MEMBERS PRESENT: Chairman Price
Vice Chairman Polish
Mr. Beyer
Mr. DuBois
Mr. Glover
Mr. Mello
Mr. Prengaman
Mr. Schofield
Mrs. Westall

MEMBERS ABSENT: None

The meeting was called to order at 5:00 p.m. Mr. Price was in the Chair. He announced that he had received several requests to postpone hearings on AB 71 and there being no objections from the committee, it would be rescheduled.

He also informed those present that due to prior committments this evening, testimony on AB 69 and AB 70 would be limited to a brief summary from Donald Rhodes and those persons who were from out-of-state.

AB 69 Prescribes duties for commissioner of insurance.

AB 70 Imposes duties on insurers in relation to rates and coverage for motor vehicle insurance.

AB 71 Limits disclosure of information by insurers, agents and organizations which support the business of insurance.

Donald Rhodes, Research Division, Legislative Counsel Bureau, testified on these measures. For his comments, see attached Exhibits I and II, respectively. Also attached for future reference is his summary of AB 71. (Exhibit III)

Marialee Neighbours, Government Affairs Counsel, Alliance of American Insurers, testified in opposition to AB 69 and AB 70.
With regard to AB 69, Section 1, it was her belief that an insurance company should be permitted to establish territorial classifications based on losses that that company's group of policy holders is likely to experience. The uniform territories promulgated by the commissioner would not necessarily match with the loss experience collected by companies in the establishment of their own territories. She stated that the development of territories by insurance companies is one form of competition and often the refinement of those territories can be advantageous to the consumer.
A further provision of AB 69 that she is opposed to is the elimination of the rate standard related to price competition. Ideally, and by definition, in a competitive environment rates should not be excessive. It was her feeling that the commissioner should affirmatively establish that there is no reasonable competition before a determination of an excessive rate is established.
Pursuant to AB 70, Section 3 places an unreasonable restriction on insurance companies' use of classification and underwriting practices. There are very distinct differences, as far as loss experience, between classification groups based on criteria such as age, sex, marital status, etc. Many of the criteria are very good indicators of what the loss experience for a particular policy holder or classification will be. For example, studies have shown that the loss experience for the young male driver is three (3) times worse than that for the adult male driver. If companies are forced to write all risks, including many times poor risks, the long term result will be disadvantageous to existing policy holders who will have to pay for those poor risks being written.
Finally, with regard to Section 4, which requires insurance companies to list underwriting criteria with the insurance commissioner, it was Ms. Neighbours' opinion that the underwriting evaluation process is a very critical part of the risk assessment process. The insurance underwriter has an obligation to protect the company's surplus, and obviously is interested in making a profit also. He uses his knowledge and his judgment. It is not always strictly an objective determination but it is in the very nature of the risk assessment selection process that there be an opportunity for some judgment. The development and refinement of underwriting criteria is another way in which the market is competitive. As companies develop different guidelines, they reach out to policy holders and consumers in different ways. Ms. Neighbours felt this would perhaps stiffle competition and certainly innovation if companies were forced to report their underwriting criteria.

In response to a question from Mr. Mello, Ms. Neighbours stated that the Alliance of American Insurers is a national trade association of approximately 150 property and casualty insurance companies. She further stated that she would submit to the committee a list of those doing business in Nevada.

W. Victor Slevin, Vice President, Western Region, American Insurance Association, informed the committee that they were a trade association of approximately 157 stock insurance companies (publicly owned companies as opposed to mutual companies). He too will submit a list of companies operating in Nevada. His organization is opposed to both bills in that they are very anti-competitive. It was his opinion that they would tend to eliminate competition and straight jacket companies that are presently writing insurance in Nevada.

On AB 69, he concurred with Ms. Neighbours' comments on Section 1. Regarding Section 2, the elimination of lines 11-22 leaves the commissioner with only one test for determining whether a company's rates are excessive or not. Mr. Slevin questioned the commissioner's ability to decide whether a rate filed today is likely to produce an excess profit in the long run. No one knows what is going to be paid out in losses in the immediately following year or for the term of the rate.

He expressed further concern about the amount of work entailed in developing a buyer's guide as required in Section 3. He felt he could guarantee that every company doing business in Nevada would make certain that they are neither on the high nor the low side of the automobile insurance market. Everyone wants low insurance and will go to that company with the lowest rates. It was his opinion that a buyer's guide will almost mandate insurance companies to adjust their rates to somewhere in the middle where no one will know about or notice them. He also questioned the ability to furnish the commissioner with that type of information on a quarterly basis.

He stated that he would be willing to work with the commissioner's office in developing a buyer's guide but again stressed that it should not be too restrictive in what it must contain. The companies are going to have to decide where they want to show up in such a guide and whether they will have to change their coverage in order to do so.

Pursuant to AB 70, Section 3 is, in Mr. Slevin's opinion, a "take-all comers" system. It states that a company or agent cannot turn down anyone who asks for insurance. He informed the committee that New Jersey is an excellent example of a "take-all comers" system in that 43% of their motoring public is in the assigned risk plan. He further commented that 3 or 4 major companies have left New Jersey rather than write under these rules.

Mr. Price wished to point out that during the course of the Legislative Commission's Subcommittee to study motor vehicle insurance rates and rating practices, the New Jersey Commissioner of Insurance, Mr. James Sheerin, tesified in response to this particular question. He indicated that New Jersey had had no problem in furnishing insurance for anyone.

Virgil Anderson, AAA Insurance and Arthur Brian Hill, Assistant Vice President, Administrative Services, AAA, testified in opposition to these measures. They concurred with previous statements made.

Pete Ingham, Associate General Counsel, and Philip G. Heyde, Attorney, both representing State Farm Insurance, wished to go on record in opposition to these measures. They informed the committee that they would be available for questions and any help needed at the next scheduling of these bills.

For the record, Mr. Price stated that it was the basic feeling of the committee that if the state was going to require insurance for each and every person who drives, then it should also see to it that that insurance was available.

Mr. Price further announced that these measures will be rescheduled for hearing on Monday, March 2, 1981 at 5:00 p.m.

No action was taken at this time.

Mr. Price presented the following for committee introduction:

BDR 58-323 (AB 179) Makes various changes regarding the regulation of taxicabs.

Mrs. Westall moved for committee introduction.
Seconded by Mr. Prengaman.
Motion carried unanimously.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Cheri Kinsley

Cheri Kinsley, Secretary
Assembly Transportation Committee

ASSEMBLY

AGENDA FOR COMMITTEE ON TRANSPORTATION

Tuesday
Date February 17, 1981 Time 5:00 p.m. Room 214

Bills or Resolutions to be considered	Subject	Counsel requested*
AB 69	Prescribes duties for commissioner of insurance.	
AB 70	Imposes duties on insurers in relation to rates and coverage for motor vehicle insurance.	
AB 71	Limits disclosure of information by insurers, agents and organizations which support the business of insurance.	

*Please do not ask for counsel unless necessary.

7421

SUMMARY OF THE PROVISIONS OF A.B. 69

A.B. 69 reflects several recommendations made by the legislative commission's subcommittee which studied motor vehicle insurance rates and rating practices during the 1979-81 legislative interim.

The recommendations relate to (1) modification of the rate standard presumption concerning price competition; (2) use of investment income to evaluate motor vehicle insurance rates; (3) preparation of "shoppers' and buyers' guides" by the insurance division; (4) the denial of rates by the insurance division if they are not based on a reasonable classification system and relevant statistics; and (5) uniform rating territories.

1. Modification of Rate Standard Presumption Concerning Price Competition

Nevada has a "file-and-use" law which contains a provision concerning the presumption that rates are not excessive if a reasonable degree of price competition exists at the consumer level.

Based on insurance division testimony, the interim subcommittee felt that it is extremely difficult for the division to accurately determine if price competition exists when considering automobile insurance rate filing increases. No company in Nevada, with the possible exception of State Farm Insurance Company, has sufficient experience or volume to provide highly credible statistics for ratemaking purposes. Moreover, the insurance division has no existing proper mechanism to determine if rates are competitive.

The interim subcommittee believed that removal of the price competition presumption would give the insurance division the opportunity and ability to consider other factors such as profitability, nature of business, loss experience and investment income when analyzing motor vehicle insurance company rate increase requests. Now, in order for the insurance commissioner to disapprove a rate increase, the commissioner must make a two-step determination. First, he must find that competition is

Exhibit I

lacking, and then he must consider whether the long-run profitability of the insurer is unreasonably high in relation to the riskiness of the business or whether the expenses are unreasonably high in relation to the service rendered. The sub-committee thought the competititon presumption requirement is an unnecessary burden and therefore recommended:

> The rate standard presumption that rates are not excessive if price competition exists be removed from NRS 686B.050.

This recommendation is contained on page 1, section 2, of A.B. 69.

2. Use of Investment Income to Evaluate Motor Vehicle Insurance Rates

Investment income constitutes a substantial part of the income of automobile insurers. Investment income consists of dividends, interest, rents, and capital gains derived from the investments of the assets related to unearned premium reserves, loss and loss expense reserves and the company's capital and surplus.

Under existing law, (see subsection 3 of NRS 686B.050, "Rate standards") the insurance commissioner can determine that automobile insurance rates are inadequate if they are clearly insufficient, together with the investment income attributable to them, to sustain projected losses and expenses in the class of business to which they apply. Persons appearing before the interim subcommittee suggested that investment income be used to determine if rates are excessive. The subcommittee felt these suggestions have merit and believed investment income should be used to determine if rates are excessive as well as inadequate.

This recommendation is contained on page 2, section 2, of A.B. 69.

3. Shoppers' and Buyers' Guides

During each of the subcommittee's meetings, discussion was had concerning the extent to which automobile insurance buyers are uninformed about price differences between automobile insurance companies for similar coverage and about the types of coverages available. It was pointed out on several occasions that for competition to truly affect rates, buyers must know the product and shop around for the best insurance deal. This takes time, effort and a certain level of motivation. It also requires at

least some knowledge that motor vehicle insurance rates differ between insurance companies. The end result of shopping around, however, can produce dramatic savings. According to Robert Bailey, actuary for the National Association of Insurance Commissioners, approximately one-half of the states have printed some form of automobile insurance shoppers' guide. The guides vary from simple one page price comparison sheets showing the cost of coverage for an adult driving a standard American vehicle for pleasure use only to ambitious and costly documents providing comprehensive information about automobile insurance prices, underwriting criteria and types of product.

The subcommittee believed properly prepared shoppers' guides could serve an important function in Nevada by providing consumers with certain basic price comparisons and data about the complicated subject of motor vehicle insurance. Shoppers' guides could also serve as an incentive for automobile insurance buyers to shop for insurance by illustrating that price differences do exist. The subcommittee felt that shoppers' guides can be prepared in such a manner to caution automobile insurance buyers about both qualitative and quantitative differences between automobile insurance coverages and companies. The guide should also advise automobile insurance buyers about differences between companies' underwriting standards and rating criteria so that consumers understand why certain low cost coverages may not be available to them.

The subcommittee felt that two different documents should be prepared by the insurance division. The first is a one or two-page document which focuses primarily on price comparisons. The second is a comprehensive document containing detailed explanations of the insurance product. Each of the publications, the subcommittee believed, should be made available at no cost to the general public.

<u>The subcommittee's recommendations relating to shoppers' guides are contained on page 2, section 3, of the bill.</u>

4. <u>Denial of Rates If Not Based on Reasonable Classification System and Relevant Statistics</u>

The interim subcommittee spent considerable time reviewing public policy concerns about the use of age, sex, territory or marital status as rating criteria. (For a thorough discussion of this

topic see "Motor Vehicle Insurance Company Rating Practices" which starts on page 33 of Legislative Counsel Bureau Bulletin 81-3.) It determined that prohibiting the use of these factors would be premature because of the potential disruptive effect such denial could have on Nevada's insurance market.

While the subcommittee did not believe the denial of any specific rating criteria is the proper course of action at this time, it did, however, have concern that rating criteria meet basic standards of fairness, actuarial soundness and predictive accuracy. These should be minimum requirements, the subcommittee felt, in a state that requires its drivers to carry motor vehicle insurance. The subcommittee therefore recommended:

> The insurance commissioner deny any motor vehicle insurance rate increases if the rates are not based on a reasonable classification system, sound actuarial principles, and relevant and credible loss statistics, including reasonably related external data or anticipated trends.

This recommendation is contained on page 2, section 2, of A.B. 69.

5. Uniform Rating Territories

Motor vehicle insurance companies doing business in Nevada use territories to establish rates. The rationale for establishing rate variations by territory is that this provides a more adequate assessment of premiums charged based on severity and frequency of loss. Automobile insurers' territorial boundaries in Nevada vary from company to company and, depending upon where a person lives, his rates can be increased or decreased significantly. For example, under State Farm's plan, a person may pay as much as 80 percent more for bodily injury and property damage protection if he lives in certain parts of Las Vegas as opposed to rural areas of Nevada. Depending upon the insurer, there are between one and seven rating territories in Nevada.

The interim subcommittee heard testimony and reviewed material criticizing the use of territories to establish rates. Some witnesses also questioned the use of arbitrary dividing lines when drivers on either side of the lines often cross over for work or pleasure. Some witnesses suggested the use of a statewide territorial rate based on an average for the entire state.

This scheme, the subcommittee felt, would probably result in the rates of those residing in rural areas being increased and rates of those residing in urban areas being lowered.

Based on a review of the literature and recent court findings, the subcommittee believed the use of rating territories are legitimate tools to establish motor vehicle insurance premium levels. The subcommittee questioned, however, the practice of each company or group of companies establishing and using their own definition of territorial boundaries. It felt that uniform territories would be more feasible and could be useful in developing meaningful loss statistics. Such uniform rating territories would also be more defendable, the subcommittee felt, against challenges that they are arbitrary or not related to growth, work and residential patterns, which have been demonstrated to have bearing on loss experience. The subcommittee therefore recommended:

> The insurance commissioner establish uniform rating territories for motor vehicle insurance.

<u>This recommendation is contained on page 1, section 1, of A.B. 69.</u>

COST

The fiscal note for A.B. 69 says the shoppers' guides will cost $116,385 in the 1981-82 fiscal year and $113,766 in the 1982-83 fiscal year. Costs include expenses for technical and clerical time to develop guides, art work, printing, supplies, mailing preparation, and postage.

It should be pointed out that the insurance division produces revenue for the state from premium tax and other sources such as fees, fines, etc. Total premium tax collected in 1980 was $11,120,337. "Other" fees in 1980 amounted to $1,321,708. During the same year the division's cost of operation was $830,715.

Research Division
2/11/81

jld

SUMMARY OF THE PROVISIONS OF A.B. 70

Assembly Bill 70 emanates from three recommendations made by the legislative commission's subcommittee which studied motor vehicle insurance rates and rating practices during the 1979-81 legislative interim. These recommendations relate to (1) clarifying the amount motor vehicle insurance companies are required to pay for uninsured and underinsured motor vehicle insurance; (2) discrimination in underwriting criteria; and (3) insurers filing and explaining changes in underwriting criteria.

AMOUNT INSURERS PAY FOR UNINSURED AND UNDERINSURED MOTOR VEHICLE INSURANCE

Subsection 2 of NRS 687B.145, "Provisions in casualty insurance policies; Proration of recovery, benefits between policies; uninsured motorist coverage," added to NRS by section 2 of A.B. 616 (chapter 544, Statutes of Nevada 1979) provides, among other things, for the proration of benefits of underinsured motorist coverage. It says:

> * * * Insurance companies doing business in this state must offer uninsured motorist coverage equal to the limits of bodily injury coverage sold to the individual policyholder. Uninsured motorist coverage must include a provision which enables the insured to recover any amount of damages for bodily injury from his insurer to which he is legally entitled but which exceeds the limits of the bodily injury coverage carried by the owner or operator of the other vehicle.

According to presentations by the insurance division, the phrase "exceeds the limits of bodily injury carried by the owner or operator of the other vehicle" has been interpreted by insurers as a requirement that a payment, equal to any amount of damages for bodily injury from his insurer to which he is legally entitled, plus the limits of the bodily injury coverage carried by the owner or operator of the other vehicle, must be made to the injured insured. The insurance division maintains that the intent of subsection 2 of NRS 687B.145 is that the insurer only pay the difference, up to the level of compensation for which the insured is legally entitled, between the insured's coverage and other driver's limits of bodily injury coverage.

Exhibit II

The insurance division advised the interim subcommittee that an amendment clarifying the intent of subsection 2 of NRS 687B.145 would cause insurers to modify favorably their rates for uninsured/underinsured motorist coverage. The subcommittee therefore recommended:

> The statutes be amended to clarify that insurance companies are required to pay the difference between the uninsured motorist coverage the insured has purchased and the limits of the bodily injury coverage carried by the owner or operator of the other vehicle with whom he is involved in a motor vehicle accident.

This recommendation is contained on page 1, section 1, of A.B. 70. As noted, the words "up to the limits of the uninsured motorist coverage carried by the insured" are added to subsection 2 of NRS 687B.145.

UNDERWRITING CRITERIA

Except for a very few persons who qualify as self-insurers, Nevada drivers are compelled to carry automobile insurance. Drivers must show proof of insurance to register or reregister their vehicles. Moreover, failure to maintain mandatory insurance can result in fines and revocation of the driver's license and vehicle registration.

The interim subcommittee believed that because motor vehicle insurance is mandatory in Nevada, the standards which Nevada automobile insurance writers use in deciding whether to accept and retain risks must be fair, equitable and nondiscriminatory.

The subcommittee received testimony indicating that such is not the current situation in Nevada. Motor vehicle insurance applicants, the interim subcommittee was told, are turned down for insurance because of all kinds of arbitrary and discriminatory reasons not related to their accident histories, driving ability or traffic violation records. Factors which insurers consider in underwriting include place of residence, occupation, character, marital status, previous insurance status, underwriter's subjective judgment and others. Concerning occupation, one insurer' underwriting manual says:

> Occupation is an extremely important underwriting consideration for private passenger automobile insurance. We cannot statistically support our views on occupation * * * nevertheless, observation, judgment and experience have shown that as a group, persons engaged in certain occupations have a higher than average automobile accident frequency.

That manual lists numerous suspect occupations, including:

- employees in cabarets, cocktail lounges, dancehalls, nightclubs, and taverns;
- employees at establishments offering music, vending and slot machines;
- racetrack and sports promotion employees;
- migratory farmworkers;
- professional athletes, entertainers, and musicians;
- beauticians and manicurists;
- bellhops;
- busboys and other kitchen helpers;
- liquor store employees;
- oilfield employees engaged in drilling operations;
- painters and paperhangers;
- parking lot and garage attendants;
- delivery boys;
- taxicab drivers;
- waiters, waitresses and cooks;
- military personnel.

It is clear the implication that this list of suspect occupations has for Nevada residents, so many of whom work in the gaming and entertainment industries.

As noted earlier, certain companies also require underwriters to consider an applicant's character. Again, one company's manual provides an example of companies' use of this factor and how it can affect Nevada drivers. Not acceptable for any form of insurance are "professional gamblers" and those frequenting "gambling establishments, taverns, saloons, or nightclubs." Companies tell their underwriters to reject persons who are not dependable, at odds with their family, living beyond their means, and who do not "conform to normal patterns of social behavior." Of course, any company underwriter's analysis of an applicant's "character" is also based on that underwriter's own personal standards and prejudices.

Drivers who for some reason are not accepted in the standard market (those companies which accept "good risks") are forced into the so-called residual market which consists of the assigned risk plan and nonstandard companies. A certain percentage of drivers (in past years estimated at as high as 30-40 percent in Nevada) remain uninsured.

Drivers in the residual market pay higher premiums. Those insured with nonstandard companies must also deal with firms which are more likely to become insolvent, more likely to produce consumer complaints, and more likely to engage in deceptive and fraudulent practices.

Certain states' legislatures, such as Hawaii, Florida and Michigan, have shown concern about automobile insurers' underwriting practices and have enacted legislation limiting the criteria insurers can use to turn down customers.

Michigan's concern was focused by a supreme court decision in the case of Shavers v. Michigan which addresses the state's compulsory motor vehicle insurance law. The Michigan supreme court held that the no-fault law was constitutionally defective in failing to provide due process of law to individual Michigan motorists, who were required by the law to purchase no-fault insurance. The court reasoned that the Michigan statutory scheme did not assure that compulsory no-fault insurance would be available to the state's motorists at fair and equitable rates.

Based on the court's decision, Michigan passed a new law containing requirements for new rating and underwriting criteria. (Excerpts from the court's decision can be found on page 29 of Legislative Counsel Bureau Bulletin 81-3, "Motor Vehicle Insurance Rates and Rating Practices.")

The subcommittee felt the rationale in the Shavers decision is sound. Its report says: "A state which requires motor vehicle insurance as a condition of operating a vehicle on its highways and public streets should assure that motor vehicle insuance companies do not deny or cancel coverage based on discriminatory, arbitrary or capricious decisions." The subcommittee believed the existing mechanisms for guaranteeing motor vehicle insurance are seriously deficient. It recommended the following two remedies:

1. Discrimination in Underwriting Criteria

The interim subcommittee believed that factors not related to driving record or vehicle characteristics should not be included in motor vehicle insurance company underwriting considerations. It therefore recommended:

> No motor vehicle insurer refuse to insure, refuse to continue to insure, or limit coverage available an eligible person on the basis of occupation, residence, length of residence, marital status, age, sex, the applicant not having motor vehicle insurance in force at the time the application is made, insurance status, average miles driven or commuting mileage, amount of insurance, principal operator, or number of vehicles or number of licensed operators in the household.

This recommendation is addressed on page 2, section, of A.B. 70.

2. Insurers to File and Explain Changes in Underwriting Criteria

The subcommittee also believed that the insurance division should be aware of each insurer's underwriting criteria and be apprised when changes occur in such criteria. The subcommittee was advised that such is not the current practice. The subcommittee's report says: "To be effective in its regulation of motor vehicle insurers, the division must be cognizant of each insurer's underwriting practices."

A.B. 70 speaks to the interim subcommittee's concern by requiring (on page 2, section 4) each insurer to file a list of the criteria which it uses in underwriting risks for coverage under policies of motor vehicle insurance, and an explanation of those criteria, with each schedule of rates for motor vehicle insurance which it files with the commissioner. Under the bill, the commissioner may adopt regulations prescribing the form in which the required information must be filed.

Research Division
2/11/81

DAR/jld

SUMMARY OF THE PROVISIONS
OF A.B. 71

Background

Assembly bill 71 is the result of a recommendation by the interim subcommittee which studied motor vehicle insurance rates and rating practices during the 1979-81 legislative interim.

A tremendous technological expansion of the storage and retrieval capacities of data systems in recent years had led to a recognition by many that legislative action is necessary to establish a proper balance between individual privacy rights and institutional needs for information. Several recommendations have been developed for action to govern the information practices of the insurance industry, which is probably the largest private sector collector and user of personally identifiable information in the nation today. There seems to be a general agreement that properly drafted legislative standards for the information practices of the insurance industry are both necessary and desirable.

With this knowledge, a National Association of Insurance Commissioners Privacy Protection Task Force was established to review the recommendations of the President's Privacy Protection Study Commission and to develop appropriate model laws or regulations.

NAIC Model Privacy Protection Act

The end result of the task force efforts is the NAIC Insurance Information and Privacy Protection Act which was approved unanimously by the entire membership of the National Association of Insurance Commissioners on December 7, 1979. (The membership of the National Association of Insurance Commissioners consists of the commissioners, directors, superintendents or other officials in the states who are charged by law with the responsibility of supervising the business of insurance.)

Exhibit III

The NAIC Insurance Information and Privacy Protection Act represents the recommendations of the NAIC for legislation at state-level to effectuate private protection standards for insurance information practices. The preamble of the model act defines its purpose. It says:

> The purpose of this Act is to establish standards for the collection, use and disclosure by insurance institutions, agents, or insurance-support organizations of information gathered in connection with insurance transactions; to maintain a balance between the need for information by those conducting the business of insurance and the public's need for fairness in insurance information practices, including the need to minimize intrusiveness; to establish a regulatory mechanism to enable natural persons to ascertain what information is being or has been collected about them in connection with insurance transactions and to have access to such information for the purpose of verifying or disputing its accuracy; to limit the disclosure of information collected in connection with insurance transactions; and to enable insurance applicants and policyholders to obtain the reasons for any adverse underwriting decision.

Interim Subcommittee Recommendation

The interim subcommittee believed, with the rapidly increasing amounts of personal information being sought and maintained by insurance companies, that the protections in the NAIC's model act are needed to limit abuses.

A.B. 71

Assembly bill 71, which is patterned after the model act, does the following:

Section(s)	Provision(s)
1 & 2	Mechanical.
3-11	Definitions.
12	Requires notice by insurers of practices with regard to personal information to applicants and sets out required contents of notice.
13	Delivery requirements for notice required by section 12.
14	Requires notice to insurance coverage applicants of procedures for gaining access to information gathered by insurers.
15	Limits right of insurer to conduct or request investigations.
16	Limits use of interviews by persons pretending to be another person, misrepresented purpose of interview.
17	Limits gathering of information relating to past insurance experience of applicant and insured.
18	Limits disclosure of personal information.
19	Requires certain disclosures by insurers before requesting applicants and others to sign disclosure authorizations.
20	Provides access to information in the hands of insurers and others for the insureds and applicants.

21	Provides for correction of personal information.
22	Limits types of information on which adverse underwriting decisions may be made.
23	Requires notice to applicant and insured of an adverse underwriting decision.
24	Requires insurers to give notice of reasons for certain underwriting decisions.
25 & 26	Provides penalties for unauthorized disclosure and for further disclosing information obtained from an agency, insurer, etc., authorized to have it under these provisions.
27	Extends effect of bill to all information, no matter when obtained.

Comments

The NAIC Insurance Information and Privacy Protection Act was revised in December 1980, after the bill draft for assembly bill 71 was prepared. The amendments to the proposed model act would:

1. Modify sections 12 and 13 of A.B. 71 by, among other things, deleting reference to specific insurance transactions and by providing that certain notice requirements apply to information obtained from public records.

2. Reword subsection 2 of section 19 of A.B. 71. This language relates to the expiration of the dates of authorization to disclose personal information.

3. Add the term consumer reporting agency to those organizations which may copy and disclose personal information on an insurer's behalf (see subsection 4 of section 20 of A.B. 71) and makes other references to consumer reporting agency.

4. Reword provisions relating to disclosure of information by insurers to applicants or policyholders who are suspicioned, based on specific information available for review by the commissioner, to have engaged in criminal activities.

5. Add the term criminal activity to paragraph (a), subsection 3, of section 18 of A.B. 71. Section 18 relates to the disclosure of information to certain organizations to detect or prevent fraud and other wrong doings.

6. Delete reference in the model bill to scientific research, add the term actuarial, and place duties on actuarial or research organizations not to disclose specified information. (Related provisions are contained in section 18, page 5, of A.B. 71.)

7. Add to the list of organizations which may receive information: group policyholders, professional peer review organizations, and governmental authorities, and specify the permitted use of the information by those organizations.

DAR/llp
2/11/81