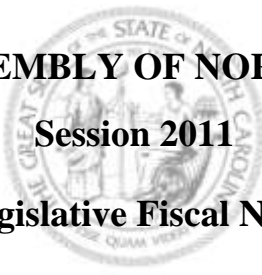


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 617 (Second Edition)

SHORT TITLE: Portable Electronics Insurance Coverage.

SPONSOR(S): Representative Dockham

| FISCAL IMPACT | | | | | |
|-----------------------------------------------------------------------------------|--------------------------|--------------------------|------------------------------------------|--------------------------|--------------------------|
| | Yes (X) | No () | No Estimate Available () | | |
| | <u>FY 2011-12</u> | <u>FY 2012-13</u> | <u>FY 2013-14</u> | <u>FY 2014-15</u> | <u>FY 2015-16</u> |
| REVENUES | | | ***\$3,000 to \$4,000 Per Year*** | | |
| EXPENDITURES | | | ***None Anticipated*** | | |
| POSITIONS (cumulative): | | | ***None Anticipated*** | | |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Insurance | | | | | |
| EFFECTIVE DATE: October 1, 2011. | | | | | |

BILL SUMMARY:

House Bill 617 would expressly authorize insurance for portable electronic devices under a limited lines license. The limited lines license allows any employee or agent of the license holder to sell insurance for portable electronic devices at all the license holder's locations. The Department of Insurance would have the same regulatory authority over portable electronics insurance as it has with all limited lines insurance.

House Bill 617 would impose consumer protection measures on limited lines insurance for portable electronic devices including:

- Written materials available to prospective customer must
 - 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.
 - State that purchase of insurance is optional.

- Summarize the material terms of the insurance coverage, including the identity of the insurer, the identity of the supervising entity, the amount of any deductible and how it is to be paid, benefits of the coverage, and 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).
- Summarize the process for filing a claim, including the maximum fee if the customer fails to comply with any equipment return requirements.
- State that the customer may cancel coverage at any time and receive a refund of any applicable unearned premium.
- The insurance policy must contain the terms of the termination or modification of coverage.
- The insurer underwriting the portable electronics insurance must administer a training program for employees of the license holder. The training program must provide basic instruction about the portable electronics insurance offered to customers and the disclosures required in the written materials available to prospective customer.

Source: Research Division (June 2, 2011)

BACKGROUND:

Retailers selling portable electronic devices in NC appear to offer portable electronics insurance through an exception to insurance license requirements for group property and casualty insurance found in G.S. 58-33-26(n)(2).

Source: Research Division (June 2, 2011)

ASSUMPTIONS AND METHODOLOGY:

Revenue

House Bill 617 requires a vendor to hold a limited lines license to sell or offer coverage under a policy of portable electronics insurance. Under this requirement, the Department of Insurance (DOI) would collect a license application fee of \$100 and an annual renewal fee of \$100. DOI anticipates it would issue approximately 30 to 40 of these licenses. Fiscal Research estimates that \$3,000 to 4,000 (30 to 40 licenses multiplied by \$100 fee) of revenue would be generated per year as a result of this bill.

Expenditures

DOI anticipates that House Bill 617 would have no significant fiscal impact on its current operations or on the State. DOI currently issues business entity licenses, and DOI—namely the Agent Services Division—would be able to absorb the additional workload required to administer this bill. Fiscal Research concurs with DOI’s assessment.

SOURCES OF DATA: Department of Insurance

TECHNICAL CONSIDERATIONS: None

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DATE: June 3, 2011



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