

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TRANSPORTATION**

**Seventy-Sixth Session
March 1, 2011**

The Committee on Transportation was called to order by Chair Marilyn Dondero Loop at 3:19 p.m. on Tuesday, March 1, 2011, in Room 3143 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Marilyn Dondero Loop, Chair
Assemblyman Jason Frierson, Vice Chair
Assemblyman Kelvin Atkinson
Assemblywoman Teresa Benitez-Thompson
Assemblyman Steven Brooks
Assemblyman Richard Carrillo
Assemblyman John Hambrick
Assemblyman Scott Hammond
Assemblyman Joseph M. Hogan
Assemblyman Randy Kirner
Assemblywoman Dina Neal
Assemblyman Mark Sherwood
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

Assemblywoman Olivia Diaz (excused)

GUEST LEGISLATORS PRESENT:

Assemblyman William C. Horne, Clark County Assembly District No. 34

STAFF MEMBERS PRESENT:

Jennifer Ruedy, Committee Policy Analyst
Darcy Johnson, Committee Counsel
Jordan Neubauer, Committee Secretary
Sally Stoner, Committee Assistant

OTHERS PRESENT:

Graham Galloway, representing Nevada Justice Association
Brett J. Barratt, Commissioner, Division of Insurance, Department of
Business and Industry
Rajat Jain, Actuary I, Property and Casualty Section, Division of
Insurance, Department of Business and Industry
Michael Geeser, representing AAA Nevada
Robert Ostrovsky, representing Hertz Corporation
Robert Compan, representing Farmers Insurance Group
Keith Duffy, representing Nevada Rental Car Group
Lisa Foster, representing Allstate Corporation and American Family
Insurance Company
Jeanette K. Belz, representing Property Casualty Insurers Association of
America
Joseph Guild, representing State Farm Insurance Company
Marie D. Holt, Chief Examiner, Property and Casualty Section, Division of
Insurance, Department of Business and Industry
Rhonda Bavaro, Administrator, Division of Central Services and Records,
Department of Motor Vehicles

Chair Dondero Loop:

[Roll was called. Rules and protocol were stated.] I will open the hearing on
Assembly Bill 120.

Assembly Bill 120: Revises provisions governing certain insurance for motor
vehicles. (BDR 43-813)

Assemblyman William C. Horne, Clark County Assembly District No. 34:

Assembly Bill 120 is legislation to address what, I believe, is an inadequacy in
our auto insurance policy minimums. Currently a purchaser is required to carry
these minimums: (1) \$15,000 of coverage required for bodily injury to or death
of one person in any one accident; (2) \$30,000 of coverage required due to
bodily injury to or death of two or more persons in any one accident; and
(3) \$10,000 of coverage required for injury to or destruction of property of
others in any one accident (15/30/10). However, these minimums do not

provide protection for Nevada families or those who are injured on Nevada's roads and highways through no fault of their own. The purpose of liability insurance is to make whole, to the extent possible, persons who are injured in an automobile accident because somebody hit them while they were driving on our roads. They could have been driving their vehicle, they could have been a passenger in a car, or they could have been the person at fault.

These current minimum limits were set in 1958. The last time these limits were addressed by the Legislature was in 1985, and no action was taken. In 1958 the top five television shows were Gunsmoke, Wagon Train, Have Gun—Will Travel, the Rifleman, and the Danny Thomas Show. Gas prices were \$0.24 a gallon. The average price of a home was \$37,000. A popular car was the Ford Edsel. The first federal seat belt legislation had not been passed yet; it passed in 1968, and Nevada did not require seat belts until 1985. Imagine, in 1958, the type of injuries that were seen in emergency rooms and hospitals from automobile accidents. Cars were not even required to have seat belts in them, and the people with cars that had seat belts were not required to wear them. Alaska and Hawaii were not even states yet. My mother and father had not yet met in Okinawa, Japan. Although my father and grandfather were serving in the U.S. Armed Forces, they were subject to discrimination at the ballot box because in 1958 the Voting Rights Act of 1965 had not arrived. This is what was going on in 1958 when we set the minimum limits on automobile insurance that we have today in the year 2011.

I would like to tell you a personal story and why I decided to bring this bill to your Committee. June 5, 2010, I was on my way to pick up my children. There were a couple of cars that were racing on U.S. Highway 95. They were driving little sports cars, and I was driving a 2005 Nissan Armada. One of the cars lost control and hit me. It flipped my car at the speed of 70 miles per hour. I have a torn rotator cuff and torn ligaments in my wrist—both of those need surgery. I have an injury to a nerve in my elbow; my hand goes to sleep for no reason sometimes. There was also an injury to my back, which I have had physical therapy on and an epidural shot, which cost me \$2,200. Transporting me to the University Medical Center Trauma Center after the accident was extremely expensive. Later, I realized the man who hit me had the minimum insurance coverage. It does not even come close to covering the cost of my care. I am very blessed. I am up, walking around, still going to the gym, and I am still in my children's lives. There are a lot of people who have accidents, not as severe as mine, but have greater injuries. They may be in wheelchairs or have to walk with the aid of a walker or a cane. They may have had multiple surgeries for their injuries. They may also have the experience where the person who hit them had the minimum insurance coverage.

I have heard from the insurance companies and rental car companies. Everybody tells me that this is going to raise the rates of everybody who buys insurance, particularly those who are below the limits that this bill proposes to increase. I knew that when I put the bill in; I know this is not going to be a popular bill. I know it raises rates at a time when the economy is struggling. I know this bill is bad for all Nevada families. All neighborhoods are affected by it. I also understand that one of the purposes of the Legislature is to protect the public. One of the things we are supposed to do is look at laws that we have, that are designed to protect the public, and ask ourselves if the law is doing the job it was designed to do. When this bill was passed, these minimum limits were set at a certain time, for a certain reason. We need to occasionally look and see whether or not those particular laws are doing that. I think today, our current minimum limits for our insurance do not protect the public. They do not protect those persons who are injured by no fault of their own.

The insurance companies will come up and they will tell you 40 percent or more people will be affected with increases in their insurance policies. They are going to say now is not the time to pass this legislation. Since 1958, I wonder how many times the insurance industry has come and said that we need to raise the rates because people are not being protected by the current minimum limits. I would say they probably have never done that. We have had good economic times. It is not that they did not know these limits were not adequate to cover the expenses of injured people because they are paying the claims. They hear from the injured people and their attorneys. They know these claims are oftentimes getting settled. Insurance companies are only paying a percentage because they do not have enough money to pay all of the health care providers. The insurance companies have known this for years. In good times and in bad, they have never come forward to say that these minimum limits are not adequate to protect the public. I do not think they will ever come forward and agree with this bill. Is now the time to have this discussion? I think it is. Are these the right limits to raise the minimums to? The last time we had this discussion was in 1985, which was quite a long time ago. I graduated from high school in 1980. This was my first accident, and I was 48 years old at the time.

Chair Dondero Loop:

Thank you, Mr. Horne. Are there any questions from the Committee?

Assemblywoman Neal:

I understand where you are coming from; however, I am one of those people who would have to deal with my premium increasing if this bill were to pass. I, and a lot of my friends, only make \$36,000 a year. The only reason I get good coverage is because I have good credit. Other people who do not have

good credit or get good coverage run into a problem of what bills they are going to pay. I know a few people who cannot pay month to month. They are always battling between their insurance payment and rent. It has nothing to do with the recession; it has to do with the fact that Nevada has low wages, and we have a working class who tries to balance and fix their mandatory expenses. They have a fixed budget because of low education or whatever their reason may be. I looked at other states and their minimum limits are 25/60/30. Why did you choose not to raise the limits to the range of other states limits? Maybe we should increase just the second tier instead of jumping the first tier from \$15,000 to \$50,000.

Assemblyman Horne:

I understand everything you said, and I do not disagree with it. These numbers can change; I am not wedded to them. If this Committee believes the numbers I put forth in the bill are too high, you can lower them. If you believe the current numbers are where they need to be, great. That is the purview of this Committee to decide. I think at the very least I am making the effort to have this conversation; I think it is overdue. I understand that many families have troubles paying the existing premiums.

Chair Dondero Loop:

Are there other questions from the Committee? [There were none.] Now we will hear from people in support of A.B. 120.

Graham Galloway, representing Nevada Justice Association:

We are in favor of and support this legislation. The goal of this legislation is to protect everyone in this room and to protect everyone in this state. With the explosion in medical expenses and car repair expenses, the current limits are not doing their jobs. They are not taking care of people. We have some of the lowest limits in the nation, and they are not cutting it. I talk to people on a daily basis who are accident victims, and on top of it they are victimized by the system because the insurance limits are not sufficient to cover their medical needs, loss of income, or car repairs. In preparation for this meeting, I did a quick look around my office. I have 19 cases that I could identify without even looking into the files where the injured parties had bills or medical expenses in excess of \$15,000 and the wrongdoer only had the minimum-limit policy, which puts that victim in the hole. We are a two-lawyer firm, and we talk to people on a weekly and daily basis who are victimized by the situation. Not only are they hurt, out of work, and in pain, but now they owe money because they have hospital bills more than the insurance coverage available.

Our position on this bill is that it is long overdue, as Assemblyman Horne stated. Nobody is happy about raising rates. At this point, I do not know if anybody

has a grasp on what changes will happen to the rates, but nevertheless it has to be dealt with. Assemblywoman Neal referenced numbers. I just want to say from our perspective, \$50,000 is probably not sufficient. If we were lawyers on the plaintiff's side, we would want a \$100,000 limit, but \$50,000 is a good start. Anything less than \$50,000 creates problems for a large segment of the individuals out there who get injured.

From our experience, in the past five years a routine emergency room visit for a run-of-the-mill, minor to moderate car accident used to be \$2,500. We see bills on a routine basis that are \$15,000 to \$25,000. If you consider a minimum less than \$50,000, \$25,000 is even going to be a struggle for a lot of accident victims. From our perspective, \$50,000 is probably not enough; \$15,000 is certainly not enough.

Chair Dondero Loop:

Thank you, are there any questions?

Assemblywoman Woodbury:

I was just wondering, what happens when a party is not completely covered? Does it go into a lawsuit?

Graham Galloway:

Yes and no. There are a couple scenarios. If you have your own underinsured motorist coverage, then you look to your own insurance carrier to make up the deficit or what did not get covered from the wrongdoer. If you are like a lot of my clients and a lot of people in this state, you do not have underinsured motorist coverage because you opted out of that. The current law right now allows people to opt out of that coverage, so then you get into a lawsuit and hopefully someone has personal assets. Realistically that does not occur because if you are buying the minimal limits of coverage, usually you are an individual who does not have a lot of personal assets. Typically when an individual comes into my office, the wrongdoer has the minimal coverage, and the individual has \$25,000 in medical expenses. They do not have any additional coverage of their own, and that is an out-of-luck situation where I have to have a hard discussion with that individual. I try to negotiate the medical expenses away, so they are not in the unfortunate situation of owing somebody money. That happens on a regular basis.

Assemblywoman Benitez-Thompson:

I want to make sure I am reading the bill right. The testimony has sounded like it is applicable to every registered owner, but am I right that this bill is specific to people who have short-term leases and who are renting cars?

Graham Galloway:

That is just the first section of the bill. As far as I understand the bill, it applies to every registered owner not just the short-term lessees or lessors, which would be the rental car situation. It applies to anyone who owns and registers a vehicle.

Chair Dondero Loop:

Mr. Horne, would you like to clarify that?

Assemblyman Horne:

Mr. Galloway's statement was correct. This bill is not solely directed at the lessees but to all ownerships.

Assemblyman Frierson:

Are either of you aware of any statutory scheme in any other state where there is a separate limit for people who are determined to be indigent? If there is a certain qualification, there is a lower bracket of insurance limits if they are determined to be indigent, and for everyone else there would be a separate bracket. I just thought of it, and I was wondering if either of you were aware it existed anywhere.

Graham Galloway:

I am not aware of any pool or fund for indigent registered owners. I think there are states where there are pools if you are a high-risk driver or you are not able to obtain affordable insurance. New Jersey has some kind of state-organized pool for drivers who cannot afford the regular insurance rates.

Assemblyman Atkinson:

Does anyone have any indication of what increasing these limits may do to people's insurance rates? I am asking that because I am with State Farm, and each time I renew, they send me something that says I can pay what I have been paying for six months, or I have three other options. Those options usually have increased limits, and those options cost more money. I do not understand because I have a high limit, but they still send it to me. I do wonder what is going to happen to those individuals who are barely able to afford their insurance as it is.

Assemblyman Horne:

In my discussions with members of the insurance industry, the insurance commissioner, and his actuary, they came up with the same numbers of an increase on the premiums. About 40 percent of the insured are going to experience an increase in their rates if this bill passes. I forget the level of increase.

Brett J. Barratt, Commissioner, Division of Insurance, Department of Business and Industry:

We did run some numbers, and we submitted an exhibit ([Exhibit C](#)) to answer any questions such as this. This is subjective data; these numbers were gathered from our top ten auto insurers which represent about 80 to 90 percent of the marketplace. We found that 59 percent of consumers will benefit from this because they have the proposed new minimum or higher. There is about 41 percent who have lower limits than what is being proposed. Passage of this bill would mean those 59 percent who have the new proposed limits or higher would see a slight reduction in their rates. For those 41 percent who are currently below the proposed limits, they would see a significant increase in their insurance rates.

Assemblyman Atkinson:

I am trying to word my question without sounding like I am opposing your bill. Have we tried to gauge any kind of demographics as to who this bill will affect? I ask this question because there are a couple different bills this session that are going to deal with insurance issues. I have a bill myself that is modeled after something California is doing to make insurance more affordable for a certain group of people who are making under a certain amount of money. I am concerned about those people, and I do not want to talk too much about the diversity issue. Do your numbers take demographics into account or is this just a broad number?

Brett Barratt:

The information we have is aggregate data; it does not take into consideration various demographics. What we look at is how many people have chosen what rate in this state.

Assemblyman Kirner:

I have a question on your data. Do any of these policies affect fleets? Are fleets included in this, or are they just individual policies?

Rajat Jain, Actuary I, Property and Casualty Section, Division of Insurance, Department of Business and Industry:

They are just individual policies. These numbers were derived based upon the insurance policies from the top ten auto insurers ([Exhibit C](#)).

Assemblyman Kirner:

Would this bill affect fleets as well? Rental car fleets, AT&T service trucks, et cetera?

Rajat Jain:

As you are aware, commercial automobile rates are deregulated in Nevada. The Division of Insurance does not have access to that information.

Assemblyman Hammond:

Right now you have a certain number of uninsured motorists out there. I do not want to act like I am opposing the bill right away, but I want to ask this question: what do you think will happen when the rates get raised? What is the threshold? As soon as we get to a certain dollar amount, how many people decide not to pay the insurance and drive around uninsured? I am concerned about that. Have you looked into those numbers?

Rajat Jain:

We do not have the ability to get those numbers. It is a reasonable expectation that people who are opting to go uninsured in violation of our statute at the current minimum limits will probably continue to do so at higher limits. Whether that number increases or not, we do not know. Logic would dictate that it would have an adverse impact on those numbers.

Assemblywoman Neal:

You say you are not able to calculate it, but I know for a fact when I got my insurance, my rate changed in two instances: when I moved from Louisiana to Nevada from school, and when I moved from one zip code into another zip code within North Las Vegas. I know the insurance companies are tracking that, and they are calculating the rate based on that information. Why can you not just ask them to give you what they tracked? That is how they are setting rates, and they are specifically doing that in Nevada.

Rajat Jain:

You are correct. There are a lot of different criteria that go into rate developing today. A few years ago, I could sit down with you and compute your rate for you, which is not feasible in the current environment. Rate making is complex. To a certain degree, we can request the information from the insurance industry and we probably have some information, for example by zip code. We can provide you the rating information. What we do not collect is information based upon certain other criteria such as race, gender, and marital status. Based on the information I have seen, the larger impact will probably be in metropolitan areas like Las Vegas.

Assemblyman Sherwood:

I think the issue we see is if you are poor, you are going to be hurt by this bill. This is not a demographic issue. A \$300 insurance bill for someone who is living in poverty is a lot of money. On the flip side, there are 600 chiropractors

who are not getting paid. The chiropractors lose their business because the insurance minimum limits are not high enough to pay them what they should be paid. Is there any kind of savings that you have thought about where you can save \$122 to \$290 a year in other things, and we can still allow the current minimums so everyone can have affordable insurance?

Graham Galloway:

First of all, if you do not change the limits, the poor will be that much more adversely affected because they are going to have less insurance to cover their bills. It is tough being poor, and to have to pay more for insurance will be hard. I do not know how to reconcile it. I would assume that if liability limits were raised, then there are going to be fewer underinsured or uninsured motorist claims. I do not know if anyone has realized that there might be a decrease in certain claims and an increase in other claims. I do not know what the trade-off is rate wise. It is a hard situation. There is never a good time to raise rates or taxes. Sometimes it has to be done. The current limits do not do the job for the majority of the people as far as I can tell from my practical experience.

Assemblyman Horne:

Yes, one can argue that this bill, if passed, will harm poor people. I want to remind the Committee that poor people drive and get injured on the roads as well. A rich person might get hit by somebody who has these minimum limits and be able to make up that difference and pay the rest of their medical costs, not worry about money they are losing from their job, et cetera. A poor person, on the other hand, who is injured on the road by someone who has the minimum limits as of today would be in a tough situation. They would not have a savings account, their own business, et cetera. This bill is to protect everyone regardless of their class standing. If you are harmed on the road today by somebody with these minimums, you are going to be hurt more than physically but also financially.

My attaché brought me an example. If she was to have GEICO raise her limits to what is suggested on this bill—she is married, 40 years old, and has a child that drives a 2006 Toyota Corolla—her limit would go from \$111 to \$188 for 6 months. That is a \$77 increase. She is an average consumer of auto insurance. I know it is not scientific, but it gives you an example.

Assemblyman Atkinson:

The numbers you just gave are from the minimum limits, which are in place now, to the limits that are proposed in your bill?

Assemblyman Horne:

Yes.

Assemblyman Frierson:

I appreciate the aspect behind this bill; people who do not have a lot of money also get hurt and have bills. They might even be at a greater disadvantage from the limits but the rates, if we were to compare our limits currently, would be subject to the insurance industry if the limits were changed. Am I misreading the estimates, or are we still subject to the insurance industry if we raise the limits?

Rajat Jain:

There is a possibility. We can only speak of the rates that are currently filed. According to current rates, if the limits are raised, the premiums for those people would go up. How the change of minimum limits actually affects the market environment, the claims experience of the insurance industry, and the future rate setting is very difficult to project at this point in time. I do expect the trends to show up. Unfortunately, I am reminded of an old law, Newton's third law of motion: every action has an equal and opposite reaction. With low liability limits, those who opt to have uninsured or underinsured motorist coverage see an increase in their rates. Increasing the liability limits affects those who probably cannot afford the increased premium, but it protects all Nevadans and could possibly lower the underinsured and uninsured motorist rates. It is not an easy solution. It is highly unpredictable at this point what will happen with the future rate settings.

Chair Dondero Loop:

Are there any other questions?

Assemblyman Brooks:

This may be a question for those who are opposed, but I will ask anyway. The increase in the premium is by \$168, which is proposed here. That seems quite extreme. It is more than the initial premium of \$122. I am just wondering if we can find a way to double the coverage as opposed to going to 50/100/25; we can do 30/60/20. This might be a question for the insurance companies. Is there a way to double the coverage as opposed to raising the limits to the rate which was proposed?

Rajat Jain:

Absolutely, there is a possibility to find middle ground. I did not specifically look at the numbers for 30/60, but I did look at the numbers for 25/50, and the average premium with currently filed rates increasing from 15/30 to 25/50 will raise the rate at about 20 to 25 percent. That does not include the rates that may go up by another three or four percent if the property damage is increased as well. The overall increase will have a slightly lower impact. This is a public

policy matter. I can only provide you the numbers. I would be happy to look into 30/60 specifically if you would like me to do so.

Chair Dondero Loop:

Are there any other questions? [There were none.] Thank you, we will now hear from those who oppose A.B. 120.

Michael Geeser, representing AAA Nevada:

I want to begin by giving my deepest sympathies to Assemblyman Horne. That story gets played out a lot in this state. It is our job to lay out the consequences for you if something were to take place. I would like to explain it without going through a lot of numbers and statistics. I will give you a couple of consequences that have already been mentioned. If the minimum limits were to be raised, the proponents of the bill are absolutely right, we would have higher insurance rates. It is in our best estimation that rates would go up 25 percent. We would also have a higher uninsured rate, which currently in Nevada is at 15 percent, the 14th highest uninsured rate in the country. We already have two issues that are on the table that this bill would further advance. Another statistic, if you took all of the people who currently have the minimum limits in Nevada and ask them to move their limits up to what is being proposed, it would affect close to 45 percent of all insured motorists in the state. That is a really big number; you would be asking a lot of people to pay more money for insurance. We could raise the limits and collect money, but people would not want to pay more money. We would get a few phone calls about that. I just wanted to come up here and underlie some of the consequences that would follow if this bill were passed. I wanted to do that in an easy explanation, without using actual numbers. Those are the reasons AAA Nevada opposes the bill.

Chair Dondero Loop:

Thank you, are there any questions?

Assemblyman Hambrick:

The state actuary was unable to provide certain data, and I am unsure as to whether you will be able to either, but you have given us statistics about the percent of uninsured. Can you estimate what that may rise to? There are already financial consequences. Do you feel comfortable with addressing the financial consequences, whether they are good or bad?

Michael Geeser:

My thought is the consequence would be bad. It would impact a lot of people. It would certainly drive up the uninsured rate. There are a lot of people living in poverty, barely making their minimum payments, but those minimum payments

allow them to continue driving. It allows them to get to work and get their children to school. You raise those rates, and a certain segment of the population will drop off. We already have one of the highest uninsured rates in the country. I fear that a bill like this will increase that segment of the population. That would be a horrible consequence that would follow from this bill.

Assemblyman Hambrick:

Can you explain with hard numbers?

Michael Geeser:

I cannot. I do not have any estimates as to what limits at different increments would do, and what those would mean to insurance rates. Any minimum limit that is raised would definitely increase the rates.

Assemblyman Atkinson:

First, you indicated that rates would increase by 25 percent, and I am not sure if we were able to get an actual number from the proponents of the bill. Where did you get that number? Assemblyman Horne was saying his attaché's insurance would go up \$77. I am not a mathematician, so I do not know if that is 25 percent.

Michael Geeser:

I do not know. I can tell you that the average, from AAA Nevada, would be 25 percent. That could mean much more than \$77 or much less than \$77 based on the situation. The 25 percent is just an average of people who currently carry the minimum limits. I apologize, but I am not a mathematician either.

Assemblyman Atkinson:

You cannot give me any examples? You did not bring any examples with you today? I know you said now is not a good time to raise the limits. When would be a good time? I think it would be better for me and this Committee to figure out the numbers. I do not think it is fair to the proponent of the bill for you to come up here and throw out that number and not explain it with examples. You can say 25 percent to anything. If you are going to make that statement, we should have something more concrete. We should know what it means. I do not know what it means.

Michael Geeser:

I did not bring any dollar amounts from AAA Nevada. I know that Property Casualty Insurers Association of America (PCI) did bring numbers. They supported their numbers with a handout ([Exhibit D](#)). I want to say the

introduction of this exhibit is going to come from Jeanette Belz with PCI and not AAA Nevada. They have actual dollar amounts in their letter of opposition, page 2 of their handout. It also gives the potential impact that this bill would have on insurers. It even breaks it down to different parts of the state.

Chair Dondero Loop:

Thank you, Mr. Geeser. Are there any other questions?

Assemblywoman Neal:

Other than saying that the rate will be higher, do you have any solutions that will bridge Assemblyman Horne's suggestion to at least try to protect people who get into an accident? Do you have an idea of a higher limit that is less than the 50/100?

Michael Geeser:

You can knock those minimum limits down to as low as you could possibly go; that would probably help. The problem is the rates are going to get raised. If the appetite is that it is alright to raise rates as long as we have the minimum limits going up, I think you could do that. I want everybody to know there is a consequence as soon as you raise the minimum limit to anything. The consequence is that the rates will go up for half of the motoring public, according to our information at the proposed rates in the bill. If you just raise the limit in small increments, the number of those affected will go down. What that number is, I cannot tell you.

Assemblyman Hammond:

Going back to 1958, I would imagine \$15,000 minimum for bodily damage would have covered quite a bit. What would \$15,000 cover today, a broken arm?

Michael Geeser:

I could not honestly tell you what \$15,000 would cover. Somebody from the medical field would be better served to explain what medical costs are, and how they are covered.

Assemblyman Hammond:

I do not want to say that I support or oppose the bill right now, but I think that \$15,000 was quite a bit of money back in 1958, but \$15,000 today, in an emergency room, does not seem like a lot of money.

Chair Dondero Loop:

Any other questions?

Assemblyman Hogan:

I think this is more of an observation than a question. I think most of us have grown up with some understanding of the principle of insurance: regular people cannot afford certain catastrophic things to happen to them. We appreciate the fact that if many hundreds of thousands of people band together and pay what we can to insure against those risks, it makes sense. It is a sensible thing to do if it can be done within your personal economics. I think we are faced with a problem here. While that principle is still entirely true, it seems to me what is frustrating is our attempt to forecast what the results would be and to evaluate whether we should consider this or not. If the amount we have to pay to share the risk with the rest of the citizenry is prohibitive for us, then we are likely to drop out or settle for a much lower coverage, thus decreasing the value of the principle.

We should, through the Commissioner of Insurance, stimulate a little bit of competition among the companies offering insurance for accidents of this kind. That might be one of the ways insurance companies could still do well, and people could have a slightly more accommodating level of coverage and protection. It would take a certain amount of additional effectiveness by the state regulators to achieve a system that has a more competitive way of operating. It is frustrating to see that we were just balancing one cost against another. We have the cost to all of us as drivers, which is devastating. Whereas we think back to the details of Assemblyman Horne's personal example, we may see that what happens on a personal matter is a lot more devastating. Not being able to be compensated for serious injuries is much more devastating than having to pay \$177 more for a six-month policy. We have not found the comparative numbers or a way to drive to a decision. I would like to see a decision that would leave neither the average ratepayer nor the average accident victim devastated by the effects of the system we have had for all of these years and threaten to keep.

Assemblyman Frierson:

Is there someone who could provide us with other state minimum limits, so we can compare? I ask because I am aware that at least one state did this and repealed it two years later, but the level that it was when they repealed it is still higher than ours. This may result in some long-term savings if we ultimately do raise the rates, so people do not have those outstanding medical bills. I am curious, at least regionally, what other states are doing.

Michael Geeser:

I do not have the information. Maybe someone else in the room does.

Chair Dondero Loop:

If there are no more questions, we will move on.

Robert Ostrovsky, representing Hertz Corporation:

I have a very short statement. We would like to dispose of the sections involving the rental car industry. When you go to rent a car, you and the rental car company have joint and several liability for any accident you might have. Currently that is the law. We rent in the blind. We do not ask to see your insurance documents, and we do not know what insurance levels you carry. We offer a product which will waive all of those, and we will pick up the claim. You are sort of buying on-the-spot insurance from us without an actuarial advantage. We do not get to analyze if you are a good driver or not. These costs fall on us. Hertz puts more than 6,000 vehicles on the road. They are not all out on the road every single day, but there is a huge risk for us when rates get raised. If you want to eliminate joint and several liability, that is another story. Right now Hertz is responsible as any other rental car company for the actual damages caused by anyone who might rent one of our vehicles. If you raise the limits, we will have to push harder to sell our product, which is expensive because we do not have any actuality or rating.

Chair Dondero Loop:

Mr. Compan, will you speak next please?

Robert Compan, representing Farmers Insurance Group:

You would be surprised how many of our insurance agents would like to see the minimum limits in Nevada go up; it increases their commissions. However, insurance in Nevada is a contract between you and your agent, and that is a conversation that you as a customer ask of your insurance agent when you get insurance. Nevada does have financial responsibility, minimum limits that you must have, 15/30/10. I am not sure if the Committee understands that; \$15,000 per person in the car for a maximum of \$30,000. The \$10,000 is the property damage amount that would be paid for the car. On top of that, there is optional coverage you can add: collision coverage, to protect your car from damage; comprehensive coverage, which is anything but collision; medical payment coverage; and additional coverage on top of your liability coverage, up to \$1 million. The decision of what you buy is between you and your agent.

I have been with Farmers Insurance Group for 25 years, and I spent 18 of those years in claims. I saw the magnitude and the problems of what happens when somebody chooses to have lower limits. They are faced by a trial attorney who looks at their assets, should they be found negligent in an accident. This is one thing we ask our agents to cover whenever they talk to somebody about coverage. If you have the minimum limits, you get into an accident, and

someone is represented by an attorney, they can come after your house, 401(k), pension, et cetera. You need to be financially sure of what you want. Unfortunately, there are a lot of customers in Nevada that will be faced with a rate increase should this bill be passed.

Farmers Insurance Group also owns a group of companies: Farmers Insurance Group; Bristol West Insurance Group, which is a high-risk insurance company that addresses these types of limits; Foremost Insurance Group; and 21st Century Insurance, which was an old American International Group, Inc. company, is an internet-based insurance company. Please look at the exhibit I have provided ([Exhibit E](#)). Just for Farmers Insurance Group alone, 11.5 percent of our customer base has 15/30. Most of the time, our agents are able to convince our clients that they need more coverage. However, there is a customer base that just cannot afford it. They are simply trying to work day to day and be responsible citizens by buying insurance. If you were to take that 11.5 percent of our customers and move them up to 50/100, there would be a 43 percent increase in yearly premiums. We are proud of our premiums at Farmers Insurance Group. We are an expensive insurance company, and we pride ourselves because we give good customer service, but if you have an average premium of \$1,000 now, that means your annual premium at the proposed minimum limits will be \$1,430. If you add into that the property damage limits, which are now \$10,000 and proposed to change to \$25,000, there is going to be a 9 percent increase. Between the current limits of 15/30/10 and the proposed limits of 50/100/25, there is going to be a 52 percent rate increase for the average Nevadan who insures his car with Farmers Insurance Group.

I am trying to get statistical data for the Committee from Bristol West Insurance Group, our high-risk company, which targets the SR-22 files and people who really cannot afford insurance. That is our high-risk pool company that we use to try and put our product out there affordably. They do not have all the bells and whistles that Farmers Insurance Group has. As soon as I get that information, I will supply it to you.

One thing Mr. Geeser mentioned is that the uninsured driver's cost would most likely go up. Last session we worked with the Legislature and the Department of Motor Vehicles (DMV) to establish an insurance verification program called Nevada Liability Insurance Validation Electronically (LIVE). It is still a work in progress. The statute has been in effect since the early 1990s but now it is a live program where insurance companies report, in real time, to the DMV. The problem with that is if you fail to pay your insurance, you are going to be subject to a \$250 fine. If I am faced with higher limits in insurance coverage and it is going to cost me \$1,500 every 6 months and I am trying to

feed my family, I would opt to take my chances not being insured and receiving the \$250 fine from the DMV. It is not staggering or punitive; that is just what it is in the state.

Assemblyman Atkinson:

You mentioned a moment ago about going after people's assets if there is an accident, and you have to make a recovery. What happens if the person does not have any assets? Most people who drive without insurance do not have assets.

Robert Compan:

I am speaking from personal experience along with claims experience. You are right. If you do not have assets, there is nothing to go after. When my daughter turned 16, to get an affordable insurance product at that time, I bought her a minimum insurance policy, 15/30/10. You would think, being a claims guy, I would know better. I had 250/500 with \$1 million liability on my own cars, but I bought her this off-kilter insurance just thinking it would be good and she would be fine. I did not realize that she lives in my house; therefore, I am responsible for her. She has no assets, but I do.

Assemblyman Atkinson:

I get that. I have a 14-year-old that is already asking for a license. What about the people who do not have assets?

Robert Compan:

With the people who do not have assets, there is nowhere to go.

Assemblyman Atkinson:

I am asking because I have a constituent who this happened to.

Chair Dondero Loop:

Are there any other questions?

Assemblyman Hambrick:

Am I correct in assuming, and it would depend on how sharp your attorney is, the person who does not have assets may never have assets depending on the judgment of the court in a jury trial. Could they be subject to future loss of any assets?

Robert Compan:

Yes, they can be subject to assets and future earnings. I commend Assemblyman Horne; I understand his thought process. He and I spoke about

this prior to my testimony here today, and I consider him a good law man and a good friend.

Keith Duffy, representing Nevada Rental Car Group:

I represent several car rental companies: Alamo Rent A Car, Savmor Car Rental, Payless Car Rental, National Car Rental, Dollar Rent A Car, Thrifty Car Rental, Fox Rent A Car, and Enterprise Rent-A-Car. Right now, we do not support this bill. This bill will drastically increase the cost and the exposure every time we rent out a vehicle. In Nevada, rental car companies are authorized to have the state minimums. Right now the state minimums are 15/30/10; that gives us a \$40,000 exposure every time we rent out a vehicle, plus the cost of the car. With the limits raising to 50/100/25, our exposure goes up to \$125,000. Most rental car companies are self-insured, and it is not through an insurance policy. Some do have policies and their premiums will be affected. When we pay out claims, it is money we cannot recover; people cannot afford to pay us back. Nevada is a stacking state. If someone does have insurance, their insurance may run out, and we pay whatever is left. If there is a way to separate that too, that would be great. Currently, if you hit a rental car in the state, you will actually get paid double what you would as an individual. We understand and think this should be something to look at, but the cost for us would be extravagant. We are looking at three-times more cost. The rental car cost and the daily rates will go up. In the rental car industry, there is a ceiling on the amount someone will pay for a vehicle, about \$40 a day. It has not changed too much in the past years, but the cost of cars, taxes, and fees have. Instead of raising rates for profit, we have had to reduce prices, so people would still rent vehicles. This is something we understand, but it is really tough on us right now. The last few years have been tough with the change in the economy.

We are concerned that we will see more fraud with the higher limits. There is more money available, so it is possible the victim will be over treated to receive a higher amount of cash back from somebody's claims. I do not know if anyone has looked at studies on that.

Assemblyman Atkinson:

I am having a difficult time understanding. Why would you be against this bill? I feel like it helps rental car companies because if people are carrying higher limits, their insurance will cover all the damage, and your insurance would not have to pay anything.

Keith Duffy:

We would have more exposure to pay out because every time we rent out a vehicle, we have that exposure. It would affect the cost of what we pay out for the people who do not have insurance. People come in and lie to us by

telling us they have insurance; then they rent a car and wreck it. They tell us they do not have insurance, and our insurance ends up paying for it. On the flip side, what you said is possible. We have had a few cases where we do hit state minimums. It is not a common everyday occurrence. We probably pay out more than we get versus state minimums.

Assemblyman Atkinson:

Do you have numbers on how often that happens? This is new information for me. When a renter declines your insurance, I did not know rental car companies did not check to make sure the individual had his own. The rental car companies just trust that if you decline their insurance you have your own? There is no check process?

Keith Duffy:

We rely on people to make an educated decision when they come in. We ask them if they would like to go with our coverage. They have the option then to opt in or opt out. It is almost impossible to check for insurance. It is a customer service issue. We would love to check everybody, every single time, but insurance companies close, and it depends on the circumstances. It really is a tough deal. There is not a 100 percent, foolproof way to check and balance. We do have people who come in and give us their insurance cards, but their insurance cards are sometimes invalid. People do try to outsmart the system.

Assemblyman Atkinson:

I disagree. I think there are numerous ways out there to check people's insurance, and if other companies can do it, then so can the rental car companies. It might cost them a little bit up front, but I believe it will cost them a lot less money in the end. I believe there is a way, and if the rental car companies truly wanted to do it, they could. You provided me with too many excuses: customer service, taking too long, et cetera. I certainly believe there is a way to check.

Chair Dondero Loop:

Thank you. Are there any other comments or questions for Mr. Duffy?
[There were none.]

Lisa Foster, representing Allstate Corporation and American Family Insurance Company:

Both companies I represent do have some serious concerns with this bill. You have heard what the concerns are from some of my peers in the insurance industry. We echo those concerns, but the primary one being we think it will raise premiums for a significant number of Nevadans. American Family Insurance Company reports that about a third of their insured will see an

increase in premiums if this bill is passed. Allstate Corporation points out that those hit hardest by the bill will be those that have nonstandard or high-risk policies.

Chair Dondero Loop:

Thank you. Are there any questions?

Jeanette K. Belz, representing Property Casualty Insurers Association of America:

We did submit some information ([Exhibit D](#)). Based on Property Casualty Insurers Association of America (PCI) data that their research institute council looked at, they estimate about 45 percent of the state's insured drivers would be affected, increasing their premiums by about 18 to 26 percent. The table that Mr. Geeser referred to is on page 2, and it indicates that Las Vegas drivers will bear the larger increase, about \$122 to \$290 annual increase. We are concerned about the uninsured rate. Nevada has the 14th highest uninsured rate in the nation, about 15.2 percent. We are concerned that people would drop their coverage, and the uninsured motorist rates for the remaining insured customers would go up. There was a question about the limits that are in surrounding states; I do not have those numbers, but Marie Holt from the Division of Insurance is here, and she does.

Assemblywoman Neal:

I want to find a solution. The insurance premiums are taxed, and the car rental companies are taxed. A certain amount of those taxes are added to the State General Fund. Passing this bill is going to raise rates, but the state already taxes the insurance. This could be a way for us to get additional money to then subsidize the indigent. Then we could protect people like Assemblyman Horne who fall into that situation. My concern is for those who are struggling and cannot pay. There has to be some kind of subsidy associated with it. Since the rate is going to go up, we are going to tax more, and we are going to receive more money into the State General Fund.

Jeanette Belz:

You are faced with a very difficult public policy question, and you are right, there are some benefits. Mr. Compan mentioned that the insurance agents will make higher commissions. There is a premium tax that is currently placed on insurance premiums, and if the premiums are higher, then the tax the state receives is greater. What the Legislature decides is not up to me.

Chair Dondero Loop:

Thank you. Are there any other questions? [There were none.]

Joseph Guild, representing State Farm Insurance Company:

State Farm Insurance Company, with all due respect to Assemblyman Horne, feels like it is not a good time to pass a piece of legislation which would impact our policyholders in a negative way.

Chair Dondero Loop:

Thank you. Is there anyone neutral on A.B. 120? [There was no response.] Are there any other questions or comments?

Assemblyman Horne:

Thank you for the opportunity and taking time for this lengthy bill. I hope this Committee really thinks about the purpose of the limits. All of the individuals speaking in opposition did not suggest that they would be in favor of this bill if the economy was better. Insurance companies will always oppose this bill. It is up to us to decide whether or not the limits are doing what they are supposed to and if now is the time to change it. That is all I ask the Committee to do.

Chair Dondero Loop:

Thank you, Assemblyman Horne. I will close the hearing on A.B. 120. We will hold this bill for a future work session. We are going to go into our first work session. We will explain the process. The opportunity for public hearing on these bills has passed. A work session is when the Committee reviews bills previously heard and any proposed amendments. It is not customary for the Committee to take testimony or otherwise rehear the bills but rather to take action on the bills. If a technical issue arises, the Chair, at her discretion, may ask a witness for clarification. Our Committee Policy Analyst, Jennifer Ruedy, will take us through the work session document ([Exhibit F](#)). We will begin with Assembly Bill 26.

Assembly Bill 26: Revises provisions to clarify that motor vehicle liability policies must be written specifically for Nevada. (BDR 43-488)

Jennifer Ruedy, Committee Policy Analyst:

You should have the work session document ([Exhibit F](#)) in front of you. Assembly Bill 26 revises provisions to clarify existing law that motor vehicle liability policies must be written specifically to meet the requirements for such insurance in Nevada, in both the producer of the insurance policy and the insurer must be authorized to transact casualty insurance in Nevada. This bill was heard on February 17, 2011. There were two amendments presented, and the second one was handed out to you ([Exhibit G](#)). It is from Jeanette Belz with Property Casualty Insurers Association of America (PCI). The first amendment was presented by Jesse Wadhams. His amendment was to delete "duly appointed" from subsection (b) of section 1. That would clarify all

producers of insurance can issue the certificate. Some producers of insurance are licensed, not appointed. The second amendment is in your handout; it was submitted by PCI. Senate Bill No. 312 of the 75th Session had a provision in section 2 that deleted the seven-day grace period. This amendment would reinstate the deletion.

Chair Dondero Loop:

Will Ms. Belz come up and clarify her amendment please.

Jeanette K. Belz, representing Property Casualty Insurers Association of America:

I appreciate this opportunity. There were two bills in the 75th Legislative Session that addressed insurance verification. Property Casualty Insurers Association of America continues to support insurance verification. As I testified from Las Vegas on February 17, 2011, we continue to find challenges where people feel that they are insured, but in fact it is insurance that comes from another state and does not meet the Nevada insurance requirement, which is that it must be Nevada insurance. The request was originally for 30 days, but it is now a 7-day grace period for those people who come in and think they are covered by their insurance from another state. They would have seven days to produce Nevada insurance. If they did not, at that point they would be considered uninsured.

I did a lot of research on the two bills from the 75th Legislative Session. For example, a daughter goes out of state to Utah for school and finds out that Utah insurance is cheaper than Nevada insurance. She has a Nevada registered vehicle, but goes and purchases Utah insurance on that vehicle and then finds out she is not insured according to Nevada's standards. The request is for that person to have a seven-day grace period. I do want to clarify; we do not want people who do not have insurance to have another seven days to be uninsured.

Chair Dondero Loop:

Thank you. Are there any questions?

Assemblyman Sherwood:

We just heard that we have some of the worst insurance in the country as far as minimum limits. If someone had insurance at a limit higher than the minimum, is that legal insurance as far as filing a claim for medical insurance in another state? We would not recognize it in Nevada, but in Utah, would they still file a claim?

Jeanette Belz:

I am not the right person to answer that question.

Chair Dondero Loop:

Could the Department of Motor Vehicles answer it?

Jeanette Belz:

Possibly the Division of Insurance can answer it.

Chair Dondero Loop:

Is there somebody still here from the Division of Insurance?

Marie D. Holt, Chief Examiner, Property and Casualty Section, Division of Insurance, Department of Business and Industry:

I wish I could say I could explain that, but there are a number of issues that would come into play. Yes, the policy in Utah would remain active as long as the premium was paid accordingly, but there may be some concern with other parties who may have been involved in that loss. I will look further into that.

Assemblyman Sherwood:

I would want to make sure we would avoid an unintended consequence of trying to collect our Insurance Premium Tax: a universe of people who are not uninsured and trial lawyers who have nothing to work with and cannot file a claim. That would be a real unintended consequence that would make it bad for everybody.

Marie Holt:

Yes, I would agree. If a policy had been written in another state, Nevada would not be collecting the premium tax on that particular policy, and again, there would need to be consideration as to whether that policy was still being paid in Utah. Nevada has special state-specific endorsements that we request our insurers provide on a policy written in Nevada; those coverage requirements would not be provided for if it was written in another state.

Assemblyman Sherwood:

We just heard that 46 percent of the people who are insured have the state minimum limits.

Chair Dondero Loop:

Remember that we are clarifying things today, not rehearsing the bill.

Assemblyman Atkinson:

Were both of these amendments considered by the Department of Motor Vehicles (DMV)?

Jeanette Belz:

The DMV does have the amendment.

Assemblyman Atkinson:

That is not what I asked. I want to know if someone talked to the DMV about these amendments.

Jeanette Belz:

I cannot speak for the DMV because I have not spoken to them since they received the amendment. However, I do not think they are in favor of my amendment.

Assemblyman Atkinson:

Can the DMV come up? The amendment says, "On Behalf of the Department of Motor Vehicles." Typically if someone has an amendment to a bill being proposed, by anybody including an agency, they should be given the opportunity to discuss it with them first. Did the DMV have the option to talk to someone about these amendments before they were submitted?

**Rhonda Bavaro, Administrator, Division of Central Services and Records,
Department of Motor Vehicles:**

I saw the email from Jeanette Belz with her proposed amendment, and we testified at the hearing that we were not in support of the amendment. We have concerns with it.

Assemblyman Atkinson:

Can you tell me those concerns?

Rhonda Bavaro:

First, every state has different minimum liability insurance coverage; another state may not meet the minimum liability we have in Nevada. Second, during the seven-day grace period, we were concerned who would be responsible for coverage. Would it be the previous insurance company or the new insurance company? Additionally, our Nevada Liability Insurance Validation Electronically (LIVE) program will only confirm Nevada insurance. We would have no way to confirm that out-of-state insurance policy is still in effect.

Assemblyman Atkinson:

Does this hold true for the other amendment as well?

Rhonda Bavaro:

We are fine with Mr. Wadhams' amendment.

Assemblyman Atkinson:

This is the problem with some of these amendments that are submitted after the fact. I am alarmed by that. I have concerns with that because I, myself, thought that this was a pretty good bill.

Chair Dondero Loop:

Are there any other questions or points of clarification?

Assemblyman Brooks:

I have in my notes that there are also 30 days for new residents to get insurance and 60 days to register a new vehicle. Were any of those amendments ever put forth?

Chair Dondero Loop:

Those are not amendments, Mr. Brooks. That is existing law.

Assemblyman Brooks:

It is existing law, thank you.

Chair Dondero Loop:

I would like to entertain a motion.

ASSEMBLYMAN ATKINSON MOVED TO AMEND AND DO PASS WITH AMENDMENT A, SUBMITTED BY MR. JESSE WADHAMS, ASSEMBLY BILL 26.

ASSEMBLYMAN FRIERSON SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYWOMAN DIAZ WAS ABSENT FOR THE VOTE.)

Chair Dondero Loop:

I will assign the floor statement to Mr. Atkinson.

Now, we will start Assembly Bill 30.

Assembly Bill 30: Revises provisions relating to the authorization of certain emergency vehicles. (BDR 43-457)

Jennifer Ruedy, Committee Policy Analyst:

Assembly Bill 30 was heard on February 22, 2011 ([Exhibit F](#)). It expands the list of divisions or offices within the Department of Public Safety that may be authorized to obtain permits from the Department of Motor Vehicles to own and

operate authorized emergency vehicles. The measure adds the following divisions and office: the Capitol Police Division, the Investigation Division, the State Fire Marshal Division, the Training Division, and the Office of the Department of Public Safety.

Chair Dondero Loop:

Thank you. Are there any questions or comments from the Committee?

Assemblyman Kirner:

I do not see a problem with this bill, but I do not understand what the Training Division is.

Assemblyman Hambrick:

I received an email about certain divisions or offices not being included. There are some divisions that feel they should have been included in these groups. I am not sure if we are seeing the entire bill. I am prepared to vote, but I am not sure if everyone saw the email. Assemblyman Atkinson is indicating he also saw the email from the group of people within the Department of Public Safety stating that something was left out of the bill. [Assemblyman Atkinson agreed.]

Chair Dondero Loop:

I recognize your concern. I think it will be handled on the Senate side. Can we move forward on the bill and vote?

Assemblyman Hambrick:

That is fine.

Chair Dondero Loop:

Are there any other questions? [There were none.] I would like to entertain a motion.

ASSEMBLYMAN FRIERSON MOVED TO DO PASS
ASSEMBLY BILL 30.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYWOMAN DIAZ WAS ABSENT
FOR THE VOTE.)

Chair Dondero Loop:

Is there any public comment? [There was none.] Are there any comments from the members? [There were none.] We are adjourned [at 5:06 p.m.].

RESPECTFULLY SUBMITTED:

Jordan Neubauer
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn Dondero Loop, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Transportation

Date: March 1, 2011

Time of Meeting: 3:19 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 120	C	Rajat Jain	Current Bodily Injury Coverage Distribution
A.B. 120	D	Jeanette Belz	Opposition letter
A.B. 120	E	Robert Compan	Information letter
A.B. 26/ A.B. 30	F	Jennifer Ruedy	Work session document
A.B. 26	G	Jeanette Belz	Proposed amendment