

State Corporation Commission
2001 Fiscal Impact Statement

1. Bill Number HB2157

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed

Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron Morgan

3. Committee Commerce and Labor

4. Title Insurance transactions; privacy, consumer protection.

5. Summary/Purpose: Incorporates consumer protection provisions that states are allowed to implement under the federal Gramm-Leach-Bliley Act relating to sales of insurance by depository institutions. These provisions are made applicable to any person who lends money or extends credit and who solicits insurance in connection with the transaction. The measure also amends existing privacy protection provisions to provide consumers with additional notices required by the Act. Insurers or agents are required to give a financial information practices notice not less than once in any consecutive 12-month period, which notice will explain the individual's right to "opt out" of having his financial information disclosed to a nonaffiliated third party. The notice also describes the types of financial information that may be disclosed to affiliates and nonaffiliated third parties and the categories of persons to whom financial information may be disclosed. Medical record information and privileged claim information may not be disclosed to affiliates or nonaffiliated third parties unless prior written authorization is obtained. An information practices notice that describes the types of personal information (including medical record information) that may be collected and disclosed will still have to be given every two years as required under current law.

House Bill 2157 establishes certain standards pertaining to banks selling insurance and consumer privacy protection. This proposal is the result of the Gramm-Leach-Bliley Act that was signed into law on November 12, 1999. The federal Act was titled the Financial Services Modernization Act because it allows for the breakdown of the barriers between the banking, insurance and securities businesses. However, the traditional federal and state regulators of banks will continue to regulate banking activities, insurance regulators will continue to regulate insurance activities, and securities regulators will continue to regulate securities activities. These provisions are made applicable to any person who lends money or extends credit and who solicits insurance in connection with the transaction.

6. No Fiscal Impact

7. Budget amendment necessary: No

8. Fiscal implications: None

9. Specific agency or political subdivisions affected: State Corporation Commission
Bureau of Insurance

10. Technical amendment necessary: Bureau of Insurance staff anticipate a few line amendments to the bill in the Senate as interested parties continue to work on this legislation.

11. Other comments: Delegate Morgan introduced HB 2157 at the request of the State Corporation Commission Bureau of Insurance. Bureau staff worked throughout the course of 2000 to determine which provisions of the federal Act needed to be adopted in Virginia to avoid federal preemption of Virginia statutes in the areas of privacy and consumer protection. If the General Assembly chooses not to enact the provisions of HB 2157, Virginia law may be preempted if it is deemed to fall below any of the federal statutes in the area of banks selling insurance and consumer privacy protection. The Bureau of Insurance staff made an effort to stay as close as possible to the original language of the federal Act to avoid preemption.

Date: February 9, 2001

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cc: Secretary of Commerce and Trade

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