HOUSE RESEARCH =

Bill Summary =

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Subject: Licensing of retailers to sell insurance coverage on portable electronic products

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Overview

This bill deals with retailers (called "vendors" in the bill) that sell portable electronic products (such as cell phones) and also insurance on those products. The bill requires the retailer, but not the retailer's employees, to obtain a "limited lines" insurance agent license in order to sell the insurance. The bill requires the retailer to arrange supervision of the employees who sell the insurance, to ensure compliance with state insurance marketing laws that apply to sales made under this bill. (A limited lines insurance agent license is one that permits the sale of only a specialized type of insurance, such as title insurance or bail bonds.)

Section

- **Examination not required.** Makes a change to conform with later sections of this bill.
- **Issuance.** Makes changes to conform with later sections of the bill.
- 3 Sale of portable electronics insurance.
 - **Subd. 1. Definitions.** Defines seven terms used in this section.
 - **Subd. 2. Licensure of vendors.** Requires vendors of portable electronics to obtain a limited lines insurance agent license if they wish to sell insurance on those products. Provides that the license would allow the vendor's employees to sell that insurance without being individually licensed. Provides that the license covers all locations in this state at which the vendor sells portable electronics. Requires that the vendor keep the Department of Commerce informed of those locations. Provides that the limited lines license does not permit sale of other insurance products.
 - **Subd. 3. Requirements for sale of portable electronics insurance.** (a) Requires written disclosures to consumers at each retail location where the insurance is offered to customers. The disclosures consist of:

- (1) possible duplication of the coverage with the consumer's homeowner's or renter's insurance;
- (2) purchase of the insurance is not required in order to buy the product;
- (3) a summary of the key terms of the insurance coverage including deductibles, exclusions, and limitations of the coverage;
- (4) the process and requirements for filing a claim, including return of the product and proof of loss; and
- (5) the right to cancel the insurance at any time and get a pro rata refund of unearned premium.
- (b) Permits offering the coverage on a month-to-month or other periodic basis under a group policy issued by the insurance company to the vendor, under which individual customers can enroll.
- (c) Permits coverage that complies with this section to have whatever terms for modification or termination are in the policy, regardless of any general Minnesota insurance law that would otherwise not allow those terms.
- (d) Requires that eligibility and underwriting standards be established for each portable electronics insurance program.
- **Subd. 4. Authority of vendors of portable electronics.** (a) Permits employees and authorized representatives of a portable electronics vendor to sell the insurance if the vendor has a limited lines insurance license permitting sale of that product, arranges for a supervising insurance agency to administer the insurance marketing and train the employees and others who will sell the product to customers, and makes sure no employee or authorized representative claims to be a regular insurance agent.
- (b) Permits the vendor to bill for and collect the insurance premiums. Requires that the premiums be itemized separately on the bill. Permits the vendor and the insurance company to agree on how the vendor will handle the premium payments, such as whether they must be kept in a separate account. Provides that insurance payments received by the vendor are considered held in a fiduciary capacity for the insurance company, which seems to imply the insurance company is liable to provide the coverage even if the vendor diverts the funds. Permits the insurance company to pay the vendor for billing and collecting the premiums.
- 4 **Licensing fees.** Sets licensing fees for this new type of limited lines insurance agent license. Specifies an initial and renewal licensing fee of \$100 per location for vendors who sell the insurance at ten or fewer locations in this state, and a fee of \$6,500 for vendors who have more than ten such locations in this state. This license is issued to the retailer and not to the individual employees who sell the product to the customers.