

LCB File No. R132-05

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

**NOTICE OF WORKSHOP TO SOLICIT COMMENTS ON
PROPOSED REGULATIONS**

The Department of Business and Industry, Division of Insurance (Division), is proposing new regulations pertaining to consumer protection for consumer credit insurance and credit personal property insurance. A workshop has been set for 9:00 a.m., on September 26, 2005, at the office of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested parties may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the workshop is to solicit comments from interested persons on the following general topics addressed in the proposed regulations.

1. **Consumer Credit Insurance.** Chapter 690A of the Nevada Administrative Code (NAC) is amended to address guidelines in transacting credit life, accident and health, and unemployment insurance. The guidelines are for consumer protection and address the reasonableness of benefits, credit life, accident and health insurance, and unemployment rates, experience reports and loss ratios.
2. **Credit Personal Property Insurance.** Title 57 of the Nevada Revised Statutes (NRS) is amended to add a new chapter to address the guidelines in transacting credit personal property insurance, including guaranteed asset protection (GAP) insurance. The guidelines are for consumer protection and address the reasonableness of costs versus benefits of this line of insurance.
3. **Medical Discount Plan.** Chapter 683A of the NAC is amended to address guidelines related to registering to conduct business as a medical discount plan. The guidelines are promulgated to inform medical discount plan applicants which provisions of in the application form are deemed satisfied by an administrator, insurer or affiliate of an insurer that has previously submitted substantially similar information.

A copy of this notice and the proposed regulations will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulations will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

This Notice of Workshop to Solicit Comments on Proposed Regulations has been sent to all persons on the agency's mailing list for administrative regulations and posted at the following locations:

Department of Business and Industry
Division of Insurance
788 Fairview Drive, Suite 300
Carson City, NV 89701

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, NV 89104

Legislative Counsel Bureau
Capitol Complex
Carson City, NV 89710

Blasdel Building
Capitol Complex
Carson City, NV 89710

State Capitol
Capitol Complex
Carson City, NV 89710

Capitol Press Room
State Capitol Basement
Carson City, NV 89710

County Clerk
Courthouse
Carson City, NV 89710

Nevada State Library & Archives
Capitol Complex
Carson City, NV 89710

Carson City Library
900 North Roop Street
Carson City, NV 89701

Churchill County Library
553 South Maine Street
Fallon, NV 89406

Las Vegas Library
833 Las Vegas Blvd. North
Las Vegas, NV 89101

Douglas County Library
1625 Library Lane
P.O. Box 337
Minden, NV 89423

Elko County Library
720 Court Street
Elko, NV 89801

Goldfield Public Library
Fourth & Cook Street
P.O. Box 430
Goldfield, NV 89013

Eureka Branch Library
10190 Monroe Street
P.O. Box 293
Eureka, NV 89316

Humboldt County Library
85 East 5th Street
Winnemucca, NV 89445

Battle Mountain Branch Library
P.O. Box 141
Battle Mountain, NV 89820

Lincoln County Library
93 Main Street
P.O. Box 330
Pioche, NV 89043

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Mineral County Library
First & A Street
P.O. Box 1390
Hawthorne, NV 89415

Tonopah Public Library
171 Central Street
P.O. Box 449
Tonopah, NV 89049

Pershing County Library
1125 Central Avenue
P.O. Box 781
Lovelock, NV 89419

Storey County Library
95 South R Street
P.O. Box 14
Virginia City, NV 89440

Washoe County Library
ATTN: Reference
P.O. Box 2151
Reno, NV 89505-2151

White Pine County Library
950 Campton Street
Ely, NV 89301

Clark County Library
1401 East Flamingo Road
Las Vegas, NV 89119

Members of the public who are disabled and require special accommodations or assistance at the hearing are requested to notify the Commissioner's secretary in writing at 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, or by calling no later than 5 working days prior to the hearing, (775) 687-4270, extension 260.

NOTICE OF INTENT TO ACT UPON REGULATIONS

Notice of Hearing for the Adoption of Regulations of the Department of Business and Industry, Division of Insurance

The Department of Business and Industry, Division of Insurance (Division), will hold a public hearing at 9:00 a.m., on September 26, 2005, immediately following a public workshop, at the office of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested persons may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

REGULATION CONCERNING CREDIT PERSONAL PROPERTY INSURANCE, INCLUDING GUARANTEED ASSET PROTECTION (GAP)

The following information is provided pursuant to the requirements of NRS 233B.0603:

1. The proposed regulation provides guidelines for ratemaking of credit personal property insurance and defines the amount of unearned premium that must be refunded on a cancelled credit personal property insurance policy or contract.
2. The proposed regulation adds a new chapter to the Nevada Administrative Code (NAC) pursuant to AB 338 by adopting new guidelines in transacting credit personal property insurance, including guaranteed asset protection (GAP) insurance.
3. Estimated economic effect of the regulation:
On the business which is to be regulated: The proposed regulation would require a minimal additional cost to the credit personal property insurer to file forms and rates for approval by the Commissioner.
On the public: The proposed regulation will potentially protect consumers in the purchase of credit personal property insurance, including GAP insurance, by regulation of the reasonableness of costs in relation to the protection provided.
4. Small businesses may comprise some part of the distribution chain of credit person property insurance either as creditors or as insurance producers. Small businesses that receive compensation for their credit insurance activities may be affected by receiving reduced compensation through the enactment of AB 338. However, the extent to which any businesses are affected by the regulation will be a result of the rate changes required by AB 338 and not this regulation, which merely implements the terms of the statute.
5. The Division may incur some additional expense to enforce the proposed regulation that cannot be measured at this time.
6. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation that is in effect at this time.

7. The proposed regulation is not pursuant to federal regulation.
8. There are no federal regulations regarding these activities.
9. The proposed regulation does not establish a new fee or increase an existing fee.

Persons wishing to comment upon the proposed action of the Division may appear at the scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Written submissions must be received by the Division on or before September 19, 2005. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the proposed regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulation will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available on the Division Web site at <http://doi.state.nv.us>, and in the **State of Nevada Register of Administrative Regulations** which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at <http://www.leg.state.nv.us>. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

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Reno, NV 89505-2151

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LCB File No. R132-05

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

CREDIT PERSONAL PROPERTY INSURANCE

AUTHORITY: NRS 679B.130, §§ 50, 51, 56 and 60 of AB 338 as enrolled.

A REGULATION relating to insurance; providing guidelines for rate making of credit personal property insurance; and defining the amount of unearned premium that must be refunded on a cancelled credit personal property insurance policy or contract.

Section 1. NAC is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 7, inclusive, of this regulation.

Sec. 2. *As used in sections 2 through 7, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3, 4 and 5 of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Standard Fire Policy” means a policy or contract of insurance that provides coverage against all direct loss by fire, lightning and for costs incurred in removing from the premises property endangered by the perils insured against, as described in the policy declarations.*

Sec. 4. *“Extended Coverage” means coverage against all direct losses by fire; lightning; internal explosion; riot; explosion; vehicles; civil commotion; smoke; hail; aircraft; windstorm; volcanic eruption; vandalism and malicious mischief; burglars; weight of ice, snow, sleet; discharge of water or steam; falling objects; freezing; sudden tearing, cracking, burning; electrical current; fireplace smoke; flood; earthquake; theft; and mysterious disappearance.*

Sec. 5. *“Guaranteed Asset Protection” (GAP) means an insurance policy that supplements primary vehicle insurance coverage and covers the difference between the actual cash value of*

the insured vehicle and the outstanding loan balance. GAP will cover an insurance deductible, up to \$1,000, as part of the claim settlement.

Sec. 6. *Rates filed pursuant to section 49 of AB 338 shall be actuarially justified based on the following factors:*

- (a) Actual and expected loss experience;*
- (b) General and administrative expenses;*
- (c) Loss settlement and adjustment expenses;*
- (d) Reasonable producer compensation;*
- (e) The manner in which premiums are charged;*
- (f) Other acquisition costs;*
- (g) Reserves;*
- (h) Taxes;*
- (i) Regulatory license fees and fund assessments;*
- (j) Reasonable insurer profit; and*
- (k) Other relevant data consistent with generally accepted actuarial standards.*

Sec. 7. *A person is entitled to a refund of unearned premium if his policy or contract is cancelled, for any reason, before the scheduled date of termination. Except that, if the amount of unearned premium is less than \$5.00, the person is not entitled to a refund.*