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April 4, 2012

Representative Marcus R. Oshiro, Chair
Representative Marilyn B. Lee, Vice Chair
Committee on Finance
Hawaii State Capitol, Room 308
Honolulu, HI 96813

RE: IN SUPPORT OF SB2655 SD2 HD2

Dear Chair Oshiro, Vice Chair Lee and Members of the Committee:

Thank you for the opportunity to comment on Senate Bill 2655 SD2 HD2. My name is John Radcliffe and I am representing Asurion in support of SB2655 SD2 HD2.

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 HD2 creates a licensing framework applicable to the sale of

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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 HD2, 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 HD2 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 HD2 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 HD2 for further consideration.

Sincerely,

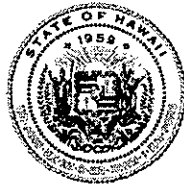
John H. Radcliffe

Attachment: "Portable Electronics Legislation Summary"

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Portable Electronics Legislation Summary (2012)
Attachment to Capitol Consultants of Hawaii's Testimony on SB2655 SD2 HD2

- 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



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

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OFFICE OF THE DIRECTOR
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KEALI'I S. LOPEZ
DIRECTOR

TO THE HOUSE COMMITTEE ON FINANCE

TWENTY-SIXTH LEGISLATURE
Regular Session of 2012

Wednesday, April 4, 2012
2:30 p.m.

WRITTEN TESTIMONY ONLY

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

TO THE HONORABLE MARCUS R. OSHIRO, 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.

The Department supports the licensing fees stated on page 13, lines 10 to 15, which has the consent of the industry representative. The fees are comparable to the fees paid by the limited line motor vehicle rental company producer. For both limited lines licenses, one licensed producer is permitted to transact insurance at multiple locations through multiple unlicensed personnel. Furthermore, the portable electronics limited line licensee may adjust claims through multiple unlicensed personnel. The stated license fees are justified by the regulatory oversight of a licensee that entails multiple locations, multiple personnel, and sales and adjusting functions.

However, the Department would also support alternate licensing fee methods. If each person who sells or adjusts this insurance is required to be licensed the fees could be comparable to individual limited licenses: \$120 for issuance and \$90 per year for services. Alternatively, if the single license arrangement is retained, reduced fees of \$1000 for issuance and \$600 per year for services would be acceptable.

Finally, the Department requests amendment of the defective effective date.

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