

1 AN ACT concerning insurance.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Portable Electronics Insurance Act.

6 Section 5. Definitions. For purposes of this Act, the
7 following terms have the following meanings:

8 "Customer" means a person who purchases portable
9 electronics or services.

10 "Department" means the Department of Insurance.

11 "Director" means the Director of Insurance.

12 "Enrolled customer" means a customer who elects coverage
13 under a portable electronics insurance policy issued to a
14 vendor of portable electronics.

15 "Location" means any physical location in this State or any
16 website, call center site, or similar location directed to
17 residents of this State.

18 "Portable electronics" means electronic devices that are
19 portable in nature, including their accessories and services
20 related to the use of the device.

21 "Portable electronics insurance" means insurance providing
22 coverage for the repair or replacement of portable electronics,
23 which may provide coverage for portable electronics against any

1 one or more of the following causes of loss: loss, theft,
2 inoperability due to mechanical failure, malfunction, damage,
3 or other similar causes of loss. "Portable electronics
4 insurance" does not include a service contract pursuant to the
5 Service Contract Act, a policy of insurance covering a seller's
6 or a manufacturer's obligations under a warranty, or a
7 homeowner's, renter's, private passenger automobile,
8 commercial multi-peril, or similar policy.

9 "Portable electronics transaction" means the sale or lease
10 of portable electronics by a vendor to a customer or the sale
11 of a service related to the use of portable electronics by a
12 vendor to a customer.

13 "Supervising entity" means a business entity that is a
14 licensed insurance producer or insurer.

15 "Vendor" means a person in the business of engaging in
16 portable electronics transactions directly or indirectly.

17 Section 10. Licensure of vendors.

18 (a) In order to sell or offer coverage under a policy of
19 portable electronics insurance, a vendor is required to hold a
20 limited-lines license.

21 (b) A limited-lines license issued under this Act shall
22 authorize any employee or authorized representative of the
23 vendor to sell or offer coverage under a policy of portable
24 electronics insurance to a customer at each location at which
25 the vendor engages in portable electronics transactions.

- 1 (B) the identity of the supervising entity;
- 2 (C) the amount of any applicable deductible and how
3 it is to be paid;
- 4 (D) benefits of the coverage; and
- 5 (E) key terms and conditions of coverage, such as
6 whether portable electronics may be repaired or
7 replaced with similar make and model reconditioned or
8 nonoriginal manufacturer parts or equipment;
- 9 (4) summarize the process for filing a claim, including
10 a description of how to return portable electronics and the
11 maximum fee applicable in the event the enrolled customer
12 fails to comply with any equipment return requirements; and
- 13 (5) state that the enrolled customer may cancel
14 enrollment for coverage under a portable electronics
15 insurance policy at any time and the person paying the
16 premium shall receive a refund of any applicable unearned
17 premium within 15 days after receipt of the refund by the
18 vendor.
- 19 (b) Portable electronics insurance may be offered on a
20 month-to-month or other periodic basis as a group or master
21 commercial inland marine policy issued to a vendor of portable
22 electronics for its enrolled customers.
- 23 (c) Eligibility and underwriting standards for customers
24 electing to enroll in coverage shall be established for each
25 portable electronics insurance program.

1 Section 20. Authority of vendors of portable electronics.

2 (a) The employees and authorized representatives of
3 vendors may sell or offer portable electronics insurance to
4 customers and shall not be subject to licensure as an insurance
5 producer under the Illinois Insurance Code provided that:

6 (1) the vendor obtains a limited-lines license to
7 authorize its employees or authorized representatives to
8 sell or offer portable electronics insurance pursuant to
9 this Act;

10 (2) the insurer issuing the portable electronics
11 insurance either directly supervises or appoints a
12 supervising entity to supervise the administration of the
13 program, including development of a training program for
14 employees and authorized representatives of the vendors;
15 the training required by this subsection (a) shall comply
16 with the following:

17 (A) the training shall be delivered to employees
18 and authorized representatives of a vendor who is
19 directly engaged in the activity of selling or offering
20 portable electronics insurance;

21 (B) the training may be provided in electronic
22 form; if conducted in electronic form, then the
23 supervising entity shall implement a supplemental
24 education program regarding portable electronics
25 insurance that is conducted and overseen by licensed
26 employees of the supervising entity; and

1 (C) each employee and authorized representative
2 shall receive basic instruction about the portable
3 electronics insurance offered to customers and the
4 disclosures required under Section 15 of this Act;

5 (3) no employee or authorized representative of a
6 vendor of portable electronics shall advertise, represent,
7 or otherwise hold himself or herself out as a
8 nonlimited-lines licensed insurance producer.

9 (b) The charges for portable electronics insurance
10 coverage may be billed and collected by the vendor of portable
11 electronics. If the portable electronics insurance coverage is
12 included in the purchase or lease of portable electronics or
13 related services, then the vendor shall clearly and
14 conspicuously disclose to the customer that the portable
15 electronics insurance coverage is included with the portable
16 electronics or related services. If the charge for coverage is
17 included in the cost associated with the purchase or lease of
18 portable electronics or related services, then the vendor shall
19 clearly and conspicuously disclose to the enrolled customer
20 that the charge for the portable electronics or related
21 services includes the charge for coverage. Vendors billing and
22 collecting such charges shall not be required to maintain the
23 funds in a segregated account, provided that the vendor is
24 authorized by the insurer to hold such funds in an alternative
25 manner and remits the amounts to the supervising entity within
26 60 days after receipt. All funds received by a vendor from an

1 enrolled customer for the sale of portable electronics
2 insurance shall be considered funds held in trust by the vendor
3 in a fiduciary capacity for the benefit of the insurer. Vendors
4 may receive compensation for billing and collection services.

5 Section 25. Suspension or revocation of license and other
6 penalties. If a vendor of portable electronics or its employee
7 or authorized representative violates any provision of this
8 Act, then the Director may do any of the following:

9 (1) take any action in accordance with Section 500-70
10 of the Illinois Insurance Code;

11 (2) impose other penalties that the Director deems
12 necessary and reasonable to carry out the purpose of this
13 Act, including, but not limited to:

14 (A) suspending the privilege of transacting
15 portable electronics insurance pursuant to this
16 Section at specific business locations where
17 violations have occurred; and

18 (B) suspending or revoking the ability of
19 individual employees or authorized representatives to
20 act under the license.

21 A supervising entity that violates any provision of this
22 Act shall be subject to all appropriate regulatory action as
23 set forth in the Illinois Insurance Code.

24 Section 30. Termination of portable electronics insurance.

1 Notwithstanding any other provision of law:

2 (1) An insurer may terminate or otherwise change the
3 terms and conditions of a policy of portable electronics
4 insurance only upon providing the policyholder and
5 enrolled customers with at least 60 days notice.

6 (2) If the insurer changes the terms and conditions,
7 then the insurer shall provide the vendor policyholder with
8 a revised policy or endorsement and each enrolled customer
9 with a revised certificate, endorsement, updated brochure,
10 or other evidence indicating that a change in the terms and
11 conditions has occurred and a summary of the material
12 changes.

13 (3) Notwithstanding item (2) of this Section, an
14 insurer may terminate an enrolled customer's enrollment
15 under a portable electronics insurance policy upon 15 days
16 notice for discovery of fraud or material
17 misrepresentation in obtaining coverage or in the
18 presentation of a claim thereunder.

19 (4) Notwithstanding item (2) of this Section, an
20 insurer may immediately terminate an enrolled customer's
21 enrollment under a portable electronics insurance policy:

22 (A) for nonpayment of premium;

23 (B) if the enrolled customer ceases to have an
24 active service with the vendor of portable
25 electronics; or

26 (C) if an enrolled customer exhausts the aggregate

1 limit of liability, if any, under the terms of the
2 portable electronics insurance policy and the insurer
3 sends notice of termination to the enrolled customer
4 within 30 calendar days after exhaustion of the limit;
5 however, if notice is not timely sent, enrollment shall
6 continue, notwithstanding the aggregate limit of
7 liability, until the insurer sends notice of
8 termination to the enrolled customer.

9 (5) When a portable electronics insurance policy is
10 terminated by a policyholder, the policyholder shall mail
11 or deliver written notice to each enrolled customer
12 advising the enrolled customer of the termination of the
13 policy and the effective date of termination. The written
14 notice shall be mailed or delivered to the enrolled
15 customer at least 30 days prior to the termination.

16 (6) Whenever notice is required pursuant to this
17 Section, it shall be in writing and may be mailed or
18 delivered to the vendor of portable electronics at the
19 vendor's mailing address and to its affected enrolled
20 customers' last known mailing addresses on file with the
21 insurer. If notice is mailed, then the insurer or vendor of
22 portable electronics, as the case may be, shall maintain
23 proof of mailing in a form authorized or accepted by the
24 United States Postal Service or other commercial mail
25 delivery service. Alternatively, an insurer or vendor
26 policyholder may comply with any notice required by this

1 Section by providing electronic notice to a vendor or its
2 affected enrolled customers, as the case may be, by
3 electronic means. If notice is accomplished through
4 electronic means, then the insurer or vendor of portable
5 electronics shall maintain proof that the notice was sent.

6 Section 35. Application for license and fees.

7 (a) A sworn application for a license under this Act shall
8 be made to and filed with the Department on forms prescribed
9 and furnished by the Director.

10 (b) In addition to other information required by the
11 Director, the application shall provide the following:

12 (1) the name, residential address, and other
13 information required by the Director for an employee or
14 officer of the vendor that is designated by the applicant
15 as the person responsible for the vendor's compliance with
16 the requirements of this Act; however, if the vendor
17 derives more than 50% of its revenue from the sale of
18 portable electronics insurance, then the information
19 required pursuant to this paragraph (1) shall be provided
20 for all officers, directors, and shareholder of record
21 having beneficial ownership of 10% or more of any class of
22 securities registered under the federal securities laws;
23 and

24 (2) the location of the applicant's home office.

25 (c) Any vendor engaging in portable electronics insurance

1 transactions on or before the effective date of this Act must
2 apply for licensure within 90 days after the effective date of
3 this Act. Any applicant commencing operations after the
4 effective date of this Act must obtain a license prior to
5 offering portable electronics insurance.

6 (d) Initial licenses issued pursuant to this Act shall be
7 valid for a period of 24 months and expire on May 31 of the
8 renewal year assigned by the Director.

9 (e) Each vendor of portable electronics licensed under this
10 Act shall pay to the Department a fee of \$500 for an initial
11 and renewal portable electronics limited-lines license.

12 Section 99. Effective date. This Act takes effect January
13 1, 2012.