

AN ACT concerning insurance.

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

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

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

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

"Department" means the Department of Insurance.

"Director" means the Director of Insurance.

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

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

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

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

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

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

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

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

Section 10. Licensure of vendors.

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

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

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

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

Section 15. Requirements for sale of portable electronics insurance.

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

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

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

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

(A) the identity of the insurer;

(B) the identity of the supervising entity;

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

(D) benefits of the coverage; and

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

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

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

(b) Portable electronics insurance may be offered on a month-to-month or other periodic basis as a group or master commercial inland marine policy issued to a vendor of portable electronics for its enrolled customers.

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

Section 20. Authority of vendors of portable electronics.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 30. Termination of portable electronics insurance.

Notwithstanding any other provision of law:

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

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

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

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

(A) for nonpayment of premium;

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

(C) if an enrolled customer exhausts the aggregate

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

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

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

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

Section 35. Application for license and fees.

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

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

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

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

(c) Any vendor engaging in portable electronics insurance

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

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

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

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