

HOUSE BILL 868

C4

9lr2579
CF SB 792

By: **Delegates Love and Krysiak**

Introduced and read first time: February 12, 2009

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Property and Casualty Insurance – Portable Electronics Insurance –**
3 **Regulation**

4 FOR the purpose of prohibiting the issuance of portable electronics insurance unless
5 certain materials are available to prospective customers at a certain location
6 and in a certain manner; providing for the materials to include a certain
7 summary of coverage, a certain disclosure about other insurance coverage, a
8 certain statement about required enrollment in coverage, a certain description
9 of the process for filing a claim, a certain disclosure about employees evaluating
10 certain insurance coverage, and a certain statement about cancelling the
11 insurance; authorizing the offering of portable electronics insurance on a
12 periodic basis as a certain commercial inland marine policy; authorizing vendors
13 of portable electronics and their employees and authorized representatives to
14 offer enrollment in policies of portable electronics insurance without licensure
15 as insurance producers under certain circumstances; requiring an insurer that
16 offers portable electronics insurance to appoint a certain supervising agency for
17 certain purposes; requiring the development of a certain training program for
18 employees and authorized representatives; authorizing vendors to bill and
19 collect charges for portable electronics insurance in a certain manner;
20 authorizing the Maryland Insurance Commissioner to impose certain fines in
21 certain amounts and impose certain penalties for certain violations; prohibiting
22 an insurer from terminating or changing the terms and conditions of a policy of
23 portable electronics insurance unless the insurer provides at least a certain
24 number of days of notice, with certain exceptions; requiring an insurer that
25 makes certain changes to a policy to provide certain revised policies or
26 endorsements to certain persons; providing that coverage continues under the
27 policy under certain circumstances if the insurer does not provide timely notice;
28 providing that covered customers are eligible for reinstatement of coverage
29 under certain circumstances; requiring a vendor that terminates a policy to give
30 certain notice to covered customers in a certain manner; providing certain
31 circumstances under which notice of termination to covered customers is not

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 required; establishing that certain required notice is to be given in a certain
2 manner; defining certain terms; and generally relating to the regulation of
3 portable electronics insurance.

4 BY adding to
5 Article – Insurance
6 Section 19–901 through 19–904 to be under the new subtitle “Subtitle 9.
7 Portable Electronics Insurance”
8 Annotated Code of Maryland
9 (2006 Replacement Volume and 2008 Supplement)

10 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
11 MARYLAND, That the Laws of Maryland read as follows:

12 **Article – Insurance**

13 **SUBTITLE 9. PORTABLE ELECTRONICS INSURANCE.**

14 **19–901.**

15 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
16 INDICATED.

17 (B) “COVERED CUSTOMER” MEANS A CUSTOMER WHO ELECTS TO
18 ENROLL IN COVERAGE UNDER A POLICY OF PORTABLE ELECTRONICS
19 INSURANCE ISSUED TO A VENDOR.

20 (C) “CUSTOMER” MEANS A PERSON WHO PURCHASES PORTABLE
21 ELECTRONICS.

22 (D) (1) “PORTABLE ELECTRONICS” MEANS ELECTRONIC DEVICES
23 THAT ARE PORTABLE IN NATURE.

24 (2) “PORTABLE ELECTRONICS” INCLUDES:

25 (I) ACCESSORIES RELATED TO THE ELECTRONIC DEVICES;
26 AND

27 (II) SERVICES RELATED TO THE USE OF THE ELECTRONIC
28 DEVICES.

29 (E) (1) “PORTABLE ELECTRONICS INSURANCE” MEANS INSURANCE
30 THAT PROVIDES COVERAGE FOR THE REPAIR OR REPLACEMENT OF PORTABLE
31 ELECTRONICS, INCLUDING COVERAGE AGAINST ONE OR MORE OF THE
32 FOLLOWING CAUSES OF LOSS:

- 1 (I) LOSS;
- 2 (II) THEFT;
- 3 (III) MECHANICAL FAILURE;
- 4 (IV) MALFUNCTION;
- 5 (V) DAMAGE; AND
- 6 (VI) ANY OTHER APPLICABLE PERIL.

7 (2) “PORTABLE ELECTRONICS INSURANCE” DOES NOT INCLUDE A
8 SERVICE CONTRACT GOVERNED BY TITLE 14, SUBTITLE 4 OF THE COMMERCIAL
9 LAW ARTICLE.

10 (F) “SUPERVISING AGENCY” MEANS A BUSINESS ENTITY THAT IS A
11 LICENSED INSURANCE PRODUCER.

12 (G) “VENDOR” MEANS A PERSON IN THE BUSINESS OF LEASING,
13 SELLING, OR PROVIDING PORTABLE ELECTRONICS TO CUSTOMERS IN THE
14 STATE.

15 **19-902.**

16 (A) PORTABLE ELECTRONICS INSURANCE MAY NOT BE ISSUED UNLESS,
17 AT EACH LOCATION WHERE THE PORTABLE ELECTRONICS INSURANCE IS
18 OFFERED TO PROSPECTIVE CUSTOMERS, BROCHURES OR OTHER WRITTEN
19 MATERIALS ARE READILY AVAILABLE TO PROSPECTIVE CUSTOMERS THAT:

20 (1) SUMMARIZE, CLEARLY AND CORRECTLY, THE MATERIAL
21 TERMS OF THE COVERAGE UNDER THE POLICY OF PORTABLE ELECTRONICS
22 INSURANCE INCLUDING:

- 23 (I) THE IDENTITY OF THE INSURER;
- 24 (II) THE IDENTITY OF THE SUPERVISING AGENCY;
- 25 (III) THE PREMIUM TO BE PAID;
- 26 (IV) ANY APPLICABLE DEDUCTIBLE;
- 27 (V) THE BENEFITS OF THE COVERAGE; AND

1 (VI) ANY EXCLUSIONS, CONDITIONS, OR OTHER LIMITATIONS
2 OF COVERAGE INCLUDING WHETHER THE PORTABLE ELECTRONICS MAY BE
3 REPAIRED OR REPLACED WITH RECONDITIONED OR NONORIGINAL
4 MANUFACTURER PARTS OR EQUIPMENT;

5 (2) DISCLOSE THAT PORTABLE ELECTRONICS INSURANCE MAY
6 DUPLICATE INSURANCE COVERAGE ALREADY PROVIDED BY A CUSTOMER'S
7 HOMEOWNER'S INSURANCE POLICY, RENTER'S INSURANCE POLICY, OR OTHER
8 SOURCE OF INSURANCE COVERAGE;

9 (3) STATE THAT ENROLLMENT BY THE CUSTOMER IN COVERAGE
10 UNDER A POLICY OF PORTABLE ELECTRONICS INSURANCE IS NOT REQUIRED IN
11 ORDER TO PURCHASE OR LEASE THE PORTABLE ELECTRONICS;

12 (4) DESCRIBE THE PROCESS FOR FILING A CLAIM IF THE
13 CUSTOMER ELECTS TO ENROLL IN COVERAGE UNDER A POLICY OF PORTABLE
14 ELECTRONICS INSURANCE INCLUDING A DESCRIPTION OF:

15 (I) ANY REQUIREMENT TO PAY A DEDUCTIBLE;

16 (II) ANY REQUIREMENT TO RETURN PORTABLE
17 ELECTRONICS;

18 (III) THE MAXIMUM FEE APPLICABLE IF THE CUSTOMER
19 FAILS TO COMPLY WITH A RETURN REQUIREMENT; AND

20 (IV) ANY REQUIREMENT TO FILE A PROOF OF LOSS;

21 (5) STATE THE PRICE, DEDUCTIBLE, BENEFITS, EXCLUSIONS,
22 CONDITIONS, OR OTHER LIMITATIONS OF POLICIES OF PORTABLE ELECTRONICS
23 INSURANCE;

24 (6) DISCLOSE THAT THE EMPLOYEE OF THE VENDOR IS NOT
25 QUALIFIED OR AUTHORIZED TO EVALUATE THE ADEQUACY OF THE CUSTOMER'S
26 EXISTING INSURANCE COVERAGE, UNLESS OTHERWISE LICENSED UNDER THIS
27 ARTICLE; AND

28 (7) STATE THAT:

29 (I) THE CUSTOMER MAY CANCEL THE PORTABLE
30 ELECTRONICS INSURANCE AT ANY TIME; AND

1 **(II) IF THE CUSTOMER CANCELS THE PORTABLE**
2 **ELECTRONICS INSURANCE, ANY UNEARNED PREMIUM WILL BE REFUNDED IN**
3 **ACCORDANCE WITH APPLICABLE LAW.**

4 **(B) PORTABLE ELECTRONICS INSURANCE MAY BE OFFERED ON A**
5 **MONTH-TO-MONTH OR OTHER PERIODIC BASIS AS A GROUP OR MASTER**
6 **COMMERCIAL INLAND MARINE POLICY ISSUED TO A VENDOR UNDER WHICH**
7 **INDIVIDUAL CUSTOMERS MAY ELECT TO ENROLL IN COVERAGE UNDER THE**
8 **POLICY.**

9 **(C) ELIGIBILITY AND UNDERWRITING STANDARDS FOR CUSTOMERS**
10 **ENROLLING IN COVERAGE SHALL BE ESTABLISHED FOR EACH PORTABLE**
11 **ELECTRONICS INSURANCE POLICY.**

12 **19-903.**

13 **(A) VENDORS OF PORTABLE ELECTRONICS AND THEIR EMPLOYEES AND**
14 **AUTHORIZED REPRESENTATIVES MAY PROVIDE INFORMATION TO AND COLLECT**
15 **INFORMATION FROM CUSTOMERS FOR THE PURPOSE OF OFFERING**
16 **ENROLLMENT IN COVERAGE UNDER POLICIES OF PORTABLE ELECTRONICS**
17 **INSURANCE.**

18 **(B) VENDORS AND THEIR EMPLOYEES AND AUTHORIZED**
19 **REPRESENTATIVES ACTING IN ACCORDANCE WITH SUBSECTION (A) OF THIS**
20 **SECTION ARE NOT SUBJECT TO LICENSURE AS INSURANCE PRODUCERS UNDER**
21 **THIS ARTICLE IF:**

22 **(1) EACH INSURER THAT OFFERS PORTABLE ELECTRONICS**
23 **INSURANCE APPOINTS A SUPERVISING AGENCY TO:**

24 **(I) SUPERVISE THE OFFERING OF COVERAGE BY THE**
25 **EMPLOYEES AND AUTHORIZED REPRESENTATIVES; AND**

26 **(II) DEVELOP A TRAINING PROGRAM FOR THE EMPLOYEES**
27 **AND AUTHORIZED REPRESENTATIVES IN ACCORDANCE WITH SUBSECTION (C)**
28 **OF THIS SECTION;**

29 **(2) THE EMPLOYEES AND AUTHORIZED REPRESENTATIVES DO**
30 **NOT ADVERTISE, REPRESENT, OR OTHERWISE HOLD THEMSELVES OUT AS**
31 **LICENSED INSURANCE PRODUCERS; AND**

32 **(3) THE EMPLOYEES AND AUTHORIZED REPRESENTATIVES ARE**
33 **NOT COMPENSATED BASED PRIMARILY ON THE NUMBER OF CUSTOMERS**
34 **ENROLLED IN PORTABLE ELECTRONICS INSURANCE COVERAGE.**

1 **(C) (1) THE TRAINING REQUIRED BY SUBSECTION (B)(1)(II) OF THIS**
2 **SECTION SHALL:**

3 **(I) BE DELIVERED TO ALL EMPLOYEES AND AUTHORIZED**
4 **REPRESENTATIVES OF VENDORS THAT OFFER PORTABLE ELECTRONICS**
5 **INSURANCE TO THEIR CUSTOMERS; AND**

6 **(II) INCLUDE BASIC INSTRUCTION ABOUT:**

7 **1. THE PORTABLE ELECTRONICS INSURANCE**
8 **OFFERED TO CUSTOMERS OF THE VENDOR; AND**

9 **2. THE DISCLOSURES REQUIRED BY § 19-902 OF**
10 **THIS SUBTITLE.**

11 **(2) THE TRAINING MAY BE PROVIDED IN ELECTRONIC FORM.**

12 **(D) (1) VENDORS MAY BILL AND COLLECT THE CHARGES FOR**
13 **PORTABLE ELECTRONICS INSURANCE COVERAGE.**

14 **(2) IF BILLED AND COLLECTED BY VENDORS, THE CHARGES**
15 **SHALL BE SEPARATELY ITEMIZED FROM THE CHARGES FOR THE PURCHASE OR**
16 **LEASE OF THE PORTABLE ELECTRONICS.**

17 **(3) VENDORS THAT BILL AND COLLECT CHARGES FOR PORTABLE**
18 **ELECTRONICS INSURANCE COVERAGE ARE NOT REQUIRED TO MAINTAIN THE**
19 **FUNDS COLLECTED IN A SEGREGATED ACCOUNT IF THE VENDORS REMIT THE**
20 **FUNDS COLLECTED TO THE SUPERVISING AGENCY WITHIN 60 DAYS AFTER**
21 **RECEIPT.**

22 **(4) VENDORS MAY RECEIVE COMPENSATION FOR BILLING AND**
23 **COLLECTION SERVICES.**

24 **(E) IF A VENDOR OR ITS EMPLOYEE OR AUTHORIZED REPRESENTATIVE**
25 **VIOLATES ANY PROVISION OF THIS SECTION, THE COMMISSIONER MAY, AFTER**
26 **NOTICE AND HEARING:**

27 **(1) IMPOSE FINES NOT EXCEEDING \$500 PER VIOLATION OR**
28 **\$5,000 IN THE AGGREGATE FOR THE CONDUCT; AND**

29 **(2) IMPOSE OTHER PENALTIES THAT THE COMMISSIONER**
30 **CONSIDERS NECESSARY AND REASONABLE TO CARRY OUT THE PURPOSE OF**
31 **THIS ARTICLE, INCLUDING:**

1 **(I) SUSPENDING THE PRIVILEGE OF OFFERING PORTABLE**
2 **ELECTRONICS INSURANCE COVERAGE IN ACCORDANCE WITH THIS SECTION AT**
3 **SPECIFIC BUSINESS LOCATIONS WHERE VIOLATIONS HAVE OCCURRED; AND**

4 **(II) SUSPENDING THE ABILITY OF INDIVIDUAL EMPLOYEES**
5 **OR AUTHORIZED REPRESENTATIVES TO OFFER PORTABLE ELECTRONICS**
6 **INSURANCE COVERAGE.**

7 **19-904.**

8 **(A) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, AN INSURER**
9 **MAY NOT TERMINATE OR OTHERWISE CHANGE THE TERMS AND CONDITIONS OF**
10 **A POLICY OF PORTABLE ELECTRONICS INSURANCE UNLESS THE INSURER**
11 **PROVIDES THE POLICYHOLDER AND COVERED CUSTOMERS WITH AT LEAST 60**
12 **DAYS' NOTICE.**

13 **(B) IF THE INSURER CHANGES THE TERMS AND CONDITIONS OF A**
14 **PORTABLE ELECTRONICS INSURANCE POLICY IN ACCORDANCE WITH**
15 **SUBSECTION (A) OF THIS SECTION, THEN THE INSURER SHALL:**

16 **(1) PROVIDE THE POLICYHOLDER WITH A REVISED POLICY OR**
17 **ENDORSEMENT; AND**

18 **(2) PROVIDE EACH COVERED CUSTOMER WITH:**

19 **(I) A REVISED CERTIFICATE, ENDORSEMENT, UPDATED**
20 **BROCHURE, OR OTHER EVIDENCE THAT INDICATES THAT A CHANGE IN THE**
21 **TERMS AND CONDITIONS OF THE POLICY HAS OCCURRED; AND**

22 **(II) A SUMMARY OF MATERIAL CHANGES.**

23 **(C) AN INSURER MAY TERMINATE COVERAGE UNDER A POLICY OF**
24 **PORTABLE ELECTRONICS INSURANCE AFTER 15 DAYS' NOTICE FOR DISCOVERY**
25 **OF FRAUD OR MATERIAL MISREPRESENTATION IN OBTAINING COVERAGE OR IN**
26 **THE PRESENTATION OF A CLAIM UNDER THE POLICY.**

27 **(D) (1) AN INSURER MAY AUTOMATICALLY TERMINATE COVERAGE**
28 **UNDER A POLICY OF PORTABLE ELECTRONICS INSURANCE:**

29 **(I) IF THE COVERED CUSTOMER CEASES TO HAVE ACTIVE**
30 **TELECOMMUNICATIONS SERVICE WITH THE VENDOR;**

1 (II) IF THE COVERED CUSTOMER EXHAUSTS THE
2 AGGREGATE LIMIT OF LIABILITY, IF ANY, UNDER THE TERMS OF THE POLICY OF
3 PORTABLE ELECTRONICS INSURANCE AND THE INSURER SENDS NOTICE OF
4 TERMINATION TO THE COVERED CUSTOMER WITHIN 15 BUSINESS DAYS AFTER
5 EXHAUSTION OF THE LIMIT, SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION;
6 OR

7 (III) FOR NONPAYMENT OF PREMIUM.

8 (2) IF THE INSURER DOES NOT SEND TIMELY NOTICE IN
9 ACCORDANCE WITH PARAGRAPH (1)(II) OF THIS SUBSECTION, COVERAGE SHALL
10 CONTINUE UNDER THE POLICY NOTWITHSTANDING THE AGGREGATE LIMIT OF
11 LIABILITY UNTIL THE INSURER SENDS NOTICE OF TERMINATION TO THE
12 COVERED CUSTOMER.

13 (E) NOTWITHSTANDING SUBSECTION (D)(1)(II) OF THIS SECTION, ON
14 REQUEST OF A COVERED CUSTOMER, THE COVERED CUSTOMER SHALL BE
15 ELIGIBLE FOR REINSTATEMENT OF COVERAGE NOT MORE THAN 12 MONTHS
16 AFTER THE DATE OF EXHAUSTION OF THE COVERAGE LIMIT IN ACCORDANCE
17 WITH THE TERMS OF THE POLICY AND SUBJECT TO THE ENROLLMENT CRITERIA
18 THEN APPLICABLE TO PROSPECTIVE CUSTOMERS GENERALLY.

19 (F) IF A VENDOR TERMINATES A POLICY OF PORTABLE ELECTRONICS
20 INSURANCE, THE VENDOR SHALL MAIL OR DELIVER, AT LEAST 30 DAYS BEFORE
21 TERMINATION, WRITTEN NOTICE TO EACH COVERED CUSTOMER THAT ADVISES
22 THE COVERED CUSTOMER OF THE TERMINATION OF THE POLICY AND THE
23 EFFECTIVE DATE OF TERMINATION.

24 (G) (1) AN INSURER IS NOT REQUIRED TO GIVE NOTICE OF
25 TERMINATION TO A COVERED CUSTOMER IF THE INSURER HAS BEEN ADVISED
26 BY EITHER THE VENDOR OR ANOTHER INSURER THAT SUBSTANTIALLY SIMILAR
27 COVERAGE HAS BEEN OBTAINED FROM ANOTHER INSURER WITHOUT LAPSE OF
28 COVERAGE.

29 (2) A VENDOR IS NOT REQUIRED TO GIVE NOTICE OF
30 TERMINATION TO A COVERED CUSTOMER IF SUBSTANTIALLY SIMILAR
31 COVERAGE HAS BEEN OBTAINED FROM ANOTHER INSURER WITHOUT LAPSE OF
32 COVERAGE.

33 (H) (1) WHENEVER NOTICE IS REQUIRED IN ACCORDANCE WITH THIS
34 SECTION, THE NOTICE SHALL BE IN WRITING AND MAILED OR DELIVERED TO
35 THE VENDOR AT THE VENDOR'S MAILING ADDRESS AND ITS AFFECTED
36 CUSTOMERS' LAST KNOWN MAILING ADDRESSES ON FILE WITH THE INSURER.

1 (2) **THE INSURER OR VENDOR, AS THE CASE MAY BE, SHALL**
2 **MAINTAIN PROOF OF MAILING IN A FORM AUTHORIZED OR ACCEPTED BY THE**
3 **UNITED STATES POSTAL SERVICE OR OTHER COMMERCIAL MAIL DELIVERY**
4 **SERVICE.**

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 July 1, 2009.