

## LCB File No. R114-06

### 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 establishing reasonable rates for policies of credit personal property insurance, including guaranteed asset protection insurance and clarifying current requirements that require all life insurers to adhere to specific guidelines in the sale of annuity products to a consumer. A workshop has been set for **9:00 a.m., on June 7, 2006**, at the offices 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, 2<sup>nd</sup> 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 regulation.

1. **Credit personal property insurance. The proposed regulation amends Chapter 691C of the Nevada Administrative Code (NAC) by requiring all carriers to submit their rates for approval by the Commissioner using the guidance of recommended rates; and allows for a review of the rates in three years to determine if the rates are reasonable in relation to the benefits provided.**
2. **Annuity suitability. The proposed regulation adds new sections to Chapter 688A of the NAC. The new sections clarify the adopted regulation, LCB File No. R076-05, on annuities.**

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 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 regulations are also available 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 **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.

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 5<sup>th</sup> 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, (702) 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 June 7, 2006**, immediately following a public workshop, at the offices 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, 2<sup>nd</sup> Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

**Proposed regulation amending Chapter 691C of the Nevada Administrative Code (NAC), establishing reasonable rates for policies of credit personal property insurance, including guaranteed asset protection insurance.**

1. A statement of the need for and purpose of the proposed regulation.

Assembly Bill No. 338 of the 73<sup>rd</sup> Session of the Nevada Legislature directed the Commissioner of Insurance (Commissioner) to establish reasonable rates for credit personal property insurance, including guaranteed asset protection insurance. The proposed regulation complies with this legislative directive.

2. Either the terms or substance of the proposed regulation or a description of the subjects and issues involved.

The proposed regulation amends Chapter 691C of the NAC by requiring all carriers to submit their rates for approval by the Commissioner using the guidance of recommended rates; and allows for a review of the rates in three years to determine if the rates are reasonable in relation to the benefits provided.

3. A statement of the estimated economic effect of the regulation on the business which it is to regulate and on the public as follows:

On the business which it is to regulate: The proposed regulation would require an additional cost to the carriers to file their credit personal property rates to comply with this regulation. Producers of insurance could experience reduced commissions.

On the public: The proposed regulation could benefit the public by providing more affordable coverage.

4. A statement identifying the methods used by the agency in determining the impact on a small

business prepared pursuant to subsection 3 of NRS 233B.0608.

The Division regulates credit insurers that would have to file new rates. These carriers are not small businesses. Small businesses would have to implement the new rates which would mean a reduced premium for the consumer. The agent/producer (small business owner) would have a lower commission due to the reduced and regulated rate. However, the commission paid the agent/producer would be actuarially based and substantially higher than the standard auto or homeowner commission. This impact has been determined as a result of internal staff analysis.

5. The estimated cost to the agency for enforcement of the proposed regulation.

The cost to conduct examinations of credit personal property insurers is billed back to the insurance carrier. The cost to review the rate would be conducted by existing staff.

6. A description of any regulations or other state or local governmental agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the notice must include the name of the regulating federal agency.

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

7. If the regulation is required pursuant to federal law, a citation and description of the federal law.

The proposed regulation is not pursuant to federal law.

8. If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, a summary of such provisions.

There are no federal regulations regarding these activities.

9. A statement indicating whether the regulation establishes a new fee or increases an existing fee.

This 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 May 31, 2006.** 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 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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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  
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10190 Monroe Street  
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Eureka, NV 89316

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

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

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Tonopah, NV 89049

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95 South R Street  
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Virginia City, NV 89440

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950 Campton Street  
Ely, NV 89301

P.O. Box 430  
Goldfield, NV 89013

Humboldt County Library  
85 East 5<sup>th</sup> Street  
Winnemucca, NV 89445

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

Lyon County Library  
20 Nevin Way  
Yerington, NV 89447

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

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

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

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## LCB File No. R114-06

### PROPOSED REGULATION OF THE COMMISSIONER OF INSURANCE

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

AUTHORITY: NRS 679B.130, NRS 691C.390 and 691C.430.

A REGULATION relating to insurance; establishing reasonable rates for policies of credit personal property insurance including guaranteed asset protection insurance.

**Section 1.** Chapter 691C of NAC is hereby amended by amending section 8 and adding the provisions set forth as sections 9 to 18, inclusive, to LCB No. R132-05.

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

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

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

- (a) “Extended coverage” includes, but is not limited to, coverage against all direct losses by:
  - (1) Fire;
  - (2) Lightning;
  - (3) Internal or other explosion;



- (4) Riot;
- (5) Vehicles;
- (6) Civil commotion;
- (7) Fireplace or other smoke;
- (8) Hail;
- (9) Aircraft;
- (10) Windstorm;
- (11) Volcanic eruption;
- (12) Vandalism and malicious mischief;
- (13) Burglary;
- (14) Weight of ice, snow or sleet;
- (15) Discharge of water or steam;
- (16) Falling objects;
- (17) Freezing;
- (18) Sudden tearing, cracking or burning;
- (19) Electrical current;
- (20) Flood;
- (21) Earthquake;
- (22) Theft; and
- (23) Mysterious disappearance.

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

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

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

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

1. Actual and expected loss experience;
2. General and administrative expenses;
3. Loss settlement and adjustment expenses;
4. Reasonable producer compensation;
5. The manner in which premiums are charged;
6. Other acquisition costs;
7. Reserves;
8. Taxes;
9. Regulatory license fees and fund assessments;
10. Reasonable insurer profit; and
11. Other relevant data consistent with generally accepted actuarial standards.

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

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

~~(NRS 691C.340).~~

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

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

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

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

*In accordance with subsection 1 of NRS 691C.340, the Commissioner will consider the rates set forth in sections 9 to 15, inclusive, of this regulation to be reasonable unless the Commissioner determines that the rate is excessive, inadequate or unfairly discriminatory in accordance with the standards established in NRS 686B.050 and NRS 686B.060.*

**Sec. 9.** *For credit property insurance, closed end single premium, the recommended premium rate for dual interest coverage with theft is \$1.18 per \$100 of initial net indebtedness per year.*

**Sec. 10.** *For credit property insurance, closed end single premium, the recommended premium rate for dual interest coverage without theft \$0.88 per \$100 per year.*

**Sec. 11.** *For credit property insurance, closed end single premium, the recommended premium rate for single interest coverage with theft is \$0.59 per \$100 per year.*

**Sec. 12.** *For credit property insurance, closed end single premium, the recommended premium rate for single interest coverage without theft is \$0.44 per \$100 per year.*

**Sec. 13.** *For credit property insurance, open end monthly outstanding balance, the recommended premium rate for dual interest coverage with theft is \$0.14 per \$100 of outstanding balance per month.*

**Sec. 14.** *For credit property insurance, open end monthly outstanding balance, the recommended premium rate for dual interest coverage without theft \$0.10 per \$100 of outstanding balance per month.*

**Sec. 15.** *For credit personal property, guaranteed asset protection insurance, the recommended premium rates are:*

<i>Term</i>	<i>Recommended Premium Rate</i>	<i>Suggested Commission</i>	<i>% of Commission</i>	<i>Company Retained Amount</i>
<i>1-48 months</i>	<i>\$285.00</i>	<i>\$85.00</i>	<i>30%</i>	<i>\$200.00</i>
<i>49-60 months</i>	<i>\$342.00</i>	<i>\$102.00</i>	<i>30%</i>	<i>\$240.00</i>
<i>61-72 months</i>	<i>\$412.00</i>	<i>\$124.00</i>	<i>30%</i>	<i>\$288.00</i>
<i>73-84 months</i>	<i>\$495.00</i>	<i>\$149.00</i>	<i>30%</i>	<i>\$346.00</i>
<i>85-96 months</i>	<i>\$594.00</i>	<i>\$178.00</i>	<i>30%</i>	<i>\$416.00</i>
<i>97-108 months</i>	<i>\$713.00</i>	<i>\$214.00</i>	<i>30%</i>	<i>\$499.00</i>
<i>109-120 months</i>	<i>\$855.00</i>	<i>\$256.00</i>	<i>30%</i>	<i>\$599.00</i>

**Sec. 16.** *For credit personal property insurance, including guaranteed asset protection insurance, the commission payable to any or all producers of insurance must not exceed 30 percent.*

**Sec. 17.** *All credit personal property rates, including guaranteed asset protection rates, must be submitted for review and approval by the Commissioner in accordance with Section 6 of this regulation. Any credit personal property rates, including guaranteed asset protection rates, filed prior to adoption of this regulation are null and void effective September 1, 2006.*

**Sec. 18.** *The Commissioner will review the recommended premium rates for credit personal property insurance, including guaranteed asset protection insurance, not later than September 1, 2009, to determine whether the rates are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates which will become effective on September 1, 2010.*