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Testimony of AB 737

Exempting certain sales from the notice and right to cancel provisions of the Wisconsin Consumer Act

To: Chairman Callahan and members of the Assembly Committee on Consumer Protection

Good morning Chairman Callahan and members of the committee,

I am here to support AB 737, a critical piece of legislation that proposes an amendment to Section 423.201 (1) (intro.) of the statutes in Wisconsin. This bill addresses a pivotal aspect of consumer protection by exempting sales conducted by entities regulated by the Office of the Commissioner of Insurance or their affiliates from specific provisions of the Wisconsin Consumer Act pertaining to notice and the three-day right to cancel.

Having thoroughly reviewed the bill, I am convinced that it strikes an important balance between safeguarding consumer rights and fostering a regulatory environment that recognizes the unique circumstances of entities under the purview of the Office of the Commissioner of Insurance. The proposed amendment acknowledges the extensive regulatory oversight that these entities already undergo, reducing redundancy in compliance requirements.

The consideration of a transaction amount threshold, specifically \$25,000 or less, demonstrates a nuanced understanding of the consumer protection landscape. By focusing on transactions that are more likely to impact individual consumers for personal, family, or household purposes, the bill aligns with the original intent of the Wisconsin Consumer Act while promoting regulatory efficiency.

This bill ensures the preservation of essential consumer rights and remedies under the Wisconsin Consumer Act in contexts where they are most needed. By exempting certain sales from the notice and three-day right to cancel provisions, the legislation creates a more conducive business environment for entities regulated by the Office of the Commissioner of Insurance, fostering economic growth and competitiveness.

I believe that this bill is a well-crafted and thoughtful response to the evolving needs of our regulatory framework. It enhances clarity in defining "consumer approval transactions," thus providing businesses and consumers with a clearer understanding of their respective rights and obligations.

I urge the committee to support this bill, recognizing its potential to streamline regulatory processes without compromising the fundamental protections afforded to consumers under the Wisconsin Consumer Act. Thank you for your time and consideration.

Sincerely,

Representative Paul Melotik
Assembly District 24



DUEY STROEBEL

STATE SENATOR • 20TH DISTRICT

Testimony on AB 737

January 4, 2024

Thank you Chairman Callahan and committee members for holding a public hearing on Assembly Bill 737, a piece of legislation aimed at avoiding duplicative regulation for insurance or warranty products regulated under the Office of the Commissioner of Insurance.

The Wisconsin Consumer Act regulates, among other things, door-to-door sales. Some degree of regulation in this area is understandable. Among the protections the Consumer Act offers are contract transparency, a right to cancel and a regulatory structure around refunds and penalties for violations of the Act's provisions. The Legislature enacted these requirements with a certain business model in mind.

One of the many products OCI currently regulates is technology insurance. These are often service plan contracts that you either buy or are included with purchase of an electronic device. The largest company doing business in this space is Asurion, who is here to testify for specific questions on their practices.

When a tech repair company is making a house call to repair or replace an item pursuant to one of its policies, it is an opportunity for both parties to discuss extending or expanding the coverage. Under current law, these transactions are covered by the Wisconsin Consumer Act, which DATCP enforces, even though the products are already regulated by OCI. The applicable law OCI and DATCP enforce have similar consumer protections, with the right-to-cancel window being more generous under OCI's statutes.

Therefore, I believe AB 737 would not expose consumers to any additional risk of bad actors while reducing the compliance costs of duplicative regulation. Lower compliance costs help keep prices low for consumers. I hope you will support AB 737. Thank you.

asurion

Olivia L. Spears

Senior Staff Counsel, Government Affairs
Testimony in Support of Assembly Bill 737

Good Morning, Chairman Callahan and members of the committee. My name is Olivia Spears, and I am Senior Staff Counsel for Asurion, a Nashville, Tennessee based company, and I am here to speak in support of Assembly Bill 737.

For some background on us, Asurion is a tech services and solutions company. Historically, our primary business has been repairing and replacing smart phones and other handheld devices—you likely know us if you have purchased an insured phone through certain providers like AT&T or Verizon. However, in recent years, we have expanded our business to include repairing, replacing, and installing all consumer personal electronic devices. In addition, we have 750 U Break I Fix stores across the country, including 15 here in Wisconsin.

While we are based in Tennessee, Wisconsin has and continues to be an important state to Asurion. We have operated here for nearly twenty years. We have 1.5 million Wisconsin subscribers, and we have 73 employees living here. Additionally, our CEO, Tim Stadthaus, is from La Crosse.

While we are grateful for Wisconsin's business climate, its in-home sale statute is an outlier among a majority of other states and creates duplicative regulations for portable electronic insurance and service contract products.

In-home sales statutes were originally created to protect consumers from unsolicited door-to-door and cold call salespeople selling unregulated goods, like encyclopedias and vacuum cleaners, outside of a regular place of business. A majority of states, however, have exempted the sales of insurance and service contracts from these statutes because these products are already regulated by other agencies both on the state and federal levels.

Assembly Bill 737 brings Wisconsin into alignment with the majority of other states that exempt companies like Asurion and their affiliates who are already regulated by the Office of the Commissioner of Insurance from the in-home sales statute. Assembly Bill 737 removes duplicative regulatory burdens while maintaining the consumer protections for such sales.

It is important to remember that, in addition to remaining regulated by OCI, any such sale by Asurion or other regulated entities and their affiliates would remain regulated by the FTC's Cooling Off Rule and would be subject to the deceptive and unfair trade practices under Wisconsin law.

It is likely helpful for the committee to see how this currently regulatory environment plays out for an Asurion customer:

A customer buys a TV with an Asurion protection plan at a store and employs one of our technicians to come to their house set up the TV. While the technician is in the home completing the job, the technician notices that the consumer also has other personal electronic devices, such as a computer and iPad. The technician tells the consumer about Asurion's Connected Home plan that covers all the tech in their home for a certain monthly price. The consumer then agrees to sign up for said plan.

When the consumer purchased the TV protection plan in the store, the sale was regulated under OCI. When the consumer purchased the Connected Home plan at their house, because of the conversation made between the technician and the consumer, Asurion's sale became regulated under OCI and the in-home sales statute. Under Assembly Bill 737, Asurion's product continues to be regulated by OCI regardless of where the product is purchased.

Why is this change important? Duplicative regulation creates confusion for the consumer and for the entities working in that space. Here is an example:

Under OCI regulations, consumers have 10-days to cancel a service contract. If our technician makes the sale in a home, under the Consumer Act, the consumer would only have 3 days to cancel. There is a longer opportunity for the consumer to assess and decide what's best for them under the OCI regulation.

Under the Consumer Act, Asurion and other entities are susceptible to potential fraud. Asurion could provide a repair or replacement service to a customer, and the customer could receive such repair or replacement and then subsequently cancel during the three-day window. Because the Consumer Act does not contemplate our products, Asurion and related entities would be out the costs of the service or replacement without any mechanism to recoup from the consumer.

AB737 applies to entities who are regulated by OCI and their affiliates. Affiliates in AB737 is defined in OCI section 600.03(1) as

“any other person who controls, is controlled by, or is under common control with, the first person. A corporation is an affiliate of another corporation, regardless of ownership, if substantially the same group of persons manage the 2 corporations.”

This means that the financial and enforcement liability would still fall on an affiliate's regulated insurer. An example of an affiliate for us would be our technicians who provide support to our customers. So, in context with the definition, our technicians would be subject to the same regulations, consumer protections, liabilities, and so on as required by law.

We at Asurion understand the importance of protection—our entire business is making sure our subscribers are protected when damage, technical issues, loss, and other events occur. This bill allows us to continue to do just that efficiently and effectively all while maintaining the protections that this State cares about too.

Thank you for your consideration of this bill. With that, I am happy to answer any questions the committee may have.

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