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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-SIXTH LEGISLATURE  
Regular Session of 2012

Monday, March 19, 2012  
2 p.m.

**TESTIMONY ON SENATE BILL NO. 2655, S.D. 2 H.D. 1- RELATING TO PORTABLE ELECTRONICS INSURANCE.**

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

My name is Gordon Ito, State Insurance Commissioner ("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 the following suggested amendments.

If adopted, this would present the vendor with an alternative to the service contract provider authorized by HRS chapter 481X. Presently, service contract providers offer similar types of indemnity protections in conjunction with the service contracts or extended warranties. The Department understands this bill would not prevent the continued marketing of the service contract providers' current products.

The Department suggests amending portions of this version of the bill to read:

1. "§431: -102 Licensure of vendors. (a) A vendor shall hold a limited lines portable electronics producer license to sell or offer coverage under a policy of portable electronics insurance."

This proposed change provides an official name for the new license.

2. §431: -107(d) to read:

"(d) Initial licenses issued pursuant to this article shall be valid for a period of not less than thirteen months. Renewal shall be for a period of twenty-four months."

This proposed change allows the Insurance Division to more easily incorporate the term of the new license into its existing computer framework which is based on the licensee's birth month. Presently, all new licensees are issued an initial term of license of thirteen months to twenty-four month. The length of the initial term is chosen so that the renewal date is synchronized with the renewals of all other licensees with the similar birth month. Thereafter, the renewals are for a twenty-four month term.

Finally, the Department requests amending the defective effective date.

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



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March 16, 2012

Representative Robert N. Herkes, Chair  
Representative Ryan Yamane, Vice Chair  
Committee on Consumer Protection & Commerce  
Hawaii State Capitol, Room 325  
Honolulu, HI 96813

**RE: IN SUPPORT OF SB2655 SD2 HD1**

Dear Chair Herkes, Vice Chair Yamane and Members of the Committee:

Thank you for the opportunity to comment on Senate Bill 2655 SD2 HD1. My name is John Radcliffe and I am representing Asurion in support of SB2655 SD2 HD1.

Asurion is the leading provider of handset protection programs in the country and has joined forces with leading wireless carriers throughout the world to bring this product to consumers. The product that is at the heart of this bill is an insurance program that protects a consumer's investment in their wireless communications device by insuring it against loss, theft, damage, and internal malfunction of the device.

The bill provides for an entity level license to vendors offering portable electronics insurance and provides for key consumer protections related to such coverage.

As wireless devices have become an integral part of our everyday lives, their functionalities have expanded exponentially, and with these developments the costs of these devices have also risen. Portable electronics 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 by getting a pre-programmed phone or other portable electronics device in the consumer's hands, often times the very next day after a claim has been made. Staying connected in today's world is crucial and Asurion's products ensure that its customers stay connected. SB2655 SD2 HD1 creates a licensing framework applicable to the sale of

Representative Robert N. Herkes, Chair  
Representative Ryan Yamane, Vice Chair  
Committee on Consumer Protection & Commerce  
March 16, 2012  
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portable electronics insurance in the State of Hawai'i. Currently, there is no statutory regulatory structure that exists for the sale of this insurance product in Hawai'i.

This legislation would provide such a structure and also provide for an entity level limited lines producer license to sell this type of insurance product. The approach set forth in this piece of legislation ensures a balanced regulatory structure that would avoid the need to license every individual on the floor of every retailer in Hawai'i that offers this insurance to consumers, while also providing important consumer protection and meaningful disclosures.

This model is consistent with the national trend that we have seen with respect to the regulation of this product as it creates an efficient and fair licensing framework for the entities offering this product to consumers, and gives regulators the authority they need to effectively oversee these activities. Laws like SB2655 have already been enacted into law in 24 states, with bills pending in the remaining 26 states this year.

In addition to the licensing framework created by SB2655 SD2 HD1, the bill also provides significant consumer protection measures in the form of required disclosures to consumers regarding the insurance coverage that is being sold, as well as required training for those individual salespeople acting under the retailer's license. Asurion and local counsel have worked through the language in SB2655 SD2 HD1 with the Insurance Division of the Department of Commerce and Consumer Affairs and we are in substantive agreement with the bill's language.

In summary, SB2655 SD2 HD1 is a good bill, not only for Hawai'i retailers, but also for Hawai'i consumers, in that the bill creates a regulatory structure for this product that ensures full disclosure to the consumer of the terms and conditions of this insurance coverage, while also providing the Insurance Division with the regulatory authority to ensure that the product is sold to Hawai'i consumers in the right way.

The bill strikes an effective balance between the interests of consumers and industry, and we urge that you vote favorably to advance SB2655 SD2 HD1 for further consideration.

Sincerely,

John H. Radcliffe

Attachment: "Portable Electronics Legislation Summary"

**Portable Electronics Legislation Summary (2012)**  
**Attachment to Capitol Consultants of Hawaii's Testimony on SB2655 SD2**

- Provides for appropriate regulatory oversight specifically tailored to insurance protection for consumer portable electronics.
- Provides strong but workable consumer protections including:
  - Key Product Disclosures
  - Key Product Requirements
  - Sales Personnel Training
- Limited license for vendor (wireless carrier) rather than individual sales personnel licensing
- Flexible definition of portable electronics for rapidly evolving market to include devices such as wireless phones, smartphones, netbooks, and tablet PCs.
- Consistent with existing regulation in many states including New York, Texas, Washington, others.
- Maintains meaningful regulatory authority without significant costs to regulators or industry