

STUDY OF THE RELATIONSHIP BETWEEN
PREMIUMS AND ACTUAL COSTS
TO PROVIDE INSURANCE



Bulletin No. 89-6

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

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Assembly Concurrent Resolution No. 55--Committee on
Legislative Functions
FILE NUMBER 154

ASSEMBLY CONCURRENT RESOLUTION--Directing the Legislative Commission to
conduct an interim study of the relationship between premiums and the actual cost
to provide insurance.

WHEREAS, Insurance is a practical necessity of life for everyone; and
WHEREAS, The cost of insurance has skyrocketed in recent years; and
WHEREAS, Certain persons can no longer afford insurance coverage and
therefore are unprotected should a catastrophe befall them; now, therefore,
be it

RESOLVED BY THE ASSEMBLY OF THE STATE OF NEVADA, THE SENATE
CONCURRING, That the Legislative Commission is hereby directed to conduct
a comprehensive study of the relationship of premiums and related income to
the actual costs and expenses of providing insurance; and be it further

RESOLVED, That the Legislative Commission may consider the following
kinds of insurance during its study:

1. Liability insurance provided to:
 - (a) Governmental agencies and political subdivisions of this state,
including:
 - (1) Cities and towns;
 - (2) School districts; and
 - (3) Other political subdivisions;
 - (b) Public officers;
 - (c) Establishments where alcoholic beverages are sold;
 - (d) Facilities for the care of children;
 - (e) Labor, fraternal or religious organizations; and
 - (f) Officers or directors of organizations formed pursuant to Title 7 of
NRS;
 2. Liability insurance for:
 - (a) Defective products;
 - (b) Medical malpractice;
 - (c) Malpractice of attorneys;
 - (d) Malpractice of architects and engineers; and
 - (e) Errors and omissions by other professionally qualified persons; and
 3. Vehicle insurance, for:
 - (a) Private vehicles;
 - (b) Commercial vehicles;
 - (c) Liability insurance; and
 - (d) Insurance for related property damage;
- and be it further

RESOLVED. That the Legislative Commission may require that insurers submit reports which include, without limitation, information specifically pertaining to this state or to an insurer in its entirety, in the aggregate or by type of insurance, and for a previous or current year, regarding:

1. Premiums directly written;
2. Premiums directly earned;
3. Number of policies issued;
4. Net investment income, using appropriate estimates when necessary;
5. Losses paid;
6. Losses incurred;
7. Loss reserves, including:
 - (a) Losses unpaid on reported claims; and
 - (b) Losses unpaid on incurred but not reported claims;
8. Number of claims, including:
 - (a) Claims paid; and
 - (b) Claims that have arisen but are unpaid;
9. Expenses for adjustment of losses, including allocated and unallocated losses;
10. Net underwriting gain or loss;
11. Net operation gain or loss, including net investment income; and
12. Any other information requested by the Legislative Commission;

and be it further

RESOLVED. That the Legislative Commission may also obtain, based upon an insurer in its entirety, information regarding:

1. Recoverable federal income tax;
2. Net unrealized capital gain or loss; and
3. All other expenses not specifically listed;

and be it further

RESOLVED. That the Legislative Commission is specifically empowered to subpoena any records of an insurance company doing business in this state to further the objectives of the comprehensive study; and be it further

RESOLVED. That the results of the study and any recommended legislation be submitted to the 65th session of the Legislature.

REPORT OF THE LEGISLATIVE COMMISSION

TO THE MEMBERS OF THE 65TH SESSION OF THE NEVADA
LEGISLATURE:

This report is submitted in compliance with Assembly
Concurrent Resolution No. 55 of the 64th session of the
Nevada legislature which directed the legislative commission
to study the relationship between premiums and the actual
costs to provide insurance.

The members of the subcommittee appointed by the legislative
commission to conduct the study were:

Assemblyman Gene T. Porter, Chairman
Senator Bob Coffin, Vice Chairman
Senator Joseph M. Neal, Jr.
Assemblyman John B. DuBois
Assemblyman Bob E. Gaston
Assemblyman Myrna T. Williams

Legislative counsel bureau staff services for the
subcommittee were provided by Paul T. Mouritsen of the
research division (principal staff), Kimberly A. Morgan of
the legal division (legal counsel) and Lyndl L. Payne of the
research division (subcommittee secretary). The
subcommittee wishes to acknowledge the valuable assistance
which it received from the commissioner of insurance in the
department of commerce, and from members of his staff.

In this report, the subcommittee has attempted to present
its recommendations in a concise form. All supporting
documents and minutes are on file with the research library
of the legislative counsel bureau and are available for
review.

This report is transmitted to the members of the 65th
session of the Nevada legislature for their consideration
and appropriate action.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
October 1988

* * * * *

LEGISLATIVE COMMISSION

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SUMMARY OF RECOMMENDATIONS

The legislative commission's subcommittee studying the relationship between premiums and the actual cost to provide insurance recommends that the 65th session of the Nevada legislature:

1. Direct the insurance division in the department of commerce to publish a shopper's guide on automobile insurance. The guide should include comparative information on rates offered by various insurers. (BDR 57-233)
2. Declare that collision damage waivers issued by automobile rental agencies are insurance and should be regulated in the same manner as other types of insurance. (BDR 57-231)
3. Establish a mandatory arbitration procedure to settle automobile accident claims of less than \$15,000. (BDR 3-234)
4. Establish a pilot program for a state system to provide automobile insurance as an alternative to the insurance provided by private insurers. (BDR S-232)
5. Amend the statutes to require automobile insurance companies which direct their customers to particular automobile body shops, or which provide a list of recommended shops, to recommend or direct their customers only to shops which are licensed pursuant to Nevada Revised Statutes 487.600, et seq. (BDR 57-228)
6. Repeal the sunset provision in Senate Bill 236 (chapter 654, Statutes of Nevada, 1987) to allow the commissioner of insurance in the insurance division to continue to collect and analyze statistical information regarding specific subclasses of insurance. (BDR 57-227)
7. Forbid automobile insurance companies to base rates on the geographic area or neighborhood in which the insured resides. (BDR 57-230)
8. Amend the statutes to provide that no rate increase should be effective until the commissioner of insurance has acted upon it. Require that the commissioner act within 60 days. (BDR 57-229)

REPORT TO THE 65TH SESSION OF THE NEVADA LEGISLATURE BY THE
LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO STUDY THE
RELATIONSHIP BETWEEN PREMIUMS AND THE ACTUAL COSTS
TO PROVIDE INSURANCE

I. INTRODUCTION

Insurance plays a vital role in modern economies. By eliminating the uncertainty of financial losses and widely distributing the cost of compensating for those losses, insurance makes it possible for individuals to undertake many activities which would otherwise be too risky. Thus, insurance contributes to business and social stability as well as to economic growth.

The regulation of the insurance industry is almost exclusively the responsibility of state governments. State legislatures make laws to ensure that insurance companies are solvent and able to meet their financial obligations. States also regulate the content of insurance policies, and govern the conduct of insurance adjusters, salesmen and other representatives of the industry who deal with the public.

Recent years have witnessed large increases in the premiums charged for many types of insurance. In addition, some types of insurance have become difficult to obtain. These problems have caused significant hardships for many of Nevada's business enterprises, local governments and individual citizens.

In response to these problems, the 1987 Nevada legislature determined that a careful examination of the insurance industry and the state's regulatory practices was in order. This resolve led to the passage of Assembly Concurrent Resolution No. 55 (File No. 154) which authorized the legislative commission to undertake a study of the relationship between premiums and the actual costs to provide insurance.

Assembly Concurrent Resolution No. 55 was drawn in broad terms. Its provisions allowed the legislative commission to study almost all forms of insurance except health and life. The resolution also granted the commission extensive powers to obtain records and statistical information regarding insurance company operations.

Because of the limited amount of time available, the subcommittee decided to limit its investigations to one

specific line - automobile insurance. This line of coverage was selected for special scrutiny because it affects so many of Nevada's citizens and has such a large effect on the state's economy. The subcommittee also felt that the large premium increases which some customers have experienced in recent years justified giving special attention to this particular line.

II. THE INSURANCE ACCOUNTING SYSTEM

In accordance with its mandate, the subcommittee carefully studied the relationship between premiums and the costs of insurance. In particular, it reviewed how premium dollars pass through the insurance accounting system. According to testimony presented before the subcommittee, insurance companies are required to follow statutory accounting - a system of accounting prescribed by statute and designed to limit the ability of management to dissipate company assets. The accounting methods used by insurance companies are dictated by law because insurance companies perform an important public function and the public has a strong interest in the ability of insurers to pay any claims which may arise.

In many respects, statutory accounting is stricter and more conservative than the accounting systems followed by other types of business enterprises. Statutory accounting requires insurance companies to set up an elaborate system of reserves. These reserves hold funds until they are needed to pay claims or until no more claims are likely to be made against them. This system of reserves prevents insurance companies from using money paid in as premiums to meet other expenses or to pay dividends until the money is no longer needed to offset claims.

When premiums are initially received, they are placed in an unearned premium reserve. Over the period covered by a policy of insurance, funds are gradually transferred out of this reserve until, when the policy is fully expired, the unearned premium reserve is depleted. For example, if an insurance policy for a period of 1 year were sold for \$12,000, the entire premium would initially be placed in an unearned premium reserve. At the end of each month, \$1,000 would be considered earned and transferred out of this reserve.

As funds are transferred out of the unearned premium reserve, they may be:

1. Used to replenish the capital or surplus which was depleted to sell the insurance policy; or
2. Placed in other reserves to cover claims which the insurance company may still be obligated to pay.

These other reserves might include one for claims that have been incurred but not reported. These reserves also may contain a claims loss reserve for claims that have been reported but have not yet been settled. As time passes and claims are settled, or the likelihood that a claim will be filed diminishes, these reserves are depleted and the funds are made available to the insurance company for other uses. In some lines of insurance, long periods of time may expire before all claims are reported and settled.

III. THE RATE SETTING PROCESS

The regulation of insurance rates in Nevada is the responsibility of the commissioner of insurance in the insurance division of the department of commerce. Under state law, proposed insurance rates must be reviewed by the commissioner to make certain that they are:

1. Adequate to prevent the insolvency of the insurance company and to provide for contingencies;
2. Not excessive; and
3. Not unfairly discriminatory.

During periods of strong competition, some insurance companies may be tempted to offer policies at rates which are too low to meet the claims which subsequently may be filed. The long-term financial stability of such companies is threatened by this practice. When interest rates are high, insurance companies may engage in "cash flow underwriting," which is selling insurance below its real cost in hopes of making a profit by investing the premiums before claims are paid.

At other times, insurance companies may file rates which are in excess of what can be justified by previous claims experience. The commissioner of insurance must examine proposed rates to make sure that they are neither so low as to threaten the ability of the insurers to survive and meet their obligations, nor so high as to be in excess of what is needed to pay expected claims and make a reasonable profit.

The commissioner of insurance also must review rate filings to make certain that insurance buyers who present the same degree of risk are charged the same premium. Distinctions which companies make between different classes of insurance buyers in setting rates must be reasonable and justified by previous experience.

Three factors go into determining what is a proper rate to charge for a particular policy. These factors are:

1. The frequency of claims filed, generally expressed as the number of claims filed per 100 policies written;
2. The severity of the claims, or the average cost of settling a claim; and
3. The loss ratio, which is the ratio of the amount paid in claims to the amount collected in premiums.

The subcommittee examined extensive data regarding the frequency and severity of claims and the loss ratio experienced by various automobile insurers in territories throughout Nevada.

During the 1987 session, the Nevada legislature made some changes in the rate setting procedure. Prior to 1987, insurance companies were allowed to make a rate filing with the commissioner of insurance and immediately begin to use the new rate. The commissioner had to challenge the rate after it had gone into effect. However, in practice, insurance companies had generally filed proposed rate changes sometime before they were to become effective in order to give the commissioner an opportunity to determine whether he would challenge the rate.

Assembly Bill 315 (chapter 655, Statutes of Nevada, 1987 - Nevada Revised Statutes [NRS] 686B.050) changed this procedure and greatly strengthened the powers of the insurance commissioner to regulate rates. (See Appendix A.) Under the provisions of this bill, insurers must file rate changes with the commissioner 30 days before they become effective. If the insurance commissioner disapproves a rate, and the insurer requests a hearing to determine the validity of the commissioner's action, the burden of proof is placed upon the insurer. The hearing must be open to the public.

This law also provides that an insurer may use rates and supplementary information prepared by a rate service organization only if its own loss experience is

insufficient. In addition, the measure removed the presumption that rates established in a competitive market are not excessive. Instead, this law provides that the insurance commissioner may disapprove a rate filing if there is not sufficient competition in the market. The commissioner also is authorized to consider whether price competition is the result of the market or is artificial.

IV. BACKGROUND ON RECOMMENDATIONS

During the hearings held by the subcommittee, several suggestions were made for improving the regulatory process, moderating automobile insurance rate increases, and improving the quality of service received by consumers of insurance. After careful consideration, eight proposals were recommended by the subcommittee for the consideration of the 1989 Nevada legislature. The background for each of these recommendations is summarized below.

A. INSURANCE SHOPPER'S GUIDE

According to information collected by the subcommittee, there is considerable variation in the rates offered by insurance companies. Consumers of insurance are unaware of these variations and, consequently, wrongly assume that the rates offered by different companies are much the same. As a result, they sometimes fail to contact several companies and compare premiums. This failure reduces incentives for companies to provide the best possible service at the lowest possible price.

The subcommittee believes that this problem would be alleviated if the insurance division in the department of commerce were to publish and distribute a shopper's guide on automobile insurance. It would not be necessary for the guide to include every rate offered by every company, but should cite some rate variations to encourage customers to contact several companies before choosing an insurer.

The subcommittee, therefore, recommends that the 1989 legislature:

Direct the insurance division in the department of commerce to publish a shopper's guide on automobile insurance. The guide should include comparative information on rates offered by various insurers.

B. COLLISION DAMAGE WAIVERS

Automobile rental agencies frequently sell their customers collision damage waivers. A collision damage waiver is an agreement by the agency not to hold the renter of the automobile responsible for any damage which may occur while he or she is using the vehicle.

Recently, there have been many complaints about this practice. One problem is that the waivers are frequently unnecessary, since many renters are already covered by their own insurance policies. Another problem is that the waivers are often overpriced. The fee charged by the agency is far out of proportion to the actual value of the protection received. In addition, automobile rental customers may be subjected to undue pressure to purchase the waivers.

Although collision damage waivers do not involve risk pooling and, consequently, are not insurance in the strictest sense of the word, they serve much the same purpose as insurance and are sometimes marketed as such. At the present time, collision damage waivers are not regulated in Nevada. The form of the contract is not examined by any regulatory body to determine whether it is fair, and rates are not controlled.

Therefore, the subcommittee recommends that the Nevada legislature:

Declare that collision damage waivers issued by automobile rental agencies are insurance and should be regulated in the same manner as other types of insurance.

C. MANDATORY ARBITRATION

According to data presented to the subcommittee, only a very small portion of all automobile insurance claims are contested. An even smaller number are actually litigated. Nevertheless, the litigation of contested claims can be costly and time-consuming, both for the claimant and for the insurance company.

The subcommittee considered a number of proposals for settling contested claims without litigation. It also examined mandatory arbitration laws which are presently in effect in several other states. The subcommittee concluded that mandatory arbitration of small automobile insurance claims has the potential to reduce claim settlement costs,

provide injured claimants with faster payments and relieve a burden in the court system.

Therefore, the subcommittee recommends that the Nevada legislature:

Establish a mandatory arbitration procedure to settle automobile accident claims of less than \$15,000.

D. STATE-OPERATED INSURANCE COMPANY

Under Nevada law, all drivers must be covered by automobile liability insurance. For most Nevadans, being able to drive is an economic necessity. Most individuals are able to obtain suitable insurance from private insurers, but for some, the burden of purchasing private insurance is extremely heavy.

The subcommittee believes that the state should offer some alternative to private automobile insurance for those who are unable to obtain suitable coverage at a reasonable price. Therefore, Nevada should explore the possibility of establishing a state-operated insurance system. Insurance provided by the state should initially be in the form of a "pilot program" to determine whether it will be successful. The program should be closely evaluated over a period of time.

The subcommittee recommends that the Nevada legislature:

Establish a pilot program for a state system to provide automobile insurance as an alternative to the insurance provided by private insurers.

E. LICENSED AUTOMOBILE BODY SHOPS

During the 1987 session, the Nevada legislature passed Assembly Bill 883 (Nevada Revised Statutes [NRS] 487.600, et seq., "Body Shops" - Appendix B). This bill provides for the licensure of automobile body shops. It requires that all shops be licensed and that they post a \$10,000 bond. The bill is intended to protect the public from unscrupulous body shop operators.

Some automobile insurance companies routinely direct their customers to certain shops to repair damages caused by accidents. Others provide claimants with a list of recommended shops.

The subcommittee recommends that the Nevada legislature:

Amend the statutes to require automobile insurance companies which direct their customers to particular automobile body shops, or which provide a list of recommended shops, to recommend or direct their customers only to shops which are licensed pursuant to Nevada Revised Statutes 487.600, et seq.

F. DATA COLLECTION

Due to increasing concerns over the price and availability of certain types of insurance, the 1987 legislature passed Senate Bill 236 (chapter 654, Statutes of Nevada, 1987 - see Appendix D). The measure provides for the collection of detailed information regarding certain subclasses of insurance, such as liability insurance for day care centers, in which problems exist.

This law requires the commissioner of insurance to collect detailed financial information from insurance companies operating in Nevada. This information is used to determine the relationship between premiums, related income and expenses of insurers, and to evaluate the market for commercial liability insurance in Nevada. The commissioner is required to report his findings to the legislature no later than February 1, 1989.

The new law also authorizes the commissioner to adopt regulations requiring insurers to provide specified financial information. Insurers who do not cooperate are subject to administrative fines of \$1,000 per day up to a maximum of \$50,000. Insurers who fail to cooperate also may have their certificate of authority to transact business in Nevada revoked or suspended. In addition, insurers may be assessed a fee of up to \$500 each to pay the costs of administering and enforcing the provisions of the act.

It should be noted that a sunset provision will cause this law to expire by limitation on June 30, 1989.

The commissioner of insurance testified to the subcommittee that the provisions of this law have been implemented. The insurance division is collecting the information specified in the act and has hired additional staff to analyze it. The commissioner believes that the data collection and analysis program authorized by the law should be continued.

After careful consideration, the subcommittee recommends that the Nevada legislature:

Repeal the sunset provision in Senate Bill 236 (chapter 654, Statutes of Nevada, 1987) to allow the commissioner of insurance in the insurance division to continue to collect and analyze statistical information regarding specific subclasses of insurance.

G. TERRITORIAL RATING

One factor in determining the premium which an individual pays for automobile insurance is the geographic area in which he lives. Insurance companies frequently group several postal service zip code areas together to make up a rating territory. The loss experience within that territory is considered as one factor in determining the rate which individuals living there will pay.

Proponents of territorial rating claim that the practice is justified by real differences in risk. They say that drivers who live and do most of their driving in a rural or suburban area should not pay as high a rate as drivers who live and drive in a high density urban area.

Opponents of territorial rating claim that it leads to unjustifiable discrimination between consumers of insurance. Two insurance customers living across the street from each other may pay substantially different rates simply because their zip codes are not the same. Other problems arise when the United States Postal Service alters the boundaries of its zip code designations. Insurance customers may then experience rate increases even though neither their place of residence nor their driving habits have changed.

The subcommittee recommends that the Nevada legislature:

Forbid automobile insurance companies to base rates on the geographic area or neighborhood in which the insured resides.

H. RATE REVIEW PROCEDURES

Under current Nevada law, as amended in 1987, insurance companies are required to file proposed rate changes with the commissioner of insurance at least 30 days before they become effective. The commissioner may either allow the rate to go into effect, ask for an extension of 15 days to consider the rate further, or disapprove the rate (Assembly Bill 315, Statutes of Nevada, 1987 - NRS 686B.100, "Delayed effect of changes in rates; filing of supporting data" - Appendix A). If the commissioner disapproves the rate, the

Under this system, it is at least theoretically possible for an unjustified rate increase to go into effect simply because the commissioner failed to act.

The subcommittee recommends that the Nevada legislature:

Amend the statutes to provide that no rate increase should be effective until the commissioner of insurance has acted upon it. Require that the commissioner act within 60 days.

I. FUNDING FOR THE INSURANCE DIVISION

The members of the subcommittee recognize that these recommendations, if implemented, will create additional administrative burdens for the insurance division. At several of the subcommittee's meetings, there was some discussion regarding the adequacy of the funding presently provided to the division. It was noted that the staff of the insurance division is now somewhat smaller than it was during the early 1970's, when Nevada's population and the volume of insurance sold in the state was much lower. Members of the subcommittee also noted that the insurance industry generates considerable revenues, in the form of the insurance premium tax, for the state's general fund.

Although the subcommittee took no official action on this point, some members corresponded with the governor urging him to provide, in the budget which he submits to the legislature, for more adequate funding for the division. These members suggested that this funding should come from the state's general fund.

V. APPENDICES

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APPENDIX A

Nevada Revised Statutes 686B.050 through NRS 686B.115

Nevada Revised Statutes

686B.050 Standards.

1. Rates must not be excessive, inadequate or unfairly discriminatory, nor may an insurer charge any rate which if continued will have or tend to have the effect of destroying competition or creating a monopoly.

2. The commissioner may disapprove rates if there is not a reasonable degree of price competition at the consumer level with respect to the class of business to which they apply. In determining whether a reasonable degree of price competition exists, the commissioner shall consider all relevant tests, including:

(a) The number of insurers actively engaged in the class of business and their shares of the market;

(b) The existence of differentials in rates in that class of business;

(c) Whether long-run profitability for insurers generally of the class of business is unreasonably high in relation to its riskiness;

(d) Consumers' knowledge in regard to the market in question and

(e) Whether price competition is a result of the market or is artificial.

If competition does not exist, rates are excessive if they are likely to produce a long-run profit that is unreasonably high in relation to the riskiness of the class of business, or if expenses are unreasonably high in relation to the services rendered.

3. Rates are inadequate if they are clearly insufficient, together with the income from investments attributable to them, to sustain projected losses and expenses in the class of business to which they apply.

4. One rate is unfairly discriminatory in relation to another in the same class if it clearly fails to reflect equitably the differences in expected losses and expenses. Rates are not unfairly discriminatory because different premiums result for policyholders with similar exposure to loss but different expense factors, or similar expense factors but different exposure to loss, so long as the rates reflect the differences with reasonable accuracy. Rates are not unfairly discriminatory if they are averaged broadly among persons insured under a group, franchise or blanket policy.

(Added to NRS by 1971, 1699; A 1987, 1533)

686B.060 Determination of whether rates comply with standards. In determining whether rates comply with the standards under NRS 686B.050, the following criteria shall be applied:

1. Due consideration shall be given to past and prospective loss and expense experience within and outside of this state, to catastrophe hazards and contingencies, to trends within and outside of this state, to loadings for leveling premium rates over time or for dividends or savings to be allowed or returned by insurers to their policyholders, members or subscribers, and to all other relevant factors, including the judgment of technical personnel.

2. Risks may be classified in any reasonable way for the establishment of rates and minimum premiums, except that classifications may not be based on race, color, creed or national origin. Rates thus produced may be modified for individual risks in accordance with rating plans or schedules which establish reasonable standards for measuring probable variations in hazards, expenses, or both.

3. The expense provisions included in the rates to be used by an insurer may reflect the operating methods of the insurer and, so far as it is credible, its own expense experience.

4. The rates may contain an allowance permitting a profit that is not unreasonable in relation to the riskiness of the class of business.

(Added to NRS by 1971, 1700)

--ANNOTATIONS--

Administrative Regulations.
Miscellaneous Provisions, NAC 686B.410
et seq

Attorney General's Opinions.
Refund permissible under "participating plan." If policy issued by mutual fire insurance company is on "participating plan," there is nothing in the law which prohibits refund at end of year, of part of premium as a dividend. AGO 82 (6-3-1932)

686B.070 Filing of rates and supplementary information. Every authorized insurer and every rate service organization licensed under NRS 686B.130 which has been designated by any insurer for the filing of rates under subsection 2 of NRS 686B.090 shall file with the commissioner all:

1. Rates;
 2. Forms of policies to which the rates apply;
 3. Supplementary rate information; and
 4. Changes and amendments thereof,
- made by it for use in this state at least 30 days before the date the rates become effective.

(Added to NRS by 1971, 1700; A 1981, 698; 1987, 1533)

--ANNOTATIONS--

Administrative Regulations.
Miscellaneous Provisions, NAC 686B.410
et seq.

686B.080 Rates and supplementary information open to public inspection; copies. Each filing and any supporting information filed under NRS 686B.010 to 686B.175, inclusive, must, as soon as filed, be open to public inspection at any reasonable time. Copies may be obtained by any person on request and upon payment of a reasonable charge therefor.

(Added to NRS by 1971, 1700; A 1985, 1068)

686B.090 Use of rates and supplementary information prepared by rate service organization.

1. An insurer shall establish rates and supplementary rate information for any market segment based on the factors in NRS 686B.060. If an insurer has insufficient creditable loss experience, it may use rates and supplementary rate information prepared by a rate service organization, with modification for its own expense and loss experience.

2. An insurer may discharge its obligation under NRS 686B.070 by giving notice to the commissioner that it uses rates and supplementary rate information prepared by a designated rate service organization, with such information about modifications thereof as are necessary fully to inform the commissioner. The insurer's rates and supplementary rate information shall be deemed those filed from time to time by the rate service organization, including any amendments thereto as filed, subject, however, to the modifications filed by the insurer.

(Added to NRS by 1971, 1701; A 1987, 1534)

--ANNOTATIONS--

Attorney General's Opinions.
Insurer against physical damage to mobile homes should be allowed to file form of policy with commissioner under statute. Insurance on mobile homes is fire, marine and inland marine insurance, not casualty

insurance, and insurance company seeking to write physical damage coverages on mobile homes should be allowed to file policy form with commissioner of insurance under provisions of former par. (b), subsec. 1, NRS 694.280 (cf. NRS 686B.090). AGO 415 (10-7-1958)

686B.100 Delayed effect of changes in rates; filing of supporting data.

1. If the commissioner finds that competition is not an effective regulator of the rates charged or that a substantial number of companies are competing irresponsibly through the rates charged, or that there are widespread violations of NRS 686B.010 to 686B.175, inclusive, in any kind or line of

insurance or subdivision thereof or in any rating class or rating territory, he may promulgate a rule requiring that in the kind or line of insurance or subdivision thereof or rating class or rating territory comprehended by the finding any subsequent changes in the rates or supplementary rate information be filed with him at least 30 days before they become effective. He may extend the waiting period for not to exceed 15 additional days by written notice to the filer before the first 30-day period expires.

2. By rule, the commissioner may require the filing of supporting data as to any or all kinds or lines of insurance or subdivisions thereof or classes of risks or combinations thereof as he deems necessary for the proper functioning of the process for monitoring and regulating rates. The supporting data must include:

- (a) The experience and judgment of the filer, and, to the extent it wishes or the commissioner requires, of other insurers or rate service organizations;
- (b) Its interpretation of any statistical data relied upon;
- (c) Descriptions of the actuarial and statistical methods employed in setting the rates; and
- (d) Any other relevant matters required by the commissioner.

3. A rule promulgated under subsection 1 must expire not more than 1 year after it is issued. The commissioner may renew the rule if he deems it necessary.

4. Whenever a filing is not accompanied by such information as the commissioner has required under subsection 2, he may so inform the insurer and the filing shall be deemed to be made when the information is furnished.

(Added to NRS by 1971, 1701; A 1985, 1068; 1987, 1534)

686B.110 Disapproval of rates.

1. If the commissioner finds that a rate is not in compliance with NRS 686B.050, he shall order that its use be discontinued for any policy issued or renewed after a date specified in the order.

2. No rate promulgated to replace a disapproved one may be used until it has been filed with the commissioner and not disapproved within 30 days thereafter.

3. Whenever an insurer has no legally effective rates as a result of the commissioner's disapproval of rates or other act, the commissioner shall on request specify interim rates for the insurer that are high enough to protect the interests of all parties and may order that a specified portion of the premiums be placed in an escrow account approved by him. When new rates become legally effective, the commissioner shall order the escrowed funds or any overcharge in the interim rates to be distributed appropriately, except that refunds to policyholders that are de minimis must not be required.

4. If the commissioner disapproves a rate and an insurer requests a hearing to determine the validity of his action, the insurer has the burden of showing compliance with the applicable standards for rates established in NRS 686B.010 to 686B.175, inclusive.

(Added to NRS by 1971, 1702; A 1987, 1535)

686B.115 Hearing on rates open to public. Any hearing held by the commissioner to determine whether rates comply with the provisions of NRS 686B.010 to 686B.175, inclusive, must be open to members of the public.

(Added to NRS by 1987, 1532)

APPENDIX B

Nevada Revised Statutes 487.600, et seq.

NEVADA REVISED STATUTES

BODY SHOPS

487.600 "Body shop" defined. As used in NRS 487.610 to 487.680, inclusive, "body shop" means any place where the body of a motor vehicle is fixed, repaired or replaced for compensation.
(Added to NRS by 1987, 1597)

487.610 Unlawful to operate body shop without license; investigation of applicant.

1. No person may operate a body shop without first applying for and obtaining a license to do so from the department.

2. The department shall investigate any applicant for a license to operate a body shop and report the results of its investigation on a form provided by the department.

(Added to NRS by 1987, 1597)

487.620 Established place of business required. An operator of a body shop shall maintain an established place of business in this state which includes a permanent enclosed building owned in fee or leased by the operator with sufficient space to conduct safely the operations of the body shop.

(Added to NRS by 1987, 1598)

487.630 Application for license; issuance and contents of license.

1. An application for a license to operate a body shop must be filed with the department upon forms supplied by the department. The application must be accompanied by:

(a) Such proof as the department may require to evidence that the applicant meets the statutory requirements to become an operator of a body shop.

(b) A fee of \$300. Fees collected by the department pursuant to this paragraph must be deposited with the state treasurer to the credit of the fund for regulation of salvage pools, automobile wreckers and body shops.

2. Upon receipt of the application and when satisfied that the applicant is entitled thereto, the department shall issue to the applicant a license to operate a body shop. The license must contain the name and the address of the body shop and the name of the operator.

(Added to NRS by 1987, 1598)

487.640 Bond: Requirement; amount; actions on bond; deposits in lieu of bond.

1. No license may be issued to an operator of a body shop until he procures and files with the department a good and sufficient bond in the amount of \$10,000, with a corporate surety thereon licensed to do business in the State of Nevada, approved as to form by the attorney general, and conditioned that the applicant shall conduct his business as an operator of a body shop without fraud or fraudulent representation, and in compliance with the provisions of NRS 487.035, 487.610 to 487.680, inclusive, and 598.690 to 598.745, inclusive. The department may, by agreement with any operator of a body shop who has been licensed by the department for 5 years or more, allow a reduction in the amount of the bond of the operator, if the business of the operator has been conducted satisfactorily for the preceding 5 years, but no bond may be in an amount less than \$1,000.

2. The bond may be continuous in form and the total aggregate liability on the bond must be limited to the payment of the total amount of the bond.

3. The bond must provide that any person injured by the action of the operator of the body shop in violation of any of the provisions of NRS 487.035, 487.610 to 487.680, inclusive, and 598.690 to 598.745, inclusive, may bring an action on the bond.

4. In lieu of a bond an operator of a body shop may deposit with the department, under the terms prescribed by the department:

(a) A like amount of money or bonds of the United States or of the State of Nevada of an actual market value of not less than the amount fixed by the department; or

(b) A savings certificate of a bank or savings and loan association situated in Nevada, which must indicate an account of an amount equal to the amount of the bond which would otherwise be required by this section and that this amount is unavailable for withdrawal except upon order of the department. Interest earned on the certificate accrues to the account of the applicant.

5. A deposit made pursuant to subsection 4 may be released upon receipt of:

(a) An order of a court requiring the director to release all or a specified portion of the deposit; or

(b) A statement signed by the person under whose name the deposit is made and acknowledged before any person authorized to take acknowledgments in this state, requesting the director to release the deposit, or a specified portion thereof, and stating the purpose for which the release is requested.

6. When a deposit is made pursuant to subsection 4, liability under the deposit is in the amount prescribed by the department. If the amount of the deposit is reduced or there is an outstanding judgment of a court for which the licensee is liable under the deposit, the license is automatically suspended. The license must be reinstated if the licensee:

(a) Files an additional bond pursuant to subsection 1;

(b) Restores the deposit with the department to the original amount required under this section; or

(c) Satisfies the outstanding judgment for which he is liable under the deposit.

7. A deposit made pursuant to subsection 4 may be refunded:

(a) By order of the director, 3 years after the date the licensee ceases to be licensed by the department, if the director is satisfied that there are no outstanding claims against the deposit; or

(b) By order of court, at any time within 3 years after the date the licensee ceases to be licensed by the department, upon evidence satisfactory to the court that there are no outstanding claims against the deposit.

8. Any money received by the department pursuant to subsection 4 must be deposited with the state treasurer for credit to the motor vehicle fund.

(Added to NRS by 1987, 1598)

487.650 Grounds for denial, suspension or revocation of license or refusal to renew. The department may refuse to issue a license or, after notice and hearing, may suspend, revoke or refuse to renew a license to operate a body shop upon any of the following grounds:

1. Failure of the applicant or licensee to have or maintain an established place of business in this state.

2. Conviction of the operator of a felony, or of a misdemeanor or gross misdemeanor for a violation of a provision of this chapter.

3. Any material misstatement in the application for the license.

4. Willful failure of the applicant or operator to comply with the motor vehicle laws of this state, NRS 487.035, 487.610 to 487.680, inclusive, or 598.690 to 598.745, inclusive.

5. Failure or refusal by the licensee to pay or otherwise discharge any final judgment against him arising out of the operation of the body shop.

(Added to NRS by 1987, 1599)

487.660 Temporary suspension of license or refusal to renew. If the director finds that the action is necessary in the public interest, upon notice to the licensee, he may temporarily suspend or refuse to renew the license to operate a body shop for not more than 30 days. The department shall conduct a hearing and issue a final decision on the matter within 30 days after it sends notice to the licensee of the temporary suspension.

(Added to NRS by 1987, 1599)

487.670 Subpenas. In any hearing conducted by the department concerning the licensing of body shops, the director may issue subpenas for the attendance of witnesses and the production of evidence.

(Added to NRS by 1987, 1600)

487.680 Licensee to inform department of changes concerning operation of body shop; books and records.

1. Any person licensed to operate a body shop shall inform the department of the location of each place at which he conducts his business and the name under which he does business at each location.

2. If a licensee does business at more than one location, he shall designate one location as his principal place of business.

3. If a licensee changes the name or location of any of his established places of business, he shall notify the department of the change within 10 days after the change.

4. Every licensee shall keep his books and records at his principal place of business and shall permit any authorized agent of the director to inspect them during usual business hours. The records must include the year, make, model and identification number of each motor vehicle which the body shop repairs, and the source of the parts purchased or otherwise acquired for the repair of each vehicle.

(Added to NRS by 1987, 1600)

APPENDIX C

Senate Bill 236 (Chapter 654, Statutes of Nevada, 1987)

Senate Bill No. 236--Committee on Commerce and Labor
CHAPTER.....654

AN ACT relating to insurance, requiring the commissioner of insurance to conduct a study of methods to contain rates for casualty and property insurance, and providing other matters properly relating thereto

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
AND ASSEMBLY, DO ENACT AS FOLLOWS

Section 1. 1. The legislature finds and declares that:

(a) Stabilizing the cost of insurance is of vital concern to the residents of this state; and

(b) It is necessary to establish a comprehensive system to collect, analyze and distribute information concerning the cost of insurance in order to stabilize that cost effectively.

2. The purposes of sections 1 to 7, inclusive, of this act, are to:

(a) Promote the public welfare by studying the relationship of premiums and related income of insurers to costs and expenses of insurers;

(b) Develop measures to stabilize prices for insurance while continuing to provide insurance of high quality to the residents of this state;

(c) Permit and encourage competition between insurers on a sound financial basis to the fullest extent possible; and

(d) Establish a mechanism to ensure the provision of adequate insurance at reasonable rates to the residents of this state.

Sec. 2. The commissioner of insurance shall:

1. Determine the relationship of premiums and related income of insurers to costs and expenses of insurers, provide this information to the legislature and make this information available to the general public.

2. Respond to requests by governmental agencies of this state and by the legislature for special studies and analysis of information collected pursuant to sections 1 to 7, inclusive, of this act.

3. Cooperate with any interim legislative study on alternative ways to reduce the cost of insurance.

4. Evaluate the market for commercial liability insurance in this state and determine, to the extent possible, the causes for the recent unavailability of affordable liability insurance.

5. Recommend to the legislature methods to detect and deter conditions in the market which caused the unavailability of that insurance.

6. Report to the 65th session of the legislature concerning his duties and findings pursuant to this section no later than February 1, 1989.

Sec. 3. The commissioner of insurance may employ and fix the compensation of, and enter into agreements with, such technical and

professional consultants as he deems necessary to accomplish the purposes of sections 1 to 7, inclusive, of this act.

Sec. 4. 1. The commissioner of insurance may issue such orders as are necessary to require compliance with the provisions of sections 1 to 7, inclusive, of this act.

2. The commissioner shall adopt regulations requiring each insurer authorized to transact casualty or property insurance in this state to record and report its losses, expenses and other information necessary to assess the relationship of premiums and related income to costs and expenses of insurers. The commissioner may designate one or more rate service organizations or other advisory organizations to gather and compile this information. The commissioner shall require each insurer authorized to transact casualty or property insurance in this state to submit reports, on forms furnished by the commissioner, of its transactions in insurance in this state and elsewhere.

3. If a rate service organization or other advisory organization designated pursuant to subsection 2 imposes a fee for the filing, processing or review of information required to be filed by this section, the insurer shall pay that fee and file the information.

Sec. 5. 1. The commissioner of insurance may require that reports submitted pursuant to section 4 of this act include, without limitation, information regarding:

(a) Liability insurance provided to:

(1) Governmental agencies and political subdivisions of this state, reported separately for:

(I) Cities and towns;

(II) School districts; and

(III) Other political subdivisions;

(2) Public officers;

(3) Establishments where alcoholic beverages are sold;

(4) Facilities for the care of children;

(5) Labor, fraternal or religious organizations; and

(6) Officers or directors of organizations formed pursuant to Title 7 of NRS, reported separately for nonprofit entities and entities organized for profit;

(b) Liability insurance for:

(1) Defective products;

(2) Medical malpractice;

(3) Malpractice of attorneys;

(4) Malpractice of architects and engineers; and

(5) Errors and omissions by other professionally qualified persons; and

(c) Vehicle insurance, reported separately for:

- (1) Private vehicles;
- (2) Commercial vehicles;
- (3) Liability insurance; and
- (4) Insurance for property damage.

2. The commissioner may require that the report include, without limitation, information specifically pertaining to this state or to an insurer in its entirety, in the aggregate or by type of insurance, and for a previous or current year, regarding:

- (a) Premiums directly written;
- (b) Premiums directly earned;
- (c) Number of policies issued;
- (d) Net investment income, using appropriate estimates when necessary;
- (e) Losses paid;
- (f) Losses incurred;
- (g) Loss reserves, including:
 - (1) Losses unpaid on reported claims; and
 - (2) Losses unpaid on incurred but not reported claims;
- (h) Number of claims, including:
 - (1) Claims paid; and
 - (2) Claims that have arisen but are unpaid;
- (i) Expenses for adjustment of losses, including allocated and unallocated losses;
- (j) Net underwriting gain or loss;
- (k) Net operation gain or loss, including net investment income; and
- (l) Any other information requested by the commissioner.

3. The commissioner may also obtain, based upon an insurer in its entirety, information regarding:

- (a) Recoverable federal income tax;
- (b) Net unrealized capital gain or loss; and
- (c) All other expenses not included in subsection 2.

Sec. 6. 1. Insurers required to file reports pursuant to section 4 of this act shall pay to the insurance division of the department of commerce a reasonable fee established by the commissioner of insurance of not more than \$500 to cover the costs to the division of the administration and enforcement of sections 1 to 7, inclusive, of this act, including any expenses incident or associated with the requirements of those sections.

2. The cost of furnishing a report, unless furnished to a legislator, must be paid by the party requesting the report.

3. The commissioner may establish a schedule of fees for the purposes of this section.

Sec. 7. 1. An insurer who willfully or repeatedly violates or fails to comply with a provision of sections 1 to 6, inclusive, of this act, or a regulation adopted pursuant to section 4 of this act is subject, after notice and hearing held pursuant to NRS 679B.310 to 679B.370, inclusive, to payment of an administrative fine of not more than \$1,000 for each day of the violation or failure to comply, up to a maximum fine of \$50,000.

2. An insurer who fails or refuses to comply with an order issued by the commissioner of insurance pursuant to section 4 of this act is subject, after notice and hearing held pursuant to NRS 679B.310 to 679B.370, inclusive, to suspension or revocation of his certificate of authority to transact insurance in this state.

3. The imposition of an administrative fine pursuant to this section must not be considered by the commissioner in any other administrative proceeding unless the fine has been paid or a court order for payment of the fine has become final.

Sec. 8. This act expires by limitation on June 30, 1989.

VI. SUGGESTED LEGISLATION

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BDR 3-234 -- Providing a system for mandatory arbitration of certain civil claims.

The bill draft to implement this recommendation was not completed at the time this study was published. It will be available during the legislative session.

SUMMARY--Makes permanent provisions requiring commissioner of insurance to study methods to contain rates for insurance.
(BDR 57-227)

FISCAL NOTE: Effect on Local Government: No.
 Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to insurance; making permanent the provisions requiring the commissioner of insurance to study methods to contain rates for insurance; authorizing the collection of certain data; imposing a fee; providing a penalty; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 679B of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive, of this act.

Sec. 2. 1. *The legislature finds and declares that:*

(a) Stabilizing the cost of insurance is of vital concern to the residents of this state; and

(b) It is necessary to establish a comprehensive system to collect, analyze and distribute information concerning the cost of insurance in order to stabilize that cost effectively.

2. The purposes of sections 2 to 8, inclusive, of this act, are to:

(a) Promote the public welfare by studying the relationship of premiums and related income of insurers to costs and expenses of insurers;

(b) Develop measures to stabilize prices for insurance while continuing to provide insurance of high quality to the residents of this state;

(c) Permit and encourage competition between insurers on a sound financial basis to the fullest extent possible; and

(d) Establish a mechanism to ensure the provision of adequate insurance at reasonable rates to the residents of this state.

Sec. 3. *The commissioner shall:*

1. Determine the relationship of premiums and related income of insurers to costs and expenses of insurers, provide this information to the legislature and make this information available to the general public.

2. Respond to requests by governmental agencies of this state and by the legislature for special studies and analysis of information collected pursuant to sections 2 to 8, inclusive, of this act.

3. Report to each regular session of the legislature concerning his duties and findings pursuant to this section no later than February 1.

Sec. 4. *The commissioner may employ and fix the compensation of, and enter into agreements with, such technical and professional consultants as he*

deems necessary to accomplish the purposes of sections 2 to 8, inclusive, of this act.

Sec. 5. 1. The commissioner may issue such orders as are necessary to require compliance with the provisions of sections 2 to 8, inclusive, of this act.

2. The commissioner shall adopt regulations requiring each insurer authorized to transact casualty or property insurance in this state to record and report its losses, expenses and other information necessary to assess the relationship of premiums and related income to costs and expenses of insurers. The commissioner may designate one or more rate service organizations or other advisory organizations to gather and compile this information. The commissioner shall require each insurer authorized to transact casualty or property insurance in this state to submit reports, on forms furnished by the commissioner, of its transactions in insurance in this state and elsewhere.

3. If a rate service organization or other advisory organization designated pursuant to subsection 2 imposes a fee for the filing, processing or review of information required to be filed by this section, the insurer shall pay that fee and file the information.

Sec. 6. 1. The commissioner may require that reports submitted pursuant to section 5 of this act include, without limitation, information regarding:

(a) Liability insurance provided to:

(1) Governmental agencies and political subdivisions of this state, reported separately for:

(I) Cities and towns;

- (II) School districts; and*
- (III) Other political subdivisions;*
- (2) Public officers;*
- (3) Establishments where alcoholic beverages are sold;*
- (4) Facilities for the care of children;*
- (5) Labor, fraternal or religious organizations; and*
- (6) Officers or directors of organizations formed pursuant to Title 7 of NRS, reported separately for nonprofit entities and entities organized for profit;*
- (b) Liability insurance for:*
 - (1) Defective products;*
 - (2) Medical malpractice;*
 - (3) Malpractice of attorneys;*
 - (4) Malpractice of architects and engineers; and*
 - (5) Errors and omissions by other professionally qualified persons; and*
- (c) Vehicle insurance, reported separately for:*
 - (1) Private vehicles;*
 - (2) Commercial vehicles;*
 - (3) Liability insurance; and*
 - (4) Insurance for property damage.*

2. The commissioner may require that the report include, without limitation, information specifically pertaining to this state or to an insurer in its entirety, in the aggregate or by type of insurance, and for a previous or current year, regarding:

- (a) Premiums directly written;*

- (b) Premiums directly earned;*
 - (c) Number of policies issued;*
 - (d) Net investment income, using appropriate estimates when necessary;*
 - (e) Losses paid;*
 - (f) Losses incurred;*
 - (g) Loss reserves, including:*
 - (1) Losses unpaid on reported claims; and*
 - (2) Losses unpaid on incurred but not reported claims;*
 - (h) Number of claims, including:*
 - (1) Claims paid; and*
 - (2) Claims that have arisen but are unpaid;*
 - (i) Expenses for adjustment of losses, including allocated and unallocated losses;*
 - (j) Net underwriting gain or loss;*
 - (k) Net operation gain or loss, including net investment income; and*
 - (l) Any other information requested by the commissioner.*
- 3. The commissioner may also obtain, based upon an insurer in its entirety, information regarding:*
- (a) Recoverable federal income tax;*
 - (b) Net unrealized capital gain or loss; and*
 - (c) All other expenses not included in subsection 2.*

Sec. 7. 1. Insurers required to file reports pursuant to section 5 of this act shall pay to the insurance division of the department of commerce a reasonable fee established by the commissioner of not more than \$500 to cover

the costs to the division of the administration and enforcement of sections 2 to 8, inclusive, of this act, including any expenses incident or associated with the requirements of those sections.

2. The cost of furnishing a report, unless furnished to a legislator, must be paid by the party requesting the report.

3. The commissioner may establish a schedule of fees for the purposes of this section.

Sec. 8. *1. An insurer who willfully or repeatedly violates or fails to comply with a provision of sections 2 to 7, inclusive, of this act, or a regulation adopted pursuant to section 5 of this act is subject, after notice and hearing held pursuant to NRS 679B.310 to 679B.370, inclusive, to payment of an administrative fine of not more than \$1,000 for each day of the violation or failure to comply, up to a maximum fine of \$50,000.*

2. An insurer who fails or refuses to comply with an order issued by the commissioner pursuant to section 5 of this act is subject, after notice and hearing held pursuant to NRS 679B.310 to 679B.370, inclusive, to suspension or revocation of his certificate of authority to transact insurance in this state.

3. The imposition of an administrative fine pursuant to this section must not be considered by the commissioner in any other administrative proceeding unless the fine has been paid or a court order for payment of the fine has become final.

Sec. 9. This act becomes effective upon passage and approval.

SUMMARY--Prohibits insurers of motor vehicles from referring insureds to
unlicensed body shops in Nevada. (BDR 57-228)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to insurance; prohibiting certain insurers from
recommending to their insureds, or directing their insureds to,
unlicensed body shops in this state; and providing other matters
properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 690B of NRS is hereby amended by adding thereto a
new section to read as follows:

*An insurer of motor vehicles shall not recommend to an insured, or direct an
insured to, a body shop in this state which is not licensed pursuant to NRS
487.630.*

SUMMARY--Requires approval of commissioner of insurance to increase rates of insurance. (BDR 57-229)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to insurance; requiring the approval of the commissioner of insurance before an authorized insurer may increase the rates of insurance; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 680A.150 is hereby amended to read as follows:

680A.150 To apply for an original certificate of authority an insurer shall file with the commissioner its written application therefor on forms as prescribed and furnished by the commissioner, accompanied by the applicable fees specified in NRS 680B.010 (fee schedule), stating under the oath of the president or vice president or other chief officer and the secretary of the insurer, or of the attorney-in- fact (if a reciprocal insurer), the insurer's name, location of its home office or principal office in the United States (if an alien insurer), the kinds of insurance to be transacted, date of organization or

incorporation, form of organization, state or country of domicile, and such additional information as the commissioner may reasonably require, together with the following documents, as applicable:

1. If a corporation, a copy of its charter or certificate or articles of incorporation, together with all amendments thereto, or as restated and amended under the laws of its state or country of domicile, currently certified by the public officer with whom the originals are on file in such state or country.

2. If a domestic incorporated insurer or a mutual insurer, a copy of its bylaws, certified by the insurer's corporate secretary.

3. If a reciprocal insurer, a copy of the power of attorney of its attorney-in-fact, certified by the attorney-in-fact; and if a domestic reciprocal insurer, the declaration provided for in NRS 694B.060.

4. A complete copy of its financial statement as of not earlier than the December 31 next preceding in form as customarily used in the United States of America by like insurers, sworn to by at least two executive officers of the insurer or certified by the public insurance supervisory officer of the insurer's state of domicile, or of entry into the United States of America (if an alien insurer).

5. A copy of the report of last examination made of the insurer within not more than 3 years next preceding, certified by the public insurance supervisory officer of the insurer's state of domicile, or of entry into the United States of America (if an alien insurer).

6. The appointment of the commissioner pursuant to NRS 680A.250 as its attorney to receive service of legal process.

7. If a foreign or alien insurer, a certificate of the public insurance supervisory officer of its state or country of domicile showing that it is authorized or qualified for authority to transact in such state or country the kinds of insurance proposed to be transacted in this state.

8. If a foreign insurer, a certificate as to a deposit if it is to be tendered pursuant to NRS 680A.140.

9. [If a life or health insurer, a] A copy of the insurer's rate book and of each form of policy currently proposed to be issued in this state, and of the form of application therefor.

10. If an alien insurer, a copy of the appointment and authority of its United States manager, certified by its officer having custody of its records.

11. Designation by the insurer of its officer or representative authorized to appoint and remove its agents in this state.

Sec. 2. NRS 686B.070 is hereby amended to read as follows:

686B.070 Every authorized insurer and every rate service organization licensed under NRS 686B.130 which has been designated by any insurer for the filing of rates under subsection 2 of NRS 686B.090 shall file with the commissioner all:

1. Rates [;] *and proposed increases thereto;*
2. Forms of policies to which the rates apply;
3. Supplementary rate information; and
4. Changes and amendments thereof,

made by it for use in this state . [at least 30 days before the date the rates become effective.]

Sec. 3. NRS 686B.100 is hereby amended to read as follows:

686B.100 1. [If the commissioner finds that competition is not an effective regulator of the rates charged or that a substantial number of companies are competing irresponsibly through the rates charged, or that there are widespread violations of NRS 686B.010 to 686B.175, inclusive, in any kind or line of insurance or subdivision thereof or in any rating class or rating territory, he may promulgate a rule requiring that in the kind or line of insurance or subdivision thereof or rating class or rating territory comprehended by the finding any subsequent changes in the rates or supplementary rate information be filed with him at least 30 days before they become effective. He may extend the waiting period for not to exceed 15 additional days by written notice to the filer before the first 30-day period expires.

2.] By rule, the commissioner may require the filing of supporting data as to any or all kinds or lines of insurance or subdivisions thereof or classes of risks or combinations thereof as he deems necessary for the proper functioning of the process for monitoring and regulating rates. The supporting data must include:

- (a) The experience and judgment of the filer, and, to the extent it wishes or the commissioner requires, of other insurers or rate service organizations;
- (b) Its interpretation of any statistical data relied upon;

(c) Descriptions of the actuarial and statistical methods employed in setting the rates; and

(d) Any other relevant matters required by the commissioner.

[3. A rule promulgated under subsection 1 must expire not more than 1 year after it is issued. The commissioner may renew the rule if he deems it necessary.

4.] 2. Whenever a filing of a proposed increase in a rate is not accompanied by such information as the commissioner has required under subsection [2.] 1, he may so inform the insurer and the filing shall be deemed to be made when the information is furnished.

Sec. 4. NRS 686B.110 is hereby amended to read as follows:

686B.110 1. *The commissioner shall consider each proposed increase in the rate of any kind or line of insurance or subdivision thereof filed with him pursuant to NRS 686B.070. If the commissioner finds that the proposed increase will result in a rate which is not in compliance with NRS 686B.050, he shall [order that its use be discontinued for any policy issued or renewed after a date specified in the order.*

2. No rate promulgated to replace a disapproved one may be used until it has been filed with the commissioner and not disapproved within 30 days thereafter.

3.] *disapprove the proposal. In any event, he shall approve or disapprove each such proposal no later than 60 days after it is filed with him.*

2. Whenever an insurer has no legally effective rates as a result of the commissioner's disapproval of rates or other act, the commissioner shall on

request specify interim rates for the insurer that are high enough to protect the interests of all parties and may order that a specified portion of the premiums be placed in an escrow account approved by him. When new rates become legally effective, the commissioner shall order the escrowed funds or any overcharge in the interim rates to be distributed appropriately, except that refunds to policyholders that are de minimis must not be required.

[4.] 3. If the commissioner disapproves a *proposed* rate and an insurer requests a hearing to determine the validity of his action, the insurer has the burden of showing compliance with the applicable standards for rates established in NRS 686B.010 to 686B.175, inclusive.

Sec. 5. NRS 686B.120 is hereby repealed.

TEXT OF REPEALED SECTION

686B.120 Special restrictions on individual insurers. The commissioner may by order require that a particular insurer file any or all of its rates and supplementary rate information 30 days before their effective date, if and to the extent that he finds, after a hearing, that the protection of the interests of its insureds and the public in this state requires closer supervision of its rates because of the insured's financial condition or rating practices. He may extend

the waiting period for any filing for not to exceed 15 additional days by written notice to the insurer before the first 30-day period expires. A filing not disapproved before the expiration of the waiting period shall be deemed to meet the requirements of NRS 686B.010 to 686B.175, inclusive, subject to the possibility of subsequent disapproval under NRS 686B.110.

SUMMARY--Prohibits rates for motor vehicle insurance based on geographical area of insured. (BDR 57-230)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to insurance; prohibiting insurance companies from basing rates for motor vehicle insurance upon the geographical area or neighborhood in which the insured resides; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 686B of NRS is hereby amended by adding thereto a new section to read as follows:

An insurer shall not, when establishing or changing the rates it charges for any kind or line of motor vehicle insurance, including the rate for insurance coverage required pursuant to NRS 690B.020, consider the geographical area or neighborhood in which the insured resides.

SUMMARY--Includes agreements waiving payment for damages to rented vehicles within definition of "casualty insurance." (BDR 57-231)

FISCAL NOTE: Effect on Local Government: No.
 Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to insurance; including agreements waiving payment for damages to rented vehicles within the definition of "casualty insurance"; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 681A.020 is hereby amended to read as follows:

681A.020 1. "Casualty insurance" includes:

(a) Vehicle insurance. Insurance against loss of or damage to any land vehicle or aircraft or any draft or riding animal or to property while contained therein or thereon or being loaded or unloaded therein or therefrom, from any hazard or cause, and against any loss, liability or expense resulting from or incidental to ownership, maintenance or use of any such vehicle, aircraft or animal, together with insurance against accidental injury to natural persons, irrespective of legal liability of the insured, including the named insured, while

in, entering, alighting from, adjusting, repairing, cranking, or caused by being struck by a vehicle, aircraft or draft or riding animal, if such insurance is issued as an incidental part of insurance on the vehicle, aircraft or draft or riding animal.

(b) *Collision damage waivers. Agreements to waive payment for damages to rented vehicles.*

(c) *Liability insurance.* Insurance against legal liability for the death, injury or disability of any human being, or for damage to property, including liability resulting from negligence in rendering expert, fiduciary or professional services, [;] and provisions of medical, hospital, surgical, disability benefits to injured persons and funeral and death benefits to dependents, beneficiaries or personal representatives of persons killed, irrespective of legal liability of the insured, when issued as an incidental coverage with or supplemental to liability insurance.

[(c)] (d) *Workmen's compensation and employer's liability.* Insurance of the obligations accepted by, imposed upon or assumed by employers under law for death, disablement or injury of employees.

[(d)] (e) *Burglary and theft.* Insurance against loss or damage by burglary, theft, larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation, or wrongful conversion, disposal or concealment, or from any attempt at any of the foregoing, including supplemental coverage for medical, hospital, surgical and funeral expense incurred by the named insured or any other person as a result of bodily injury during the commission of a burglary, robbery or theft by another, and also, insurance against loss of or damage to

[moneys,] *money*, coins, bullion, securities, notes, drafts, acceptances or any other valuable papers and documents, resulting from any cause.

[(e)] (f) Personal property floater. Insurance upon personal effects against loss or damage from any cause.

[(f)] (g) Glass. Insurance against loss or damage to glass, including its lettering, ornamentation and fittings.

[(g)] (h) Boiler and machinery. Insurance against any liability and loss or damage to property or interest resulting from accidents to or explosions of boilers, pipes, pressure containers, machinery or apparatus, and to make inspection of and issue certificates of inspection upon boilers, machinery and apparatus of any kind, whether or not insured.

[(h)] (i) Leakage and fire extinguishing equipment. Insurance against loss or damage to any property or interest caused by the breakage or leakage of sprinklers, hoses, pumps and other fire-extinguishing equipment or apparatus, water pipes or containers, or by water entering through leaks or openings in buildings, and insurance against loss or damage to such sprinklers, hoses, pumps and other fire-extinguishing equipment or apparatus.

[(i)] (j) Credit and mortgage guaranty. Insurance against loss or damage
• resulting from failure of debtors to pay their obligations to the insured, and insurance of real property mortgage lenders against loss by reason of nonpayment of the mortgage indebtedness.

[(j)] (k) Elevator. Insurance against loss of or damage to any property of the insured, resulting from the ownership, maintenance or use of elevators,

except loss or damage by fire, and to make inspection of and issue certificates of inspection upon, elevators.

[(k)] (l) Congenital defects. Insurance against congenital defects in human beings.

[(l)] (m) Livestock. Insurance against loss or damage to livestock, and services of a veterinary for such animals.

[(m)] (n) Entertainments. Insurance indemnifying the producer of any motion picture, television, radio, theatrical, sport, spectacle, entertainment, or similar production, event or exhibition against loss from interruption, postponement or cancellation thereof due to death, accidental injury or sickness of performers, participants, directors or other principals.

[(n)] (o) Miscellaneous. Insurance against any other kind of loss, damage or liability properly a subject of insurance and not within any other kind of insurance as defined in this chapter, if such insurance is not disapproved by the commissioner as being contrary to law or public policy, including insurance for home protection issued pursuant to NRS 690B.100 to 690B.180, inclusive.

2. Provision of medical, hospital, surgical and funeral benefits, and of coverage against accidental death or injury, as incidental to and part of other insurance as stated under paragraphs (a) (vehicle), [(b)] (c) (liability), [(d)] (e) (burglary), [(g)] (h) (boiler and machinery), and [(j)] (k) (elevator) of subsection 1 shall for all purposes be deemed to be the same kind of insurance to which it is so incidental, and is not subject to provisions of this code applicable to life and health insurances.

SUMMARY--Requires commissioner of insurance to publish guide to rates for motor vehicle insurance. (BDR 57-233)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to insurance; requiring the commissioner of insurance to publish a guide to rates for policies of motor vehicle insurance; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 679B of NRS is hereby amended by adding thereto a new section to read as follows:

The commissioner shall:

1. Publish a guide to rates for policies of insurance for motor vehicles which contains:

- (a) An explanation of the various types of coverage available.*
- (b) A list of all insurers which offer insurance for motor vehicles in Nevada.*
- (c) Comparisons of the cost for each type of insurance when purchased from the five insurers who offer it at the highest price and the five insurers who*

offer it at the lowest price, using one or more hypothetical examples developed by him.

(d) Any other information which he deems appropriate and useful to the public.

2. Maintain the guide by republishing it with revised information at least once each year.

3. Distribute the guide and the information contained in the guide in any manner he deems appropriate.

SUMMARY--Provides in skeletal form for establishment of pilot program for sale of vehicle insurance by State of Nevada. (BDR S-232)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: Yes.

AN ACT relating to insurance; providing in skeletal form for the establishment of a pilot program for the sale of vehicle insurance by the State of Nevada; making an appropriation; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. The department of motor vehicles and public safety shall adopt regulations, subject to the approval of the commissioner of insurance, establishing a pilot program for the State of Nevada to sell contracts of vehicle insurance to residents of counties whose population is less than 25,000.

Sec. 2. 1. As used in Title 57 of NRS, except as otherwise provided in subsection 2, "insurer" does not include the State of Nevada or the department of motor vehicles and public safety in its administration of the pilot program established pursuant to section 1 of this act.

2. As used in NRS 680A.060, 680A.190, 680A.200, 680A.210, 680A.220, 680A.270, 680A.290, 680A.300 and 681A.100, and in chapters 679B, 681B, 682A, 683A, 684A, 686A, 686B, 687B and 690B of NRS, "insurer" includes the State of Nevada and the department of motor vehicles and public safety in its administration of the pilot program established pursuant to section 1 of this act.

Sec. 3. The legislative commission shall review the pilot program established pursuant to section 1 of this act in September and October 1990, and report any recommended legislation to the 66th session of the Nevada Legislature.

Sec. 4. 1. The reserve account for vehicle insurance is hereby created in the state general fund. The director of the department of motor vehicles and public safety shall administer the account, which must be used for the purposes set forth in NRS 681B.050 and 681B.060.

2. There is hereby appropriated from the state general fund to the reserve account for vehicle insurance the sum of \$1,500,000.

3. Any remaining balance of the appropriation made by subsection 2 must not be committed for expenditure after June 30, 1996, and reverts to the state general fund as soon as all payments of money committed have been made.

Sec. 5. Sections 1, 2 and 3 of this act expire by limitation on July 1, 1991.