

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R024-04

Effective July 26, 2004

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

AUTHORITY: §§1-5, NRS 679B.130.

A REGULATION relating to casualty insurance; requiring automobile insurers to disclose when coverage is reduced for permissive users; requiring automobile and homeowner insurers to notify the insured if the policy provides for an increase in premiums based on incidents or claims; and providing other matters properly relating thereto.

Section 1. Chapter 690B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this regulation.

Sec. 2. 1. *Except as otherwise provided in subsections 5 and 6, an insurer that issues a private passenger automobile insurance policy which limits coverage for permissive users, as defined in the policy, shall disclose those limitations in the manner set forth in subsections 2, 3 and 4.*

2. The insurer shall include a statement on the declaration page of the private passenger automobile insurance policy.

3. The statement may be imprinted, stamped or imprinted on a sticker. The statement shall be deemed approved by the Commissioner if it is written as follows:

IMPORTANT NOTICE: This policy reduces liability coverage limits when an insured vehicle is operated by a person other than the insured. The limits for bodily injury and

property damage liability coverage are reduced to the financial liability limits set forth in NRS 485.185, regardless of the liability limits shown on the declaration page.

4. The “IMPORTANT NOTICE” portion of the statement must be written in at least 12-point font and in bold, capital letters. The remaining portion of the statement must be written in at least 10-point font.

5. An insurer may use a statement that is written substantially similar to the statement set forth in subsection 3 if:

- (a) The insurer has filed the statement with the Commissioner; and*
- (b) The Commissioner has approved the statement.*

6. If a private passenger automobile insurance policy is currently in effect and the insurer did not include the statement required pursuant to subsection 3, the insurer shall include the statement set forth in subsection 3 if the policy is renewed. At the time of renewal, the insurer shall send to the last known address of the insured by first-class or certified mail:

- (a) A declaration page that includes the statement set forth in subsection 3; or*
- (b) A renewal notice that includes, without limitation:*

- (1) The name of the insured;*
- (2) The number of the policy;*
- (3) The year, make and complete identification number of the insured vehicle or vehicles;*
- (4) The term of the insurance, including the day, month and year on which the policy becomes effective and expires;*
- (5) A description of the coverage and limitations of the policy; and*

(6) The statement set forth in subsection 3.

Sec. 3. 1. *No insurer may issue any homeowner's insurance policy without delivering to the named insured a notice explaining the manner in which the insurer's rating plan provides for an increase in premium based upon claims.*

2. Each insurer shall, at least 30 days before the expiration of a homeowner's insurance policy, advise the named insured of his right to request the reasons for any increase in premium for the ensuing policy period.

Sec. 4. NAC 690B.210 is hereby amended to read as follows:

690B.210 As used in NAC 690B.210 to 690B.250, inclusive, *and section 2 of this regulation*, unless the context otherwise requires:

1. "Commercial automobile" means a motor vehicle not rated under rules for private automobiles for passengers.

2. "Company rules" means the standards established and used by an insurer for underwriting, rating, cancellation ~~or~~ or nonrenewal of insurance for automobiles.

3. "Date of incident" means the actual day on which a person engages in the activity which results in a citation for a violation of a traffic law or the day on which he is involved in an accident involving a motor vehicle.

4. "Division" means the Division of Insurance of the Department of Business and Industry.

5. "Incident" means an activity resulting in a conviction for a violation of a traffic law, a chargeable accident, or both.

6. "Private automobile for passengers" means a:

(a) Motor vehicle rated under the rules for private vehicles for passengers; or

(b) Rented motor vehicle of the type used for a private automobile for passengers, even if it is rated under the rules for commercial motor vehicles.

Sec. 5. NAC 690B.240 is hereby amended to read as follows:

690B.240 1. No insurer may issue any private passenger automobile insurance policy without delivering to the named insured a notice explaining the manner in which the insurer's rating plan provides for an increase in premium based upon incidents ~~and~~ *or claims*.

2. Each insurer shall, at least 30 days before the expiration of a private passenger automobile insurance policy, advise the named insured of his right to request the reasons for any increase in premium for the ensuing policy period.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R024-04

The Commissioner of Insurance adopted regulations assigned LCB File No. R024-04 which pertain to chapter 690B of the Nevada Administrative Code on June 18, 2004

Notice date: 2/19/2004
Hearing date: 3/23/2004

Date of adoption by agency: 6/18/2004
Filing date: 7/26/2004

INFORMATIONAL STATEMENT

A hearing was held on March 23, 2004, 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 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning disclosure requirements on automobile liability drop-down limits and homeowner's premium based on incidents.

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.

In addition, 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 offices of the Division in Carson City.

The hearing was attended by 11 individuals in Carson City and 8 individuals in Las Vegas. Erin Summers, representing the Division, provided testimony. Joe Guild, representing State Farm Insurance; Kay Lockhart, representing Nevada Independent Insurance Agents; and Susan Bithell, representing Farmers Insurance, also provided testimony. The Division received one written comment. Ms. Summers stated that the regulation requires insurers who have lower limits of liability coverage for permissive users, other than the insured, to disclose that fact on the declaration page, requires homeowner's insurers to deliver a notice to insureds explaining the manner in which premium is increased based on claims, requires homeowner's insurers to send a notice to insureds advising them of their right to request the reasons for any increase in premium, and requires private passenger auto insurers to deliver a notice to insureds explaining the manner in which premium is increased based on incidents or claims. During the workshop, the participants concurred with the Division on the changes to the proposed regulation. A revised version of the regulation is attached. The revision amends the proposed regulation to allow insurers more flexibility in sending the required notice to insureds. The Commissioner has 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. Subsection 2 of section 2 is amended to read as follows:

2. The insurer shall include a statement on the declaration page of the private passenger automobile policy ~~[that is written in English or in Spanish, as appropriate]~~.

2. Subsection 6 of section 2 is amended to read as follows:

6. If a private passenger automobile insurance policy is currently in effect and the insurer did not include the statement required pursuant to subsection 3, the insurer shall include the statement set forth in subsection 3 if the policy is renewed. At the time of renewal, the insurer shall send a declaration page that includes the statement, ~~[to the insured by first class or certified mail]~~ *or, if a declaration page is not provided at every renewal, a renewal notice, that provides information concerning the essential terms of the insurance policy including the policy number, named insured(s), policy period, vehicles covered, coverages and limits of liability including the disclosure of limitations. The declaration page or renewal notice must be personally delivered to the insured or mailed first class or certified mail to the insured at his address last known to the insurer.*

The economic impact of the regulation is as follows:

- (a) On the business it is to regulate: Nominal.
- (b) On the Public: None.

The Division anticipates no additional cost to enforce the proposed regulation.

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

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

IN THE MATTER OF THE

**REGULATION REGARDING DISCLOSURE
REQUIREMENTS ON AUTOMOBILE
LIABILITY DROP-DOWN LIMITS AND
HOMEOWNER'S PREMIUM BASED ON
INCIDENTS.**

CAUSE NO. **04.034**
LCB File No. **R024-04**
**SUMMARY OF PROCEEDINGS
AND ORDER**

SUMMARY OF PROCEEDINGS

A public workshop, as required by NRS 233B.061, on the proposed regulation concerning disclosure requirements on automobile liability drop-down limits and homeowner's premium based on incidents was held before Cliff King, Chief Insurance Assistant, on March 23, 2004, in Carson City, Nevada, and video-conferenced to the Bradley Building in Las Vegas, Nevada. A public hearing on the proposed regulation was also held before Cliff King, Chief Insurance Assistant, on March 23, 2004, in Carson City, Nevada and video-conferenced to the Bradley Building in Las Vegas, Nevada. The regulation is proposed pursuant to the authority of NRS 679B.130.

The hearing was attended by 11 individuals in Carson City and 8 individuals in Las Vegas. The following persons provided testimony before the Hearing Officer: Erin Summers, representing the Department of Business and Industry, Division of Insurance (Division); Joe Guild, representing State Farm Insurance; Kay Lockhart, representing Nevada Independent Insurance Agents; and Susan Bithell, representing Farmers Insurance.

The Division received written comments from Robert R. Nash, representing State Farm Insurance Companies. Mr. Nash's written comment was not in favor of the portion of the regulation requiring insurers to send a declaration page at renewal as State Farm only provides new declaration pages if there have been changes during the prior term of insurance. Mr. Nash did offer alternate language, which has been incorporated into the regulation.

Erin Summers testified that section 2 of the proposed regulation would require insurers who have lower liability coverage for permissive users, other than the insured, to disclose that fact on the declaration page. Sections 3 and 4 would require homeowner's insurers to deliver a notice explaining the manner in which premium is increased based on claims and to send a notice advising insureds of their right to request the reasons for any increase in premium. Section 5 would require private passenger auto insurers to explain the manner in which premium is increased based on incidents or claims, whereas it previously stated incidents.

Ms. Summers testified that the Legislative Counsel Bureau (LCB) changed the proposed regulation to state the notice shall be in English or in Spanish, as appropriate. Joe Guild expressed concerns over requiring the notice to be in Spanish. Ms. Summers explained that the Division was requesting that the new wording be deleted.

Ms. Summers testified there was a written comment that suggested allowing insurers to place the required notice on renewal notices if they did not send a declaration page with each renewal. Hearing Officer King, Joe Guild, Kay Lockhart, and Susan Bithell suggested new wording to implement this suggestion. The participants agreed on the wording to amend subsection 6 of section 2.

Ms. Bithell asked what the effective date would be. Mr. King stated the effective date would occur after the Commissioner adopted the regulation and asked what she suggested. Ms. Bithell recommended at least 120 days to six months. Ms. Lockhart asked if Mr. King would recommend 120 days or 180 days. Mr. King stated that the Division's intent would be to effect the regulation as quickly as possible, and, for that reason, the proposed regulation allows the statement to be imprinted on a sticker. Mr. King stated that his recommendation would be to make the effective date 90 days from the date on which the regulation is adopted.

RECOMMENDED ORDER OF THE HEARING OFFICER

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

1. Subsection 2 of section 2 has been amended to read as follows:

2. The insurer shall include a statement on the declaration page of the private passenger automobile insurance policy ~~[that is written in English or in Spanish, as appropriate].~~

2. Subsection 6 of section 2 has been amended to read as follows:

6. If a private passenger automobile insurance policy is currently in effect and the insurer did not include the statement required pursuant to subsection 3, the insurer shall include the statement set forth in subsection 3 if the policy is renewed. At the time of renewal, the insurer shall send a declaration page that includes the statement, ~~[to the insured by first class or certified mail]~~ *or, if a declaration page is not provided at every renewal, a renewal notice, that provides information concerning the essential terms of the insurance policy including the policy number, named insured(s), policy period, vehicles covered, coverages and limits of liability including the disclosure of limitations. The declaration page or renewal notice must be personally delivered to the insured or mailed first class or certified mail to the insured at his address last known to the insurer.*

SO RECOMMENDED this _____ day of June, 2004.

CLIFF KING
Chief Insurance Assistant and Hearing Officer

ORDER OF THE COMMISSIONER

Having reviewed the record in this matter, it is hereby ordered that the proposed regulation concerning disclosure requirements on automobile liability drop-down limits and homeowner's premium based on incidents, LCB File No. R024-04, be adopted, as amended, as a permanent regulation of the Division.

SO ORDERED this _____ day of June, 2004.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance