JAMES W. NEWMAN, JR.
COMMISSIONER OF INSURANCE

W. G. FLOURNOY
FIRST DEPUTY COMMISSIONER

COMMONWEALTH OF VIRGINIA

BOX 1157
RICHMOND, VA. 23209
TELEPHONE (804) 786 – 3

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

October 15, 1981

Administrative Letter 1981-1

MEMORANDUM

TO: All Insurance Companies Licensed for Life Insurance and Accident and Sickness Insurance in Virginia

RE: Adverse Underwriting Decision Notice

The Virginia Insurance Code has contained a requirement regarding adverse underwritin decision (AUD) notices for three years. This appears now as Section 38.1-52.14 of the Code of Virginia

During the 1981 Session, the Virginia General Assembly enacted the Insurance Informatio and Privacy Protection Act (Section 38.1-57.2 et seq.), which takes effect on January 1, 1982. I wrot to you previously about this in Administrative Letter 1981-4 dated May 13, 1981.

Section 38.1-57.13 establishes requirements regarding AUD notices very similar to but no the same as the requirements contained in the current AUD law. It will be necessary for all AUI notices now being used in Virginia to be modified for use on and after January 1, 1982 so that the comply with the new requirements.

There are three changes that must be made in AUD notices. First, present law give individuals sixty days to request information after getting an AUD notice. The new law extends this t ninety business days. Second, the new law requires that AUD notices contain a summary of th individual's rights regarding correction, amendment, and deletion of information in the files regardin the adverse underwriting decision in addition to a summary of the individual's rights to see and copy th information. Finally, Paragraph D of Section 38.1-57.11 makes it clear that it will no longer be possibl to charge for copies of personal information provided to an individual in connection with an advers underwriting decision. However, a reasonable charge can be made to cover the costs incurred i providing a copy of recorded personal information in situations other than adverse underwritin decisions.

On the reverse side of this letter is a prototype AUD notice setting forth the kinds o information that should be contained in AUD notices on and after January 1, 1982. AUD notice containing wording identical or substantially similar to the wording in the prototype are deemed to b approved for use in Virginia and need not be filed. This in no way prevents an AUD notice fron containing more information about rights provided under Virginia law or about the procedures used b the insurance institution, agent, or insurance-support organization to comply with the law.

Each company is hereby directed to give a copy of this letter including the prototype AUI notice to each of its licensed Virginia agents.

Sincerely,

James W. Newman Jr.

James W. Newman, Jr.
Commissioner of Insuranc

JWNjr:dj

Prototype AUD Notice

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Dear XXX XXXX

In connection with your application for or policy of _____
_____,
we have found it necessary to take the following action: _____
_____.
The reasons for this action are as follows: (The reason for the action may be given here or in lieu of this sentence the following sentence may be substituted: "You have a right to obtain the specific reason(s) for this decision by submitting a written request to the company.")

You have the right to know the specific items of information that support the reasons given for this decision and the identity of the source of that information. You also have the right to see and obtain copies of documents relating to this decision.

If you ask us to correct, amend, or delete any information about you in our files and if we refuse to do so, you have the right to give us a concise statement of what you believe is the correct information. We will put your statement in our file so that anyone reviewing your file will see it.

If you would like additional information concerning this action, state law requires that you submit a written request within ninety (90) business days of the date this notice was mailed to you. Please send your request to:

_____(Show the name and address of the person_____

_____or department to contact for additional information.)_____

(Form No.)
(Edition Date)