

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

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

9           Section 15. Requirements for sale of portable electronics  
10 insurance.

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

15               (1) disclose that portable electronics insurance may  
16 provide a duplication of coverage already provided by a  
17 customer's homeowner's insurance policy, renter's  
18 insurance policy, or other source of coverage;

19               (2) state that the enrollment by the customer in a  
20 portable electronics insurance program is not required in  
21 order to purchase or lease portable electronics or  
22 services;

23               (3) summarize the material terms of the insurance  
24 coverage, including:

25                   (A) the identity of the insurer;

- 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.