5. (1.5 points)

   a. (0.75 point)

      Briefly describe three ways in which the Graham-Leach-Bliley Act (GLB) regulates the participation of banking institutions in insurance.

   b. (0.25 point)

      Briefly describe how GLB addresses privacy concerns that arise from the sharing of information between banks and their insurer affiliates.

   c. (0.5 point)

      Identify the NAIC Model Act issued in response to GLB, and briefly describe the GLB provision that prompted its issuance.

CONTINUED ON NEXT PAGE

of insurers.
Part c
Candidates were expected to understand how states regulate insurance. Common errors included: • Describing the groups involved in regulation rather than actual methods of regulation. For example "Legislative Branch, Judicial Branch, Executive Branch." • Not providing specific methods of regulation. For example "State laws applicable to insurance / insurer must follow state rules."
Part d
Candidates were expected to identify and describe the role of the federal government in two insurance programs. Common errors included: • Identifying a state-run program, rather than one in which the federal government was involved (FAIR, Residual Auto, WC). • "RRGs." These are alternate risk transfer entities made possible through the Liability Risk Retention Act, but the RRGs form under the laws of a state. These are not insurance programs in which the federal government has a role. • Providing insufficient explanation on the relationship, such as only stating "partner". • Providing an inaccurate description of the role of the federal government for a given program. For example, stating "writing, servicing, collecting premium, and/or paying losses" for Social Security.

QUESTION: SPRING 2018 EXAM 6U, QUESTION 5	
TOTAL POINT VALUE: 1.5	**LEARNING OBJECTIVE: A4**
SAMPLE ANSWERS	
Part a: 0.75 point	
Sample Responses • It prohibits national banks from forming subsidiaries to sell insurance • Financial holding companies allowed to create insurance affiliates • If holding company holds bank and insurer, funds may not be used from bank to pay claims • It prevents states from prohibiting banks from selling insurance • It facilitates producer's ability to operate in multiple states • Banks must disclose information sharing practices between its banking and insurance counterparts • Reaffirms that states continue to regulate insurance • Separates the underwriting and marketing of insurance. Banks can market insurance sold by affiliates. • Customer data protections to keep bank and insurance from sharing data of customers	
Part b: 0.25 point	

Sample Responses

- Banks must disclose information sharing practices between banks and insurance affiliates
- Publish information sharing guideline to protect privacy of consumer on sharing between banks and insurance affiliates

Part c: 0.5 point

Sample Responses

- NAIC Model Act issued Producer Model Act, asking states to facilitate producers' ability to sell insurance across state by offering reciprocal licensing system or similar.
- Developed the Insurance Producers Model Law to establish uniformity among states to facilitate writing across state lines

EXAMINER'S REPORT

Candidates were expected to understand the major results and consequences of the Gramm-Leach-Bliley Act, and why some specific portions of the act were included to address those consequences.

Part a

Candidates were expected to understand the results or consequences of the Gramm-Leach-Bliley Act (GLB).

Common mistakes included:

- Repeating the same reason as separate entries. For example, "Different servicing segments regulated by different regulators separately", "Federal regulate banking business", and "State regulators regulate business of insurance while Fed regulates very limited areas".
- Providing insufficient detail such as "Allows banks to sell insurance".
- Stating that the Act subjects banks to separate or additional capital requirements if they want to form a holding company in order to create an insurance affiliate.
- Stating that the Act prohibits or restricts the information affiliates of the same holding company may share with one another.
- Stating that the Act prohibits tying (it was already illegal to do so before the Act).
- Confusing GLB with other historic financial acts (e.g. Dodd-Frank) and providing details of another act instead.

Part b

Candidates were expected to understand how the Act dealt specifically with privacy issues raised by affiliates being able to share information within the same corporate structure.

Common mistakes included:

- Stating that the Act prohibits or restricts the information affiliates of the same holding company may share with one another. While the Act does allow consumers to "opt- out" and restrict the personal information one may share with unaffiliated companies, it does not have the same opt-out requirement within the same corporate structure.
- Addressing privacy issues with data sharing between unaffiliated companies, which did

not answer this question.
Part c
Candidates were expected to recall the NAIC model act that was issued in response to the Act. Common mistakes included: • Answering with the Dodd-Frank Act, or other federal legislation, which was not an act of the NAIC. • Answering with an NAIC act that addressed privacy concerns by restricting data sharing between affiliates.

QUESTION: SPRING 2018 EXAM 6U, QUESTION 6	
TOTAL POINT VALUE: 2.75	**LEARNING OBJECTIVES: B2, B3**
SAMPLE ANSWERS	
Part a: 1 point	
• Drivers apply and are rejected from insurers, then apply to the ARP. Those policies are assigned to all companies in the state based on their auto premium. Once assigned, the insurance company treats those policies as if they wrote them, and is in charge of collecting premium and settling claims. • Insured was rejected by insurers and went to involuntary market. Then insured will be assigned to an insurer to buy auto insurance at price and coverage level determined by the Assigned Risk Plan. The insurer will write and service the insured and retain the profit/loss. • When a consumer is unable to attain coverage within 60 days in the voluntary market, they are placed in an Assigned Risk Plan in the involuntary market. The consumer will have higher premium, higher collision deductibles, and limited Med Pay coverage. The insurer receives a number of high risk drivers that corresponds with their share of the state market. The insurer is responsible for the losses of these drivers only. • A risk applies for auto coverage in the private market, but is denied from a significant number of insurers. The risk can then purchase coverage from the Assigned Risk Plan, which offers minimum limits at a higher rate than the voluntary market. Risk is assigned to insurer based on market share and insurer services policyholder normally. • High risk drivers are denied coverage in voluntary market. With a valid driver's license, they apply to ARP. APR allocates policies to insurers of the state based on their share in voluntary market. • After the person fails to secure an insurer in voluntary market for 60 days or more, and is able to meet certain criteria (having a license and no felonies in a certain period), applies to ARP. ARP distributes the policyholders to all insurance companies operating in the state by market share. The insurance company is responsible for the allocated driver's loss and profit. This makes it a very volatile residual program. • Insureds gets rejected from the voluntary auto market. Each insurer in the market is assigned a portion of these policies based on their premium volume in the voluntary market. Rates are usually higher than those in the voluntary market. Insured has a stigma	