

**ADOPTED REGULATION OF THE  
COMMISSIONER OF INSURANCE**

**LCB File No. R132-05**

Effective October 31, 2005

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1-6 and 8, NRS 679B.130 and section 60 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at page 2113 (NRS 691C.430); §7, NRS 679B.130 and sections 56 and 60 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at page 2113 (NRS 691C.390 and 691C.430, respectively).

A REGULATION relating to insurance; defining “guaranteed asset protection,” “extended coverage” and “standard fire policy” as used in NRS; providing that a guaranteed asset protection policy must cover an insurance deductible in certain circumstances; providing guidelines for rate making of credit personal property insurance; providing that a refund of any unearned premium on a cancelled credit personal property insurance policy is not required if the amount is less than \$5; providing for the Commissioner of Insurance to conduct a survey of credit personal property insurers to determine reasonable rates; providing for certain rates to be deemed to be reasonable; and providing other matters properly relating thereto.

**Section 1.** Chapter 691C of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive, of this regulation.

**Sec. 2.** *As used in sections 2 to 8, inclusive, of this regulation, unless the context otherwise requires, “guaranteed asset protection” means an insurance policy that covers the difference between the actual cash value of the vehicle and the outstanding loan balance or lease balance in the event of a total loss of the vehicle.*

**Sec. 3.** *As used in section 41 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at page 2107 (NRS 691C.240), “guaranteed asset protection” has the meaning ascribed to it in section 2 of this regulation.*

**Sec. 4. 1.** *As used in section 43 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at page 2108 (NRS 691C.260):*

*(a) “Extended coverage” includes, but is not limited to, coverage against all direct losses by:*

- (1) Fire;*
- (2) Lightning;*
- (3) Internal or other explosion;*
- (4) Riot;*
- (5) Vehicles;*
- (6) Civil commotion;*
- (7) Fireplace or other smoke;*
- (8) Hail;*
- (9) Aircraft;*
- (10) Windstorm;*
- (11) Volcanic eruption;*
- (12) Vandalism and malicious mischief;*
- (13) Burglary;*
- (14) Weight of ice, snow or sleet;*
- (15) Discharge of water or steam;*
- (16) Falling objects;*
- (17) Freezing;*
- (18) Sudden tearing, cracking or burning;*
- (19) Electrical current;*

*(20) Flood;*

*(21) Earthquake;*

*(22) Theft; and*

*(23) Mysterious disappearance.*

*(b) "Standard fire policy" means a policy or contract of insurance that provides coverage against all direct loss by fire or lightning, and for costs incurred in removing from the premises property endangered by the perils insured against, as described in the policy declarations.*

*2. This section does not apply to guaranteed asset protection.*

*Sec. 5. Guaranteed asset protection must cover an insurance deductible, up to \$1,000, as part of a claim settlement.*

*Sec. 6. Rates filed pursuant to section 49 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at page 2110 (NRS 691C.320), must be actuarially justified based on:*

- 1. Actual and expected loss experience;*
- 2. General and administrative expenses;*
- 3. Loss settlement and adjustment expenses;*
- 4. Reasonable producer compensation;*
- 5. The manner in which premiums are charged;*
- 6. Other acquisition costs;*
- 7. Reserves;*
- 8. Taxes;*
- 9. Regulatory license fees and fund assessments;*

*10. Reasonable insurer profit; and*

*11. Other relevant data consistent with generally accepted actuarial standards.*

*Sec. 7. A person is not entitled to a refund if the amount of any unearned premium that remains outstanding at the time of cancellation of his policy of credit personal property insurance is less than \$5.*

*Sec. 8. 1. As soon as practicable, the Commissioner will conduct a survey of credit personal property insurers to determine reasonable rates pursuant to section 51 of Assembly Bill No. 338 of the 73rd Session of the Nevada Legislature, chapter 456, Statutes of Nevada 2005, at page 2111 (NRS 691C.340).*

*2. An insurer surveyed by the Commissioner pursuant to subsection 1 shall provide the information requested by the Commissioner by the date specified by the Commissioner.*

*3. Any rate filed with and approved by the Commissioner before October 1, 2005, shall be deemed reasonable until the Commissioner:*

*(a) Determines that the rate is excessive, inadequate or unfairly discriminatory in accordance with the standards established in NRS 686B.050; or*

*(b) Establishes by regulation reasonable rates pursuant to subsection 1.*

**NOTICE OF ADOPTION OF PROPOSED REGULATION**  
**LCB File No. R132-05**

The Commissioner of Insurance adopted regulations assigned LCB File No. R132-05 which pertain to chapter 691C of the Nevada Administrative Code on September 29, 2005

**Notice date:** 8/22/2005

**Date of adoption by agency:** 9/29/2005

**Hearing date:** 9/26/2005

**Filing date:** 10/31/2005

**INFORMATIONAL STATEMENT**

A hearing was held on September 26, 2005, at the offices of the Department of Business and Industry, Division of Insurance (Division), 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, with a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, Manufactured Housing Division Conference Room, 2<sup>nd</sup> Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning credit personal property insurance.

Public comment was solicited by posting notice of the hearing in the following public locations: 788 Fairview Drive, Legislative Counsel Bureau, Capitol Building Lobby, Blasdel Building, Carson City Courthouse, State Library, Clark County Library, Capitol Press Room and the Division's Las Vegas office.

The Division maintains a list of interested parties, comprised mainly of insurance companies, agencies, and other persons regulated by the Division. These persons were notified of the hearing and that copies of the regulation could be obtained from or examined at the office of the Division in Carson City or obtained from the Division's Web site. Due to the possible impact on certain small businesses, trade associations and chambers of commerce were also noticed.

The hearing was attended by 22 individuals. Oral testimony was provided by: Ted Batchelder, Chuck Knaus, Janice Moskowitz, Erin Summers, and Elena Ahrens, representing the Division; Larry Diehl, representing Consumer Credit Insurance Association; Scott McMillin, representing Universal Underwriters Group; Harry Bassett, representing Assurant Solutions; and Mark Webb, representing American International Group. Written comments were discussed during the workshop.

There were ten revisions recommended and made to the Proposed Regulation, LCB File No. R132-05, dated September 20, 2005. The revised version of the regulation is attached. The revisions amend Chapter 691C of the Nevada Administrative Code (NAC). The Commissioner issued an order adopting the regulation, as revised, pursuant to the workshop and hearing, as a permanent regulation of the Division.

Based upon the testimony received at the hearing, the proposed regulation is revised to read as follows:

1. Section 1 is amended to read as follows:

Section 1. Chapter 691C of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to ~~[5]~~ 2, inclusive, of this regulation.

2. Section 2 is amended to read as follows:

Sec. 2. As used in section 41 of Assembly Bill No. 338 of the 73<sup>rd</sup> Session of the Nevada Legislature and sections ~~[2 to]~~ 5 and 6, ~~[inclusive,]~~ of this regulation, unless the context otherwise requires, “guaranteed asset protection” means an insurance policy that ~~[supplements primary vehicle insurance coverage and]~~ covers the difference between the actual cash value of the ~~[insured]~~ vehicle and the outstanding loan balance or lease balance in the event of a total loss of the vehicle.

3. A new section 3 was added to read as follows:

“Standard Fire Policy,” as used in section 43 of Assembly Bill No. 338 of the 73<sup>rd</sup> Session of the Nevada Legislature, means a policy or contract of insurance that provides coverage against all direct loss by fire, lightning and for costs incurred in removing from the premises property endangered by the perils insured against, as described in the policy declarations.

4. A new section 4 was added to read as follows:

“Extended Coverage,” as used in section 43 of Assembly Bill No. 338 of the 73<sup>rd</sup> Session of the Nevada Legislature, includes, but is not limited to, coverage against all direct losses by fire; lightning; internal explosion; riot; explosion; vehicles; civil commotion; smoke; hail; aircraft; windstorm; volcanic eruption; vandalism and malicious mischief; burglary; weight of ice, snow, sleet; discharge of water or steam; falling objects; freezing; sudden tearing, cracking, burning; electrical current; fireplace smoke; flood; earthquake; theft; and mysterious disappearance.

5. Section 3 now becomes section 5 with no other changes.

6. A new section 6 was added to read as follows:

Sections 3 and 4 of this chapter do not apply to guaranteed asset protection insurance.

7. Section 4 now becomes section 7 with no other changes.

8. Section 5 now becomes section 8 and is amended to read as follows:

~~[1. Except as otherwise provided in subsection 2, a person is entitled to a refund of any unearned premium if his policy or contract is cancelled, for any reason, before the scheduled date of termination.]~~

[2.] A person is not entitled to a refund if the amount of any unearned premium that remains outstanding at the time of cancellation of a policy of credit personal property insurance is less than \$5.

9. A new section 9 was added to read as follows:

1. As soon as practicable, the Commissioner will conduct a survey of credit personal property insurers to determine reasonable rates pursuant to section 51 of Assembly Bill No. 338 of the 73<sup>rd</sup> Session of the Nevada Legislature.

2. An insurer surveyed by the Commissioner pursuant to subsection 1 shall provide the requested information in the timeframe specified by the Commissioner.

3. Any rate filed with and approved by the Commissioner before October 1, 2005 shall be deemed reasonable until and unless:

(a) The Commissioner determines the rate is excessive, inadequate or unfairly discriminatory in accordance with the standards established in NRS 686B.050 and NRS 686B.060; or

(b) The Commissioner establishes by regulation reasonable rates pursuant to subsection 1.

The economic impact of the regulation is as follows:

- (a) On the business it is to regulate: The proposed regulation would require a minimal additional cost to the credit personal property insurer to file forms and rates for approval by the Commissioner.
- (b) On the public: The proposed regulation will potentially protect consumers in the purchase of credit personal property insurance, including guaranteed asset protection insurance, by regulation of the reasonableness of costs in relation to the protection provided.

The Division will incur some additional expense to enforce the proposed regulation that cannot be measured at this time. This additional expense is expected to be minimal.

The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.