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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Monday, February 13, 2012
2:15 p.m.

TESTIMONY ON HOUSE BILL NO. 2359 – RELATING TO PORTABLE ELECTONICS INSURANCE.

TO THE HONORABLE ROBERT N. HERKES, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner, testifying on behalf of the Department of Commerce and Consumer Affairs ("Department"). The Department takes no position on this bill which proposes to adopt a new article for insurance relating to portable electronics, but offers these comments.

If adopted this would present the consumer with an alternative to the Service Contract Provider authorized by Chapter 481X, HRS. Presently, Service Contract Providers offer similar types of indemnity protections in conjunction with the service contracts/extended warranties. We understand this bill would not prevent the continued marketing of the Service Contract Providers' current products.

Second, the proposed § 431: -106 on page 9 appears to favor the insurer over the consumer. The section could be interpreted to allow the insurer to unilaterally modify the insurance contract to the detriment of the consumer. Adequate protections for the consumers should be considered.

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Third, we recommend that the licensing fees be comparable to a similar type of license. The limited lines motor vehicle rental company producer's license ("MV Rental Producer") pays \$2,000 for issuance of the license and \$1,200 per year for the services of the department. HRS § 431:7-101.

The MV Rental Producer is similar to the portable electronics licensee in that the authority of the entities' licenses is extended to multiple locations and sales personnel. The bill currently proposes substantially lower fees for the portable electronics licensee – the maximum \$1,000 for first year and \$500 per year thereafter and no less than the minimum of \$100 per year. *See*, page 13 lines 15 to 20.

Fourth, the bill assumes that the master policy is issued by an insurer that is admitted in this State. If the insurer is unauthorized, this bill should be amended to require the portable electronic limited line licensee to comply with Article 8, Chapter 431, HRS relating to Surplus lines and Unauthorized Insurance.

Finally, we suggest technical changes to make the terms in the bill consistent with current law. The word "commissioner" should be substituted for the word "director" at page 3 lines 12 and 14. The term "licensed agent" on page 13 line 22 appears to have no definition in this bill.

We thank the Committee for the opportunity to present testimony on this matter.