

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 2294

SPONSOR: Senator Alexander

SUBJECT: Communications Equipment Property Insurance

DATE: April 3, 2003

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Knudson</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill permits limited insurance agent licensees to sell communications equipment property insurance certificates to consumers under a group master policy. The bill also states that persons holding or applying for a limited license to sell communications equipment property insurance are exempt from the fingerprint requirements of Chapter 626, Florida Statutes. The bill also states that a "person" (an individual or corporation) who applies for or holds a limited license is subject to the same requirements and responsibilities that apply to general lines agents, unless otherwise expressly provided. Previously, the responsibilities and exceptions were applicable to "individuals," a term that does not include corporations. This change in tandem with the elimination of the fingerprint requirement means that corporate directors will no longer have to submit their fingerprints in order to hold a limited license for the sale of communications equipment property insurance. The bill shall be effective upon becoming a law.

This bill substantially amends section 626.321 of the Florida Statutes.

II. Present Situation:

Classification of Agents: General Lines and Limited Lines

Insurance agents may be classified according to the number of products they may sell, the type of products they sell, and their place of residency. A "general lines agent," is authorized under state law to transact any or all of the following lines of insurance: property, casualty, surety, health and marine insurance. "Limited lines agents" are individuals or entities licensed as agents but limited to selling one or more of the following forms of insurance (each requiring a separate license): motor vehicle physical damage and mechanical breakdown, industrial fire or burglary, personal accident, baggage and motor vehicle excess liability, credit, credit life or disability,

credit property, crop hail and multiple peril crop insurance, or in-transit and storage personal property.¹ In transit and storage personal property insurance also includes communications equipment property insurance. General lines agents also may transact limited lines of insurance other than credit life insurance.

Insurance License Applications

Section 626.171, F.S., governs the process by which insurance licenses are issued in Florida. A written application must be submitted along with pre-payment of all applicable fees by any entity that is seeking licensure. The application must disclose information mandated by statute so that a determination may be made whether the applicant meets the necessary licensure requirements. An application for a license must be accompanied by a set of the individual applicant's fingerprints, or, if the applicant is not an individual, by a set of the fingerprints certified by a law enforcement officer of the sole proprietor, majority owner, partners, officers, and directors.² Under current law, directors of large corporations may be required to have their fingerprints taken as a condition of obtaining a license.

Communication Equipment Property Insurance

Coverage for the loss, theft, mechanical failure, damage or malfunctioning of communication equipment (e.g. cellular phones, laptop computers, personal digital assistants) is a form of property insurance. As a form of property insurance, it can only be sold through general lines agents, unless authorized as a limited line of insurance.

The limited license for communications equipment property insurance covers the policyholder against the loss, theft, mechanical failure, malfunction, or damage of equipment such as handsets, pagers, personal digital assistants, portable computers, automatic answering devices, and other devices or accessories used to originate or receive communications signals or service. However, it does not include telecommunication switching equipment, transmission wires, cell site transceiver equipment, or other equipment and systems used by telecommunications companies to provide telecommunications service to consumers.

Limited licenses for communications equipment are usually issued to each business location of a retail vendor of communications equipment. This particular limited license also may be issued to individual employees, agents or authorized representatives of a retail vendor of communications equipment. Employees or authorized representatives of general lines agents may also be issued this limited license.

III. Effect of Proposed Changes:

The bill permits the sale of communications equipment property insurance certificates to consumers under a group master policy. Consumers will receive insurance certificates that explain the basics of the policy they have purchased, rather than an entire insurance contract.

¹ S. 626.321, F.S.

² Section 626.171(5), Florida Statutes.

Currently, Florida law is ambiguous regarding whether this type of insurance may be issued under a group master policy.

The bill also eliminates the fingerprint requirements of c. 626, F.S., for entities that that are qualified to be issued a limited license for the sale of insurance covering communications equipment. Limited licensees for communications equipment property will no longer have to submit to fingerprinting in order to be licensed in the state of Florida under subsection (1) of 626.321, F.S.

The bill amends the language of subsection (3) of 626.321, F.S., to say that except as otherwise expressly provided, a “person” applying for or holding a limited license is subject to the same responsibilities as general lines agents. This makes subsection (3) applicable to individual persons and corporations (which are considered persons under the law). A result of this change is that corporate directors will not have to be fingerprinted in order for the corporation to hold a communications equipment property insurance license.

The act will take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Proponents of the bill assert that it will have a positive fiscal impact for multiple reasons. Permitting communications equipment insurance to be sold via certificate under a group master policy should make administration of the policies more efficient and cost-effective, possibly resulting in lower costs to consumers.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

Representatives from the Office of Insurance Regulation have not opposed elimination of the fingerprint requirement for this particular type of insurance, as this bill is limited to communications equipment property insurance, but strongly caution against the requirement's elimination with regard to other licenses for insurance. The office states that the fingerprint requirement is an effective tool in helping to identify applicants who should not receive a license to sell insurance, thus helping to eliminate insurance fraud before it can occur. The office does not oppose eliminating fingerprinting in the area of communications equipment insurance because of the low amount of fraud in the field. Fingerprinting has discovered few bad actors that are attempting to sell communications equipment insurance, thus the office thinks eliminating the requirement will not have a deleterious effect upon fraud prevention.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
