

BILL ANALYSIS

H.B. 2569
By: Hancock
Insurance
Committee Report (Amended)

BACKGROUND AND PURPOSE

A specialty insurance agent license for a telecommunication equipment vendor was created by S.B. 466, enacted by the 77th Legislature, Regular Session, 2001. Since that time, the devices and related technology offered to consumers have changed drastically, but no changes have been made to this section of the Insurance Code since recodification of this law, without amendment, in 2003. S.B. 466 did not define "vendor" or recognize the exploding growth in the number of retail outlets selling portable electronic devices and the necessity of educating a sales force that offers an insurance product for sale along with the portable electronic device.

H.B. 2569 amends existing statute to apply to "portable electronic devices" in recognition of the development of new technologies, and recognizes the consumer's desire to protect those technologies by authorizing a licensed vendor to provide insurance coverage against loss, theft, mechanical failure, malfunction, damage, or other applicable perils. This bill defines "vendor" and addresses the education of the sales force that offers and sells insurance along with portable electronic devices

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Commissioner of Insurance in SECTION 2 of this bill.

ANALYSIS

H.B. 2569 amends the Insurance Code to authorize a vendor licensed as a portable electronic device vendor specialty agent and the vendor's employee and authorized representative to act as an agent for an authorized insurer with respect to insurance coverage provided to customers that covers portable electronic devices against one or more of the following: loss, theft, mechanical failure, malfunction, damage, or other applicable perils. The bill authorizes the insurance to be issued to a licensed vendor under a master or group policy of personal or commercial inland marine insurance, and authorizes a customer to be designated as an additional insured or certificate holder under the policy. The bill requires a licensed vendor to provide to each customer designated as an additional insured or certificate holder a coverage form, certificate, or other evidence of coverage in a brochure or separate document.

H.B. 2569 provides that a portable electronic device vendor specialty agent license authorizes the vendor and any employee or authorized representative of the vendor to offer the type of coverage specified in these provisions at each location at which the vendor engages in business. The bill requires the commissioner of insurance to impose an annual license fee for a portable electronic device vendor specialty agent license, and requires the commissioner to set the license fee in an amount reasonable and necessary to cover the costs of administering these provisions, not to exceed \$5,000.

H.B. 2569 authorizes an agent who holds a license to engage in the business of property and casualty insurance or a substantially equivalent license, who is appointed by the insurer that insures a vendor, to provide the materials for the training program required to act on behalf of a specialty license holder and to conduct the applicable training. The bill requires the agent to submit the training program materials to the commissioner of insurance for approval before the training program is used.

H.B. 2569 requires the commissioner of insurance, by rule, to establish a procedure under which a person holding a license as a telecommunications equipment vendor specialty agent may convert that license to a portable electronic device vendor specialty agent license without further qualification, and authorizes the commissioner to adopt rules to establish a reasonable period for the agent to comply with the new policy issuance requirements.

H.B. 2569 defines "customer" to mean a person who purchases a portable electronic device or a related service, rather than a person who purchases telecommunications equipment in a retail sales transaction. The bill replaces the term "telecommunications equipment" with the term "portable electronic devices" and further defines the term to include personal digital assistants, portable global positioning system units, portable computers, portable audio and video listening devices, gaming systems, cameras and other similar electronic devices and their accessories, and removes from the definition devices used to originate or receive wireless communications exclusive of cordless, wireline communications. The bill defines "vendor" to mean a person or entity engaged in the business of leasing, selling, or providing portable electronic devices or related services to customers.

EFFECTIVE DATE

September 1, 2009.

EXPLANATION OF AMENDMENTS

Committee Amendment No 1. clarifies the definition of "Portable electronic devices" by deleting:

"Portable electronic devices" includes handsets, pagers, personal digital assistants, portable global positioning system units, portable computers, portable audio and video listening devices, gaming systems, cameras, automatic answering devices, batteries, and other similar electronic devices and their accessories.

and inserting:

"Portable Electronic Devices" means: personal, self-contained, easily carried by an individual, batter-operated electronic communication, viewing, listening, recording, gaming, computing or global positioning devices including cell or satellite phones, pagers, personal global positioning satellite units, portable computer, portable audio listening, video viewing or recording devices, digital cameras, video camcorders, portable gaming systems, docking stations, automatic answering devices, and other similar devices and their accessories.