

ONE HUNDRED SECOND LEGISLATURE - FIRST SESSION - 2011
COMMITTEE STATEMENT
LB535

Hearing Date: Monday January 31, 2011
Committee On: Banking, Commerce and Insurance
Introducer: Utter
One Liner: Require a license to sell portable electronics insurance

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye:	7	Senators Gloor, Langemeier, McCoy, Pahls, Pankonin, Pirsch, Utter
Nay:	1	Senator Christensen
Absent:		
Present Not Voting:		

Proponents:

Senator Dennis Utter
Rhonda Oswald

Representing:

Introducer
Asurion Corporation

Opponents:

Neutral:

Katie Zulkoski
Curt Bromm

Representing:

Viaero Wireless
Verizon Communications

Summary of purpose and/or changes:

LB535 (Utter) would enact seven new sections to provide for issuance by the Director of Insurance of a limited lines insurance license that would allow employees or authorized representatives of a vendor to offer or sell coverage under a policy of portable electronics insurance to customers at each location at which the vendor engages in portable electronics transactions. The bill would provide that such employees and authorized representatives of the vendor shall not be subject to licensure as insurance producers.

SUMMARY

The bill would provide, section by section, as follows:

Section 1 would enact a new section to provide for definitions: (1) "customer;" (2) "covered customer;" (3) "director;" (4) "portable electronics;" (5) "portable electronics insurance" (insurance that provides coverage for the repair or replacement of portable electronics and may provide coverage for portable electronics that are lost, stolen, damaged, or subject to mechanical failure or malfunction); (6) "portable electronics transaction;" (7) "supervising agency;" (a business entity that is a licensed insurance producer); and (8) "vendor" (a person in the business of engaging in portable electronics transactions).

Section 2 would enact a new section to provide that a vendor shall hold a limited lines insurance license issued by the Director of Insurance to sell or offer coverage under a policy of portable electronics insurance. This section would provide that the license shall authorize an employee or authorized representative of a vendor to sell or offer coverage under a policy of portable electronics insurance to a customer at each location at which the vendor engages in a

portable electronics transaction.

Section 3 would enact a new section to provide that an application for a limited lines insurance license shall be made to and filed with the Director of Insurance. This section would provide that a license shall be valid for two years and that an initial license fee shall not exceed one thousand dollars and a renewal fee shall not exceed five hundred dollars, except that if a vendor engages in portable electronics transactions at ten or fewer locations in the state, neither the initial fee nor the renewal fee shall exceed one hundred dollars.

Section 4 would enact a new section to provide for required customer disclosures in brochures and written materials, and would further provide that portable electronics insurance may be offered on a periodic basis as a group or master commercial inland marine policy issued to a vendor under which customers may elect to enroll for coverage.

Section 5 would enact a new section to provide that an employee or authorized representative of a vendor may sell or offer for sale portable electronics insurance to customers and shall not be subject to licensure as insurance producers if the vendor obtains a limited lines insurance license and the insurer issuing the portable electronics insurance appoints a supervising agency to supervise the administration of the insurance program.

Section 6 would enact a new section to provide for administrative sanctions which the Director of Insurance may impose for violations of the act.

Section 7 would enact a new section to provide requirements for a termination or change in the terms and conditions of a policy of portable electronics insurance by an insurer or a termination of a portable electronics insurance policy by a vendor.

Section 8 would provide for an operative date of January 1, 2012.

Explanation of amendments:

The committee amendments (AM454) would become the bill. They would make the following changes:

1. The bill would be given a name: the Portable Electronics Insurance Act. (Section 1 of the committee amendments.)
2. A definition of "location" would be inserted regarding where a vendor offers portable electronics insurance coverage to a customer - "any physical location in this state or any web site, call center, or other site or similar location." The definition of "portable electronics" would be expanded to mean a device that is "personal, self-contained, easily carried by an individual, and battery-operated and includes devices used for electronic communication, viewing, listening, recording, computing, or global positioning." The definition of "portable electronics insurance" would be expanded to clarify that it does not include a service contract or extended warranty. The definition of "supervising agency" would be changed to "supervising entity" in order to avoid confusion with a public regulatory body. (Section 2 of the committee amendments.)
3. A limited lines insurance license would be valid for one year rather than two years. A vendor would pay an initial license fee not to exceed one hundred dollars and a renewal fee not to exceed one hundred dollars. (Section 4 of the committee amendments.)
4. A customer who elects to enroll for coverage would receive a certificate of insurance and an explanation of coverage or instructions on how to obtain such materials upon request. (Section 5 of the committee amendments.)
5. No vendor could require the purchase of any kind of portable electronics insurance as a condition of the purchase or lease of portable electronics or services. Portable electronics insurance coverage would be primary over any other insurance coverage applicable to the portable electronics. (Section 6 of the committee amendments.)
6. The administrative sanction provisions would be restructured. The maximum per-violation administrative fine by the

Director of Insurance would be increased from five hundred dollars to one thousand dollars. (Section 7 of the committee amendments.)

7. An insurer could terminate an enrolled customer's insurance policy for nonpayment of premium only upon fifteen days' notice rather than immediately. (Section 8 of the committee amendments.)

8. Records pertaining to transactions under the act would have to be maintained for three years and kept available and open to inspection by the Director of Insurance. (New section 9 of the committee amendments.)

Rich Pahls, Chairperson