

ADVERSE ACTION NOTICES AND INSURANCE SCORING MODELS

Assembly Bill 404 of the 2007 Nevada Legislative Session amended the Nevada law governing the requirements for notices to consumers when their credit information results in an adverse action (NRS 686A.710). The amendment requires the insurer to provide notice to the consumer explaining the reasons for the adverse action and requires that this “notice of adverse action” be provided on a form approved by the Commissioner of Insurance (Commissioner). The amended law goes into effect on October 1, 2007.

Personal lines insurers that use credit information in underwriting or rating must file their “notices of adverse action” for review and approval by the Commissioner on or before September 10, 2007. If an insurer is unable to comply with this deadline, it may request a 90-day extension in writing on or before September 10, 2007. The request must include an explanation of why additional time is necessary to comply. Additional 90-day extensions may be granted for good cause but must be submitted at least 30 days before the filing is due. An insurer may continue to use an unapproved “notice of adverse action” if an extension period was approved. Extensions will not be granted to extend the filing deadline beyond March 10, 2008.

Effective October 1, 2007, any “notice of adverse action” that an insurer intends to use will require prior approval from the Commissioner unless the insurer was granted an extension from the filing deadline.

1. The “notice of adverse action” filing must be submitted to the Division with the Property and Casualty transmittal document and a \$10 fee for each notice template filed in accordance with established filing procedures.
2. The filing must include at least one example of a complete “notice of adverse action” that a policyholder would receive.
3. The filing must also include a list of each possible reason for adverse action. The reasons must have sufficiently clear and specific language so that a reasonable person can identify the basis for the insurer’s decision to take the adverse action. The expanded standardized reasons created by Fair Isaac and ChoicePoint for the state of Washington are examples of acceptable explanations.
4. Any future changes to the approved “notice of adverse action” or reasons for adverse action requires prior approval from the Commissioner before its use.

The Division emphasizes the importance of consumer knowledge and assistance and recommends that insurers using insurance scoring models establish a process to help policyholders understand any adverse effects on their premiums related to credit information.

The Division is tasked with reviewing rate change requests. Insurers using credit information will be asked in their rate filings to explain and justify their insurance scoring models and demonstrate that the insurance scoring models do not unfairly discriminate among policyholders. Models which unfairly discriminate among policyholders are contrary to Nevada law.

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Commissioner of Insurance

