

SB 682

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 682

(Senators Klausmeier and Middleton)

Finance

Economic Matters

**Portable Electronics Insurance - Compensation of Employees of Vendor,
Disclosures to Customers, and Study**

This bill prohibits a portable electronics vendor, or an authorized representative of the vendor, from using the sale of portable electronics insurance as the *sole* basis for an employee's compensation. The bill also alters the disclosures required to be provided to customers by a licensed vendor at each location where a portable electronics insurance policy is offered or sold. The vendor must now disclose the key terms and conditions of coverage rather than the major features of any exclusions, conditions, or other limitations of coverage. The bill also requires the Insurance Commissioner to perform two studies.

The bill's provision relating to employee compensation remains effective for four years and abrogates on September 30, 2017.

Fiscal Summary

State Effect: Enforcement can be handled within existing resources. The Maryland Insurance Administration (MIA) can perform the two studies with existing resources. No impact on revenues.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The Commissioner must perform a study that:

- determines the types of limited lines insurance that are authorized to be offered in other states;
- reviews the laws and practices of other states relating to the offering of limited lines insurance;
- reviews the National Association of Insurance Commissioners' guidelines and standards relating to the authorization of limited lines insurance; and
- determines the appropriate regulatory structure for the sale of a limited lines insurance policy.

The Commissioner must report the study's findings and recommendations to the Senate Finance Committee and the House Economic Matters Committee by December 1, 2013.

The bill also requires the Commissioner to keep track of complaints from consumers regarding the sales practices of vendor employees at point of sale. Based on this complaint data and any other information the Commissioner determines necessary, the Commissioner must determine whether and how vendor employees should be compensated for selling a portable electronics limited lines insurance policy. The Commissioner must report any findings and recommendations determined through study of the data to the Senate Finance Committee and House Economic Matters Committee by January 1, 2017.

Current Law:

Selling Coverage under Portable Electronics Insurance Policy: A vendor may not sell coverage under a portable electronics insurance policy unless the vendor has obtained a limited lines license from the Insurance Commissioner. A vendor may collect premiums for coverage – and need not keep them in a segregated account if the vendor remits the premiums to an appointed insurance producer of the appointing insurer in accordance with written permission of the insurer. The vendor may be compensated for billing and collection services. The vendor may not determine the compensation for employees based on the sale of portable electronics insurance.

Scope of Authorization: A limited lines license authorizes the vendor or the vendor's authorized representative to sell a portable electronics insurance policy if:

- the policies have been filed with and approved by the Commissioner;

- the vendor holds an appointment with each authorized insurer that the vendor intends to represent;
- the vendor provides disclosures approved by the Commissioner at each sale location (1) summarizing the material terms of the coverage; (2) stating that the portable electronics insurance may duplicate existing coverage; (3) stating that the portable electronics insurance would become primary to other coverage; (4) stating that purchase of coverage is not required to enter into the portable electronics transaction; (5) describing claim filing procedures and requirements; (6) stating that the customer may cancel coverage at any time, with a return of unearned premium; and (7) providing the toll-free MIA hotline number; and
- the vendor provides an approved training program for its employees and authorized representatives.

The aforementioned material terms of the coverage must include the insurer's identity; the premium to be paid; any applicable deductible; the major features of the benefits of the coverage; and the major features of any exclusions, conditions, or other limitations of the coverage.

Background: Chapters 316 and 317 of 2009 (SB 792/HB 868) created a regulatory framework for portable electronics insurance coverage – policies that provide for the replacement of portable electronic devices that are lost or stolen. Typically, wireless telephone service providers have offered, either directly or through third parties, service plans. To the extent these service plans currently cover the replacement of lost or stolen devices, these plans are the functional equivalent of portable electronics insurance policies. Chapters 601 and 602 of 2012 (SB 861/HB 1093) amended numerous provisions of the law relating to portable electronics insurance.

As of 2012, MIA had licensed 10 vendors as limited lines licensees.

Additional Information

Prior Introductions: None.

Cross File: HB 1011 (Delegates Jameson and Love) - Economic Matters.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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