ASSEMBLY BILL NO. 120–ASSEMBLYMAN AIZLEY

FEBRUARY 14, 2013

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing information provided to insurance policyholders. (BDR 57-802)

FISCAL NOTE: Effect on Local Government: Increases or Newly Provides for Term of Imprisonment in County or City Jail or Detention Facility.
Effect on the State: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~[omitted material]~~ is material to be omitted.

AN ACT relating to insurance; requiring an insurer to provide certain information to a policyholder when an insurance score is used to determine an insurance premium; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Subject to certain limitations, an insurer is allowed to use an insurance score, defined as a number or rating that is derived from an algorithm, computer application, model or other process that is based in whole or in part on credit information, when determining an insurance premium. (NRS 686A.660, 686A.680) If an insurer uses credit information in underwriting or rating an applicant, the insurer is required to provide written disclosure that the insurer may obtain credit information in connection with an application. (NRS 686A.700) If an insurer takes adverse action based on credit information, the insurer is required to provide to the applicant or policyholder a detailed explanation of the reasons for the adverse action. (NRS 686A.710) This bill requires any insurer who uses an insurance score to determine the amount of a premium to provide within the policy: (1) notice that the score was used; (2) the minimum possible insurance score which could have been obtained by any person; (3) the maximum possible insurance score which could have been obtained by any person; and (4) the insurance score actually obtained by the policyholder. Any person who violates this requirement is guilty of a misdemeanor. (NRS 679A.180)

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 686A.700 is hereby amended to read as follows:

686A.700 1. If an insurer uses credit information in underwriting or rating an applicant, the insurer or its agent shall disclose, either on the application for the policy or at the time the application is taken, that the insurer may obtain credit information in connection with the application. The disclosure must be written or provided to an applicant in the same medium as the application. The insurer need not provide the disclosure required pursuant to this ~~[section]~~ ***subsection*** to a policyholder upon renewal of a policy if the policyholder was previously provided the disclosure in connection with the policy.

~~[2.]~~ An insurer may comply with the requirements of this ~~[section]~~ ***subsection*** by providing the following statement:

> In connection with this application for insurance, we may review your credit report or obtain or use a credit-based insurance score based on the information contained in that credit report. We may use a third party in connection with the development of your insurance score.

2. If an insurer uses an insurance score when calculating the premium for a policy of insurance, the insurer must include within the policy:

(a) Notice that the insurance score of the policyholder was used when calculating the premium; and

(b) An explanation of the insurance score used to calculate the premium, which must include, without limitation:

(1) The maximum possible insurance score obtainable by any person under the insurance scoring methodology used by the insurer;

(2) The minimum possible insurance score obtainable by any person under the insurance scoring methodology used by the insurer; and

(3) The actual insurance score assigned to or obtained by the policyholder.