) with respect to life settlement brokers: (A) A filing fee of
412 twenty-six dollars for each initial application for a license made
413 pursuant to section 38a-465a; and (B) a fee of forty dollars for each
414 license issued or renewed; (25) with respect to preferred provider
415 networks, a fee of two thousand seven hundred fifty dollars for each
416 license issued or renewed; (26) with respect to rental companies, as
417 defined in section 38a-799, a fee of eighty dollars for each permit
418 issued or renewed; (27) with respect to medical discount plan
419 organizations licensed under section 38a-479rr, a fee of six hundred
420 twenty-five dollars for each license issued or renewed; (28) with
421 respect to pharmacy benefits managers, an application fee of one
422 hundred dollars for each registration issued or renewed; (29) with
423 respect to captive insurance companies, as defined in section 38a-91aa,
424 a fee of three hundred seventy-five dollars for each license issued or
425 renewed; (30) with respect to each duplicate license issued a fee of fifty
426 dollars for each license issued; (31) with respect to surety bail bond
427 agents, as defined in section 38a-660, (A) a filing fee of one hundred
428 fifty dollars for each initial application for a license, and (B) a fee of one
429 hundred dollars for each license issued or renewed; [and] (32) with
430 respect to third-party administrators, as defined in section 38a-720, (A)
431 a fee of five hundred dollars for each license issued, (B) a fee of three
432 hundred fifty dollars for each license renewed, and (C) a fee of one
433 hundred dollars for each annual report filed pursuant to section 38a-
434 720l; and (33) with respect to portable electronics insurance licenses
435 under section 1 of this act, (A) a filing fee of one hundred dollars for
436 each initial application for a license, (B) a fee of five hundred dollars

437 for each license issued, and (C) a fee of four hundred fifty dollars for
438 each license renewed.

439 Sec. 4. Subdivision (1) of subsection (a) of section 42-260 of the
440 general statutes is repealed and the following is substituted in lieu
441 thereof (*Effective October 1, 2014*):

442 (1) "Extended warranty" means a contract or agreement to either
443 perform or provide indemnification for the repair, replacement or
444 maintenance of a product because of operational or structural failure of
445 such product due to a defect in materials, skill or workmanship or
446 normal wear and tear given for consideration over and above the lease
447 or purchase price of a product. "Extended warranty" does not include
448 portable electronics insurance, as defined in section 1 of this act.

449 Sec. 5. Subsection (c) of section 38a-676 of the general statutes is
450 repealed and the following is substituted in lieu thereof (*Effective*
451 *October 1, 2014*):

452 (c) The form of any insurance policy or contract (1) the rates for
453 which are subject to the provisions of sections 38a-663 to 38a-696,
454 inclusive, other than fidelity, surety or guaranty bonds, or (2) subject to
455 section 1 of this act, and the form of any endorsement modifying such
456 insurance policy or contract under subdivision (1) or (2) of this
457 subsection, shall be filed with the Insurance Commissioner prior to its
458 issuance. The commissioner shall adopt regulations, in accordance
459 with the provisions of chapter 54, establishing a procedure for review
460 of such policy or contract. If at any time the commissioner finds that
461 any such policy, contract or endorsement is not in accordance with
462 such provisions or any other provision of law, the commissioner shall
463 issue an order disapproving the issuance of such form and stating the
464 reasons for disapproval. The provisions of section 38a-19 shall apply to
465 any such order issued by the commissioner.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2014</i>	New section
Sec. 2	<i>October 1, 2014</i>	38a-792
Sec. 3	<i>October 1, 2014</i>	38a-11(a)
Sec. 4	<i>October 1, 2014</i>	42-260(a)(1)
Sec. 5	<i>October 1, 2014</i>	38a-676(c)

INS *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Insurance Department	GF - Revenue Gain	Less than \$5,000	Less than \$5,000

Municipal Impact: None

Explanation

The bill results in a revenue gain associated with new fees for portable electronics insurance licensure. The fees are \$100 for the initial application, \$500 for each license issued, and \$450 for each license renewed. As this is a new category of insurance licensure, it is not known how many entities would seek a license. However, it is anticipated that any revenue gain will be less than \$5,000.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of licenses issued.

OLR Bill Analysis**HB 5023*****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 Connecticut's casualty claims adjuster licensing requirements. It also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2014

§§ 1 & 3 – PORTABLE ELECTRONICS INSURANCE**§ 1(a) – Definitions**

The bill applies to insurance coverage for repairing or replacing a portable electronic device due to loss, theft, mechanical failure, malfunction, damage, or other similar causes of loss. 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 provides 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. It also includes accessories for, and services related to, the use of such devices.

§ 1(b)(1) & (2) – 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, including any physical location in Connecticut or 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 providing coverage 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.

Under the bill, 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.

§§ 1(b)(3) & 3 – 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. 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 half 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 its securities and (2) officers and directors.

A seller offering or selling portable electronics insurance in Connecticut before October 1, 2014 must apply for a license within 90 days after the commissioner makes the application available. Beginning October 1, 2014, a seller seeking to offer or sell such insurance here must obtain a license before doing so. (This time line sets up a potential gap when a seller who sells portable electronics insurance before October 1, 2014 must stop selling it while the application is pending and during the application process.)

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) allow the commissioner 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 submit to the Insurance Department any changes to the initial application, other information the commissioner may require, and a \$450 fee.

§ 1(g) – License Suspension, Revocation, and Refusal to Renew

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.

The bill also authorizes the commissioner, after notice and hearing, to refuse to renew a portable electronics insurance license for cause. An aggrieved person may appeal the commissioner's action to the New Britain Superior Court.

§1(c) & (d)(1) – 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 or credit for any applicable unearned premium;
5. the identity of the insurer and any supervising entity for the insurance program;

6. any applicable deductible and how the deductible is paid; and
7. a summary of the insurance benefits, key terms, and conditions, including whether portable electronic devices can be repaired or replaced with reconditioned devices 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.

§ 1(d) – 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.

§ 1(e) – 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). The 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 must maintain a registry of seller locations in the state 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.

§ 1(f) – 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 the purpose. A written cancellation must be sent to the (1) insurer if the buyer pays premiums to the insurer or (2) seller if the buyer pays premiums to the seller.

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

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

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 for nonpayment of premiums with 15 days' written notice to the policyholder and enrollees, respectively. 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 for nonpayment of premium if the buyer paid premiums on time to the seller (§ 1(d)(2)(B)).

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) stops having service with 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 U.S. mail or electronically 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 the 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 or seller must keep, for at least three years, proof that the notices were sent.

§ 2 – CASUALTY ADJUSTER LICENSING EXEMPTION

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

Specifically, the bill exempts from the casualty claims adjuster licensing requirement a Connecticut-licensed insurance company's, 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 a licensed casualty claims adjuster or insurance producer who adjusts portable electronic insurance claims. 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 claims adjuster or insurance producer. It must comply with all claims payment requirements under Connecticut law. Lastly, an officer of the business 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 (02/25/2014)