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## National Council of Insurance Legislators (NCOIL)

### Insurance Underwriting Transparency Model Act

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*\*Draft as of February 2, 2022 based on Indiana HB 1238*

*\*To be discussed by the NCOIL Property & Casualty Insurance Committee on February 11, 2022 and March 5, 2022.*

*\*Sponsored by Rep. Matt Lehman (IN) – NCOIL Immediate Past President*

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#### **Section 1. Title**

This Act shall be known and cited as the “[State] Insurance Underwriting Transparency Act.”

#### **Section 2. Definitions**

“**Adverse Action**” means a denial or cancellation of, an increase in a charge for, or a reduction or other adverse or unfavorable change in the terms of coverage or amount of insurance in connection with the underwriting of a personal insurance policy.

“**External Consumer Data**” means data or information that is obtained from an external source and used by an insurer to supplement traditional underwriting.

### **Section 3. Transparency Requirements**

(a) If an insurer<sup>1</sup> uses external consumer data to underwrite and rate risks, the insurer, upon a written request, whether delivered electronically or hard copy, by a consumer, must disclose to the consumer all primary factors, up to a maximum of ten (10), of those most heavily weighed, that the insurer uses in calculating a premium.

(b) If an insurer takes an adverse action based on external consumer data, the insurer must provide written notice, whether delivered electronically or hard copy, to the consumer explaining the reason for the adverse action. The notice must include:

(1) sufficiently clear and specific language so the consumer is able to identify the basis for the insurer's decision to take an adverse action; and

(2) all factors, up to a maximum of ten (10), that were the primary influences on the adverse action.

### **Section 4. Penalties**

A violation concerning external consumer data shall constitute a violation of [*insert citation to state unfair trade practices statute*].

### **Section 5. Rules**

The Commissioner shall adopt rules as necessary to effectuate the provisions of this Act.

*Drafting Note: "Commissioner" may be replaced with the title of the state's chief insurance regulatory officer.*

### **Section 6. Effective Date**

This Act shall be effective in six (6) months for all applications, renewals, and declinations thereafter.

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<sup>1</sup> Terms such as "insurer" are intentionally not defined in this Model so that the specific definitions of each state's insurance code shall govern.