



Rep. Monique D. Davis

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LRB097 06019 RPM 54119 a

1 AMENDMENT TO HOUSE BILL 1284

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 1284 by replacing  
3 everything after the enacting clause with the following:

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

1 residents of this State.

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

5 "Portable electronics insurance" means insurance providing  
6 coverage for the repair or replacement of portable electronics,  
7 which may provide coverage for portable electronics against any  
8 one or more of the following causes of loss: loss, theft,  
9 inoperability due to mechanical failure, malfunction, damage,  
10 or other similar causes of loss. "Portable electronics  
11 insurance" does not include a service contract pursuant to the  
12 Service Contract Act, a policy of insurance covering a seller's  
13 or a manufacturer's obligations under a warranty, or a  
14 homeowner's, renter's, private passenger automobile,  
15 commercial multi-peril, or similar policy.

16 "Portable electronics transaction" means the sale or lease  
17 of portable electronics by a vendor to a customer or the sale  
18 of a service related to the use of portable electronics by a  
19 vendor to a customer.

20 "Supervising entity" means a business entity that is a  
21 licensed insurance producer or insurer.

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

24 Section 10. Licensure of vendors.

25 (a) In order to sell or offer coverage under a policy of

1 portable electronics insurance, a vendor is required to hold a  
2 limited-lines license.

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

8 (c) In connection with a vendor's application for licensure  
9 and quarterly thereafter, the vendor shall provide a list to  
10 the Director of all locations in this State at which it offers  
11 coverage.

12 (d) Notwithstanding any other provision of law, a license  
13 issued pursuant to this Act shall authorize the licensee and  
14 its employees or authorized representatives to engage only in  
15 those activities that are permitted in this Act.

16 Section 15. Requirements for sale of portable electronics  
17 insurance.

18 (a) At every location where portable electronics insurance  
19 is offered to customers, brochures or other written materials  
20 must be made available to a prospective customer. The brochures  
21 or other written materials shall do all of the following:

22 (1) disclose that portable electronics insurance may  
23 provide a duplication of coverage already provided by a  
24 customer's homeowner's insurance policy, renter's  
25 insurance policy, or other source of coverage;

1           (2) state that the enrollment by the customer in a  
2 portable electronics insurance program is not required in  
3 order to purchase or lease portable electronics or  
4 services;

5           (3) summarize the material terms of the insurance  
6 coverage, including:

7                 (A) the identity of the insurer;

8                 (B) the identity of the supervising entity;

9                 (C) the amount of any applicable deductible and how  
10 it is to be paid;

11                (D) benefits of the coverage; and

12                (E) key terms and conditions of coverage, such as  
13 whether portable electronics may be repaired or  
14 replaced with similar make and model reconditioned or  
15 nonoriginal manufacturer parts or equipment;

16           (4) summarize the process for filing a claim, including  
17 a description of how to return portable electronics and the  
18 maximum fee applicable in the event the enrolled customer  
19 fails to comply with any equipment return requirements; and

20           (5) state that the enrolled customer may cancel  
21 enrollment for coverage under a portable electronics  
22 insurance policy at any time and the person paying the  
23 premium shall receive a refund of any applicable unearned  
24 premium within 15 days after receipt of the refund by the  
25 vendor.

26           (b) Portable electronics insurance may be offered on a

1 month-to-month or other periodic basis as a group or master  
2 commercial inland marine policy issued to a vendor of portable  
3 electronics for its enrolled customers.

4 (c) Eligibility and underwriting standards for customers  
5 electing to enroll in coverage shall be established for each  
6 portable electronics insurance program.

7 Section 20. Authority of vendors of portable electronics.

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

12 (1) the vendor obtains a limited-lines license to  
13 authorize its employees or authorized representatives to  
14 sell or offer portable electronics insurance pursuant to  
15 this Act;

16 (2) the insurer issuing the portable electronics  
17 insurance either directly supervises or appoints a  
18 supervising entity to supervise the administration of the  
19 program, including development of a training program for  
20 employees and authorized representatives of the vendors;  
21 the training required by this subsection (a) shall comply  
22 with the following:

23 (A) the training shall be delivered to employees  
24 and authorized representatives of a vendor who is  
25 directly engaged in the activity of selling or offering

1 portable electronics insurance;

2 (B) the training may be provided in electronic  
3 form; if conducted in electronic form, then the  
4 supervising entity shall implement a supplemental  
5 education program regarding portable electronics  
6 insurance that is conducted and overseen by licensed  
7 employees of the supervising entity; and

8 (C) each employee and authorized representative  
9 shall receive basic instruction about the portable  
10 electronics insurance offered to customers and the  
11 disclosures required under Section 15 of this Act;

12 (3) no employee or authorized representative of a  
13 vendor of portable electronics shall advertise, represent,  
14 or otherwise hold himself or herself out as a  
15 nonlimited-lines licensed insurance producer.

16 (b) The charges for portable electronics insurance  
17 coverage may be billed and collected by the vendor of portable  
18 electronics. If the portable electronics insurance coverage is  
19 included in the purchase or lease of portable electronics or  
20 related services, then the vendor shall clearly and  
21 conspicuously disclose to the customer that the portable  
22 electronics insurance coverage is included with the portable  
23 electronics or related services. If the charge for coverage is  
24 included in the cost associated with the purchase or lease of  
25 portable electronics or related services, then the vendor shall  
26 clearly and conspicuously disclose to the enrolled customer

1 that the charge for the portable electronics or related  
2 services includes the charge for coverage. Vendors billing and  
3 collecting such charges shall not be required to maintain the  
4 funds in a segregated account, provided that the vendor is  
5 authorized by the insurer to hold such funds in an alternative  
6 manner and remits the amounts to the supervising entity within  
7 60 days after receipt. All funds received by a vendor from an  
8 enrolled customer for the sale of portable electronics  
9 insurance shall be considered funds held in trust by the vendor  
10 in a fiduciary capacity for the benefit of the insurer. Vendors  
11 may receive compensation for billing and collection services.

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

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

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

21 (A) suspending the privilege of transacting  
22 portable electronics insurance pursuant to this  
23 Section at specific business locations where  
24 violations have occurred; and

25 (B) suspending or revoking the ability of

1 individual employees or authorized representatives to  
2 act under the license.

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

6 Section 30. Termination of portable electronics insurance.  
7 Notwithstanding any other provision of law:

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

12 (2) If the insurer changes the terms and conditions,  
13 then the insurer shall provide the vendor policyholder with  
14 a revised policy or endorsement and each enrolled customer  
15 with a revised certificate, endorsement, updated brochure,  
16 or other evidence indicating that a change in the terms and  
17 conditions has occurred and a summary of the material  
18 changes.

19 (3) Notwithstanding item (2) of this Section, an  
20 insurer may terminate an enrolled customer's enrollment  
21 under a portable electronics insurance policy upon 15 days  
22 notice for discovery of fraud or material  
23 misrepresentation in obtaining coverage or in the  
24 presentation of a claim thereunder.

25 (4) Notwithstanding item (2) of this Section, an



1 insurer may immediately terminate an enrolled customer's  
2 enrollment under a portable electronics insurance policy:

3 (A) for nonpayment of premium;

4 (B) if the enrolled customer ceases to have an  
5 active service with the vendor of portable  
6 electronics; or

7 (C) if an enrolled customer exhausts the aggregate  
8 limit of liability, if any, under the terms of the  
9 portable electronics insurance policy and the insurer  
10 sends notice of termination to the enrolled customer  
11 within 30 calendar days after exhaustion of the limit;  
12 however, if notice is not timely sent, enrollment shall  
13 continue, notwithstanding the aggregate limit of  
14 liability, until the insurer sends notice of  
15 termination to the enrolled customer.

16 (5) When a portable electronics insurance policy is  
17 terminated by a policyholder, the policyholder shall mail  
18 or deliver written notice to each enrolled customer  
19 advising the enrolled customer of the termination of the  
20 policy and the effective date of termination. The written  
21 notice shall be mailed or delivered to the enrolled  
22 customer at least 30 days prior to the termination.

23 (6) Whenever notice is required pursuant to this  
24 Section, it shall be in writing and may be mailed or  
25 delivered to the vendor of portable electronics at the  
26 vendor's mailing address and to its affected enrolled

1 customers' last known mailing addresses on file with the  
2 insurer. If notice is mailed, then the insurer or vendor of  
3 portable electronics, as the case may be, shall maintain  
4 proof of mailing in a form authorized or accepted by the  
5 United States Postal Service or other commercial mail  
6 delivery service. Alternatively, an insurer or vendor  
7 policyholder may comply with any notice required by this  
8 Section by providing electronic notice to a vendor or its  
9 affected enrolled customers, as the case may be, by  
10 electronic means. If notice is accomplished through  
11 electronic means, then the insurer or vendor of portable  
12 electronics shall maintain proof that the notice was sent.

13 Section 35. Application for license and fees.

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

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

19 (1) the name, residential address, and other  
20 information required by the Director for an employee or  
21 officer of the vendor that is designated by the applicant  
22 as the person responsible for the vendor's compliance with  
23 the requirements of this Act; however, if the vendor  
24 derives more than 50% of its revenue from the sale of  
25 portable electronics insurance, then the information

1 required pursuant to this paragraph (1) shall be provided  
2 for all officers, directors, and shareholder of record  
3 having beneficial ownership of 10% or more of any class of  
4 securities registered under the federal securities laws;  
5 and

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

7 (c) Any vendor engaging in portable electronics insurance  
8 transactions on or before the effective date of this Act must  
9 apply for licensure within 90 days after the effective date of  
10 this Act. Any applicant commencing operations after the  
11 effective date of this Act must obtain a license prior to  
12 offering portable electronics insurance.

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

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

19 Section 99. Effective date. This Act takes effect January  
20 1, 2012."