

**STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE**

Determination of Necessity - Small Business Impact Statement

LCB File No. R006-16

This proposed regulation clarifies that force-placed auto and homeowners insurance are lines for which rates and rules must be filed.

EFFECTIVE DATE OF REGULATION:
July 1, 2016

1. BACKGROUND

Force-placed insurance has been a national concern over the last several years with the premiums for the coverage considerably higher than if the same coverage were purchased by the borrower. The insurance is subject to "reverse competition" whereby insurers do not compete by offering the best price but by profit sharing with the lender placing the coverage. This can result in premiums much higher than loss ratios would warrant. This regulation would enable the Commissioner to determine whether rates were adequate, not excessive, and not unfairly discriminatory.

2. DESCRIPTION OF SOLICITATION

A survey was sent to all companies believed to write force-placed insurance in Nevada asking the anticipated impact of the regulation.

3. DOES THE PROPOSED REGULATION IMPOSE A DIRECT AND SIGNIFICANT ECONOMIC BURDEN UPON A SMALL BUSINESS OR DIRECTLY RESTRICT THE FORMATION, OPERATION OR EXPANSION OF A SMALL BUSINESS? (NRS 233B.0608.1)


☒ NO (answer #4) ☐ YES (skip to #5)

4. HOW WAS THAT CONCLUSION REACHED? (NRS 233B.0608.3)

A survey was sent to the twenty companies that the Division believed might write force-placed insurance in Nevada. Six of the twenty employed 150 or fewer employees and wrote force-placed insurance in Nevada. Of those six, only two stated they did not already file rates and rules for force-placed insurance with the Division. Of those two, one stated that a requirement to file rates would not impose a material burden on the company. The remaining company suggested the potential for lost revenues due to a delay in getting a new product to market.

I, BARBARA D. RICHARDSON, Commissioner of Insurance for the State of Nevada, hereby certify to the best of my knowledge or belief a concerted effort was made to determine the impact of the proposed regulation on small businesses and that this statement was prepared properly and the information contained herein is accurate.

6/15/16
(DATE)


BARBARA D. RICHARDSON
Commissioner of Insurance

