

BILL ANALYSIS

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C.S.S.B. 839
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Portable electronics insurance protects consumers against loss, theft, damage, and internal malfunction of a portable electronic device. This type of insurance not only ensures that a consumer's investment in such a device is protected, but also ensures that a consumer has very little down time when a problem does occur, often receiving a replacement device the day after a claim has been made.

Texas last amended its law on portable electronics insurance in 2009. C.S.S.B. 839 seeks to update insurance regulations on these widely used products.

C.S.S.B. 839 will clarify Texas law on cancellation and termination of portable electronics insurance; set standards for required consumer notices; clearly authorize vendors of portable electronics licensed under Texas law to sell portable electronics insurance and to bill consumers for the insurance coverage; and require consumer disclosures with respect to premiums charged for the insurance.

C.S.S.B. 839 amends current law relating to the provision of insurance coverage for certain portable electronic devices.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to commissioner of insurance is modified in SECTION 1 (Section 551.206, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 551, Insurance Code, by adding Subchapter E, as follows:

SUBCHAPTER E. PORTABLE ELECTRONICS INSURANCE

Sec. 551.201. DEFINITIONS. Defines, in this subchapter, "customer," "portable electronic devices," and "vendor."

Sec. 551.202. REQUIRED NOTICE OF TERMINATION OR CHANGE TO POLICY.
(a) Authorizes an insurer, except as otherwise provided by this subchapter, to terminate or change the terms and conditions of a policy of portable electronics insurance only after notice to the master or group policyholder and each enrolled customer. Requires that notice under this section be provided not later than the 30th day before the date of the termination or change.

(b) Requires the insurer, if the insurer changes the terms and conditions of the policy, to provide to the master or group policyholder a revised policy or endorsement and provide to each enrolled customer a revised certificate, revised endorsement, updated brochure, or other document indicating that a change in the terms and conditions has occurred and a summary of the material changes.

Sec. 551.203. TERMINATION FOR FRAUD OR MISREPRESENTATION. (a) Authorizes an insurer to terminate the coverage of an enrolled customer under a portable

electronics insurance policy for fraud or material misrepresentation in obtaining coverage or in the presentation of a claim under the coverage.

(b) Prohibits termination of coverage under this section from being effective before the 15th day after the date the insurer provides the customer notice of the termination.

Sec. 551.204. **TERMINATION WITHOUT NOTICE.** (a) Authorizes an insurer to terminate the coverage of an enrolled customer under a portable electronics insurance policy without notice for nonpayment of premium, if the enrolled customer ceases to have an active service with the vendor of portable electronics, or if the enrolled customer exhausts the aggregate limit of liability, if any, under the terms of the portable electronics insurance policy.

(b) Requires the insurer, if a portable electronics insurance policy is terminated under Subsection (a)(3) (relating to the customer exhausting the aggregate limit of liability), to send notice of termination to the enrolled customer not later than the 30th day after the date of exhaustion of the limit. Requires the insurer, if the notice is not timely sent, to continue the customer's coverage, and provides that the aggregate limit of liability is waived until the insurer sends the notice of termination to the enrolled customer.

Sec. 551.205. **TERMINATION BY POLICY HOLDER.** Requires a master or group policyholder who terminates a portable electronics insurance policy to provide notice to each enrolled customer, advising the enrolled customer of the termination of the policy and the effective date of termination. Requires that the notice be provided to the enrolled customer not later than the 30th day before the date the termination becomes effective.

Sec. 551.206. **FORM OF NOTICE OR CORRESPONDENCE.** (a) Requires that a notice required by this subchapter, or another notice or correspondence with respect to a portable electronics insurance policy that is required by law, be in writing and sent within the notice period, if any, specified by the statute or rule requiring the notice or correspondence.

(b) Authorizes the notice or correspondence, notwithstanding any other law, to be sent by mail or by electronic means.

(c) Requires that the notice or correspondence, if mailed, be sent to the master or group policyholder at the policyholder's mailing address specified for this purpose and to each affected enrolled customer's last known mailing address on file with the insurer, and requires the insurer or master or group policyholder to maintain proof of mailing in a form authorized or accepted by the United States Postal Service or other commercial mail delivery service.

(d) Requires that the notice or correspondence, if sent by electronic means, be sent to the master or group policyholder at the policyholder's e-mail address specified for this purpose and to each affected enrolled customer's last known e-mail address as provided by the customer to the insurer or master or group policyholder, and requires that the insurer or master or group policyholder maintain proof that the notice or correspondence was sent.

(e) Provides that, for purposes of Subsection (d), an enrolled customer's provision of an e-mail address to the insurer or master or group policyholder is considered consent to receive notices and correspondence by electronic means.

(f) Authorizes a notice or correspondence described by this section to be sent on behalf of an insurer or master or group policyholder by a supervising entity appointed by the insurer.

SECTION 2. Amends Section 4055.253, Insurance Code, as follows:

(a) Creates this subsection from existing text and makes no further changes.

(b) Authorizes a vendor licensed under this subchapter to bill a customer for, and collect from a customer payment for, insurance coverage provided to the customer under this subchapter.

(c) Provides that an insurer issuing a policy to a licensed vendor is considered to have received a premium from a vendor's customer enrolled in coverage on the customer's payment of the premium to the vendor.

SECTION 3. Amends Subchapter F, Chapter 4055, Insurance Code, by adding Section 4055.256, as follows:

Sec. 4055.256. **REQUIRED DISCLOSURES.** (a) Requires a licensed vendor to separately itemize on a customer's bill any charge to the customer for insurance coverage provided under this subchapter that is not included in the cost associated with the purchase or lease of the covered portable electronic device or related services.

(b) Requires a licensed vendor, if insurance coverage provided under this subchapter is included in the cost associated with the purchase or lease of a covered portable electronic device or related services, to, at the time of the purchase or lease, clearly and conspicuously disclose the inclusion of that coverage to the customer.

SECTION 4. Effective date: September 1, 2013.