

ARIZONA STATE SENATE
RESEARCH STAFF



TO: MEMBERS OF THE SENATE FINANCIAL
INSTITUTIONS COMMITTEE

ZACHARY DEAN
LEGISLATIVE RESEARCH INTERN

DATE: February 29, 2016

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SENATE FINANCIAL INSTITUTIONS COMMITTEE
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SUBJECT: Strike everything amendment to H.B. 2238,
relating to identity theft group policies; insurance

Purpose

Allows insurance companies to issue or deliver an identity theft group insurance policy in this state.

Background

According to the United States Department of Justice, 17.6 million people nationwide were victims of identity theft 2014. According to NASDAQ, data breaches totaled 1,540 worldwide in 2014 and led to the compromise of more than one billion data records.

Most major insurance companies currently offer policies on identity theft losses. Such policies are meant to cover individuals in the event of credit card fraud, stolen social security numbers and other similar events. These policies usually do not extend to companies or groups.

New York is currently the only state to have enacted legislation pertaining to identity theft group insurance policies.

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Allows insurers to issue an identity theft group insurance policy to cover losses incurred due to a stolen identity event.
2. Permits authorized insurers, or unauthorized insurers to issue identity theft group insurance in this state. For unauthorized insurers, a policy form shall be filed with the Department of Insurance (Department) outlining the policy being issued, along with a certificate consisting of the terms of the policy.
3. Permits insurers to issue policies to either of the following:

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- a) a business that sells products or services designed to prevent or minimize the effects of stolen identity events; or
 - b) any entity where members are engaged in a common enterprise or social affinity and policy issuance is in the best interest of the public.
4. Requires that groups listed above consist only of natural persons.
 5. Allows an immediate family member, household member to be covered by the policy.
 6. Requires insurers to treat all eligible groups of the same class in a like manner.
 7. States that policy premiums can be wholly paid by the policyholder, the group members or both.
 8. Requires that policies be issued for one year unless otherwise provided.
 9. Allows an insurer to cancel a policy for one or more of the following reasons:
 - a) nonpayment of premiums if proper notice of cancellation is given;
 - b) conviction of a criminal offense relating to hazards for which the insured is covered;
 - c) fraud or misrepresentation in obtaining a policy or presenting a claim;
 - d) violation of any policy condition that substantially increases the hazard insured against;
 - e) changes in the nature of potential threats that substantially increase risk of loss beyond what was originally contemplated; and
 - f) the Director of the Department (Director) determines the current premium volume of the insurer would threaten the insurer's solvency or the interests of the policyholders.
 10. States that coverage for an individual group member is terminated upon termination of employment with the group policyholder.
 11. Specifies that an act or an omission by a group member does not constitute a basis for cancellation of the entire group policy.
 12. Requires insurers to set forth specific reasons for cancellation, and that cancellation does not become effective until 45 days after delivery of a written cancellation notice, or 20 days in the event of nonpayment.
 13. Allows group policyholders to cancel policies for any reason upon 30 days' written notice to the insurer. Group members must be notified of policy cancellation unless a similar policy has been acquired by the policyholder.
 14. Requires that identity theft loss occurring before the effective date of cancellation or nonrenewal is covered as provided.
 15. Requires the Director to adopt rules necessary to implement the provisions of the bill.

16. Exempts the Department from rulemaking for one year after the effective date of the bill.

Definitions

17. Defines *certificate holder* as the individual insured group member.

18. Defines *conditional renewal* as a renewal with changes in limits, coverage, deductibles or premiums.

19. Defines *group policyholder* as groups described in new sections of statute to which an identity theft insurance policy may be issued.

20. Defines *identity theft group insurance* as a form of identity theft insurance covering groups of persons.

21. Defines *identity theft insurance* as insurance against losses and expenses resulting from a stolen identity event.

22. Defines *stolen identity event* as theft, accidental release, publication or misappropriation of information related to personal identification or social security number.

23. Becomes effective on the general effective date.

House Action

INS	1/27/16	DP	7-0-1
3 rd Read	2/4/16		47-10-3

FB/ZD/rf