

HCS HB 523 -- CERTAIN INSURANCE PRODUCTS

SPONSOR: Nance (Molendorp)

COMMITTEE ACTION: Voted "do pass" by the Committee on Insurance Policy by a vote of 11 to 0.

This substitute changes the laws regarding the Missouri Life and Health Insurance Guaranty Association Act, insurance coverage for portable electronics, and residential and home warranty service contracts.

MISSOURI LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION ACT

The substitute changes the laws regarding insurance coverage under the Missouri Life and Health Insurance Guaranty Association Act which protects a policyholder against a breach of contract by the impairment or insolvency of the policy insurer. The benefits for which the association can be liable with regard to a member insurer that was first placed under an order of rehabilitation or liquidation prior to August 28, 2011, cannot exceed the lesser of:

- (1) The value of the contractual obligation; or
- (2) With respect to any one life, regardless of the number of policies or contracts:
 - (a) \$300,000 in life insurance death benefits but not more than \$100,000 in net cash surrender and cash withdrawal values;
 - (b) \$100,000 in health insurance benefits including any net cash surrender and cash withdrawal values; or
 - (c) \$100,000 in the present value of annuity benefits including net cash surrender and cash withdrawal values.

The benefits for which the association can be liable with regard to a member insurer that was first placed under an order of rehabilitation or liquidation on or after August 28, 2011, cannot exceed the lessor of:

- (1) The value of the contractual obligation; or
- (2) With respect to any one life, regardless of the number of policies or contracts:
 - (a) \$300,000 in life insurance death benefits but not more than \$100,000 in net cash surrender and cash withdrawal values;

(b) \$100,000 in health insurance benefits, excluding disability, hospital, medical, surgical or major-medical, or long-term care insurance including any net cash surrender and cash withdrawal values;

(c) \$300,000 in disability benefits and \$300,000 in long-term care benefits;

(d) \$500,000 in hospital, medical, and surgical or major-medical benefits;

(e) \$250,000 in the present value of annuity benefits including net cash surrender and cash withdrawal values; or

(f) \$250,000 to each payee of a structured settlement annuity or, if deceased, the beneficiary of the payee including net cash surrender and cash withdrawal values.

The association cannot be obligated to cover more than:

(1) \$300,000 in benefits with respect to any one life covered by a policy, except for hospital, medical, and surgical or major-medical benefits where the total cannot exceed \$500,000 to any one individual; or

(2) \$5 million in benefits for a policy owner of multiple non-group life insurance policies regardless of the number of policies and contracts held by the owner.

INSURANCE COVERAGE FOR PORTABLE ELECTRONIC DEVICES

Beginning January 1, 2012, a portable electronics transaction vendor must obtain a license from the Department of Insurance, Financial Institutions and Professional Registration in order for an employee to be authorized to sell or offer portable electronics insurance at each location at which the vendor engages in a transaction. The cost of the license cannot exceed \$1,000, and the annual renewal fee cannot exceed \$500. The fees are to be deposited into the Insurance Dedicated Fund.

A vendor is required to have available at each of its locations specific brochures and actual policies or certificates of coverage available to prospective customers which disclose information about portable electronics insurance benefits, duplication of coverage, filing of a claim, and policy cancellation. Portable electronics insurance will be deemed the primary coverage over any other collateral coverage.

Eligibility and underwriting standards for a customer electing to enroll in coverage must be established for each portable

electronics insurance program. Each insurer must maintain all eligibility and underwriting records for five years and designate a business entity to supervise its program. The supervising entity will be responsible for the development of a training program for the employees and authorized representatives of a vendor. Insurers and applicable supervising business entities offering portable electronics insurance must share all complaint, grievance, and inquiries regarding any conduct that is specific to a vendor and that may not comply with applicable state laws and regulations. A supervising entity must maintain a registry of authorized vendor locations; and upon request of the department director and within 10 days' notice to the supervising entity, the registry must be open to inspection and examination. Within 30 days of a supervising entity terminating a vendor location's appointment to sell or solicit the insurance, the entity must update the registry with the effective date of termination.

A vendor can bill and collect any charge that is not included with the purchase or lease of portable electronics or related services if the fee is listed separately on the customer's bill. A vendor must clearly and conspicuously disclose to the customer if the cost of the portable electronics insurance is included in the purchase price of the electronic device or related services.

A licensed vendor will be subject to specified provisions of law under the Insurance Producers Act and to the investigation and examination by the department. The department can suspend, revoke, refuse to issue, or refuse to renew a license of an insurer or a vendor for specified reasons and can impose penalties, issue an administrative order, or maintain a civil action against the vendor.

An insurer may terminate or change the terms and conditions of a policy if he or she gives at least 30 days' notice to the policyholder and enrolled customers. An insurer can terminate a policyholder's coverage upon 15 days' notice for the discovery of fraud or non-payment or inactivity of service or if he or she exceeds coverage limits.

RESIDENTIAL AND HOME WARRANTY SERVICE CONTRACTS

The substitute exempts a residential or home warranty service contract from certain provisions of law and specifies that these contracts are not insurance and that they will be regulated under the provisions of the Merchandising Practices Act.

FISCAL NOTE: No impact on state funds in FY 2012, FY 2013, and FY 2014.

PROPONENTS: Supporters say that approximately 70 million portable electronics policies are written each year. There is a national effort to establish a framework to fit the current needs of the insurance product for these devices. It is an insurance product due to the nature of the perils and will cover loss, destruction, or theft. The bill requires substantial department oversight. The bill does not treat the product as a service contract but as an insurance product.

Testifying for the bill were Representative Molendorp; and Asurion Corporation.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that there needs to be clarity about what is a warranty and what is an insurance product.

Testifying on the bill was Assurant Incorporated.