

SENATE
COMMERCE & LABOR
COMMITTEE

Minutes of Meeting
Monday, February 14, 1977

The meeting of the Commerce and Labor Committee was held on February 14, 1977, in Room 213, at 1:35 P.M.

Senator Thomas Wilson was in the chair.

PRESENT: Senator Wilson, Chairman
Senator Blakemore, Vice Chairman
Senator Ashworth
Senator Bryan
Senator Close
Senator Young
Senator Hernstadt

ALSO
PRESENT See Attached List

S. B. 109 REQUIRES DESIGNATION OF BENEFICIARY OF MOTOR VEHICLE
INSURANCE SURVIVOR'S BENEFITS (BDR 57-293)

The first witness was Mr. Richard R. Garrod of Farmers Insurance Group, Los Angeles, California. The group feels this bill would create an almost impossible situation for the insurance industry. He indicated that the language was not clear and states the insurance company shall be notified by the insured of the survivors. When a policy covers an entire family they are all insured under the policy. The insurance company feels they are not the attorney to represent that insured in helping locate the heirs. Also, if a letter of statement by the insured is in their files, that the insured made out when the policy was first taken out, or renewed, making one individual the survivor, and the beneficiary of the death benefit, and then the insured marries and fails to notify the insurance carrier of this change, according to this proposed legislation they cannot make the widow the beneficiary of the coverage. Further, Mr. Garrod stated that the insurance company usually goes to the immediate relative - generally the spouse - as the beneficiary.

SENATOR WILSON asked if the company requires a designation of beneficiary when they write a policy and was informed that that is not the case with an automobile policy.

SENATOR CLOSE asked why a designation of beneficiary is made on life insurance and not on automobile insurance. Mr. Garrod stated that he could not answer the question, but it had never been a practice in the automobile insurance industry. He added that a beneficiary must come forward and establish his rights.

SENATOR BRYAN asked if it didn't make sense to legislatively provide guidelines. Mr. Garrod indicated that in his opinion this goes beyond guidelines, as the bill reads: "upon renewal and issuance of every policy we shall obtain from the insured the name and address of his proposed survivor/s". He felt there would be a large multiplication of paperwork and there could be a duplication of coverage. Additionally, he indicated the limited amount of storage, and the fact they would be in a position of going into the records and obtaining what they thought were the latest records. The insurance law in the State of Nevada states records must be retained for six (6) years. He added that the storage of forms would add to the cost of insurance and the insured would be the one to pay.

SENATOR CLOSE asked if the problem would be solved by requiring the designee upon writing the new insurance policy, and thereafter only if there is a change. Mr. Garrod answered: "only if the committee would give the companies a hold harmless". Further, he said one filing at a time would be much more desirable, but personally, would prefer no filing.

The next witness was Mr. Carl A. Hulbert of the National Association of Independent Insurers. The association writes approximately 60% of the automobile insurance in the United States. He stated they have asked their companies to pay into the court of proper jurisdiction and let them make the decision. He indicated they had no other grounds to go on as they are not aware if there is a will or not.

He stated he would like the language to track with the life insurance language. He thinks that it may be necessary. The survivor doesn't track with beneficiary, and it may have a different connotation legally as far as paying out benefits to them and having proper protection. He commented that the language worried him.

He further indicated they wouldn't be adverse to legislative direction in this matter. That is should: (1) minimize the cost factor because it all goes back into the premium structure, and (2) it should track with existing laws and policies regarding payment of life insurance or benefits under the life portion of the law.

SENATOR YOUNG asked if minors were in a position to designate beneficiary, or if it would require court approval. Mr. Hulbert replied they would have to go into the State law to find out on survivor and designation of beneficiary benefits and whether or not there is a material interest or not.

SENATOR BRYAN requested that Mr. Hulbert provide the committee with further information and possibly some language.

Mr. Stan Warren of Nevada Bell was the next to testify. He informed the committee that his firm is a self-insurer and was uncertain whether or not the bill covered the inclusion or exclusion of self-insurers. He provided the committee with a proposed amendment that would take self-insurers out.

When asked why they wanted to be taken out, Mr. Warren stated that they feel it would bring about a burden of paperwork while they already have the information on file. It would be a duplication of effort that would eventually flow through to the cost of the business.

He indicated in his testimony that only Nevada Bell employees are authorized to drive company vehicles.

Mr. Daryl E. Capurro of the Nevada Motor Transport Association and the Nevada Franchised Automobile Dealers Association stated they have a particular problem with respect to the motor carrier industry, and that actually, any fleet operator has basically the same problem. The insured, in the case of a trucking company, would be the company itself. He indicated it would be difficult to get beneficiary designations from drivers since they are hired out of hiring halls and are not always available. Further, there might be some type of incident liability on the company in the event they did not obtain a beneficiary statement from one of the drivers and the driver was subsequently involved in an accident.

He indicated that if the committee does process this bill, that the only alternative the commercial fleet would have would be to ask for some sort of exemption.

He indicated they do have some owner/operators and the problem applies industry-wide.

The next witness was Mr. Virgil Anderson of AAA, who concurred with previous witnesses with respect to the problems caused by paper.

Mr. Jim Crockett from Las Vegas stated that he could limit the area of inquiry by the no fault act itself. The no fault act defines what survivor benefits are at 698.060 (Basic reparation insured defined).

He suggested: (1) That dependent survivors be more clearly defined, and (2) that the State law provide that in the absence of an expressed designation by the insured, that the benefits of the policy be paid out according to the priority of people who are listed in the beneficiary provision of the State law. He stated there is a provision that tells who the priorities are assigned to as far as for collection of no fault benefits,--that a countervailing provision that would provide who the benefits are paid to, is a logical outgrowth of that.

SENATOR HERNSTADT asked if Mr. Crockett were saying that if a person was killed and had no dependents other than sisters and brothers, that the company, under present law, would not pay at all. Mr. Crockett confirmed that that was correct, that there is not a statutory minimum. You must pay out death benefits to persons who are dependent survivors and if there are none, the obligation never arises to pay out money.

The next to testify was Mr. Neil Galatz of Las Vegas. He advised that in the attempt to designate a beneficiary, the no fault policy may give benefits to a person who the company has no way of ever identifying, ie. if a pedestrian is run down by a vehicle and has no insurance of his own, the vehicle's insurance may apply or the driver's insurance. There would never be a way to get a designation. He felt it might be best to follow the intestate route.

Mr. George Ciapusci of State Farm Insurance Company, appeared in opposition to the bill, indicating there would be problems with out-of-state people coming in who are entitled to the benefits under the act.

Also, commenting on the testimony that there would be no payment under the insurance policy if there were no dependent, he suggested that perhaps that was a literal interpretation, but in practicality an estate is set up and payment posted, and the money is disbursed in that fashion.

Mr. Dave Guinan was the next to appear before the committee. He stated the survivor, under the current law, is defined by a statutory cross reference to the wrongful death statute, and that a survivor is anyone who would be able to bring a wrongful death action. He suggested that perhaps a greater deal of certainty could be introduced into this merely by specifying that the survivor's benefits would be paid directly to the estate and then those benefits would then be distributed from the estate just as any other asset. If that were the only asset, then it could be set aside without administration being less than \$60,000 and would be a certain and inexpensive way of handling the benefits.

SENATOR SHEERIN, the sponsor of S.B. 109 testified that in his opinion something has to be done to define who will get the money, referring also to the intestate succession chapter.

When asked by SENATOR HERNSTADT about the fact that everyone in the vehicle is covered, and assignment of such benefits, SENATOR SHEERIN responded that it could be adequately handled by intestate succession. If someone is buying a policy they may designate who the beneficiary is - if someone else is riding in the car and there is no designation of beneficiary, then it would go by intestate succession.

Asked if a person could not designate by will, he replied that they could, however, not everyone has a will and you still have a problem.

SENATOR SHEERIN was requested to visit with other witnesses on this bill and furnish any further suggestions he might have.

S. B. 127

CHANGES PROVISIONS CONCERNING NEVADA INSURANCE
GUARANTY ASSOCIATION. (BDR 57-483)

The first witness was Mr. Dave Guinan, Counsel for the Nevada Insurance Guaranty Association, which is the entity established under Chapter 687 A of NRS also known as the Nevada Insurance Guaranty Act.

Section 1 is new language which would be added to the unfair trade practices section of the insurance code. This would prohibit any insurance company from advertising that the guarantee fund is there to sustain them in the event there is an insolvency. He felt this would give companies in an unstable situation an advantage over solvent companies. The language was recommended by the National Association of Insurance Commissioners.

Sections 2 through 5 of the bill were added by the Legislative Counsel Bureau. They are all housekeeping amendments, or as in Section 5, technical sections.

Section 6 adds new language which facilitates the flow of information regarding potential insurance insolvencies between the various State insurance departments, his own division, and the Board of the Nevada Insurance Guaranty Association.

He stated he had met with Commissioner Rottman concerning the language and would like to offer an amendment to Section 6, changing the mandatory language on line 41 to permissive language so that the bill would then read "the commissioner may", rather than "the commissioner shall". Also he said he would like to delete the last section of paragraph A, beginning on line 47 with the word "notice" through line 49.

Section 7, he informed the committee is the most important section of the bill.

Section 8 would add deposit insurance as one of the types of insurance that is not covered by the insurance guaranty act. He said he had talked with Mr. Melner and found there are no banks or savings and loans in Nevada that are privately insured, leaving only the thrift company. He had talked to Sidney Stern and he was in accord that he would not like to be covered by the guaranty act as they have their own provisions in their own chapter for potential insolvencies.

Section 9 is the definition section. They wish to change the definition of covered claim and insolvent insurer. Additionally, they are proposing another clarification to show that a covered claim does not include the contractual deductible which is often found within insurance policies.

Section 10 deals with the makeup of the board of directors. The proposed amendment provides that the method of filling vacancies is by appointment of the member companies, subject to the approval of the commissioner. He stated that he understood there would be a further amendment proposed to this language.

Section 11 eliminates the \$100 statutory deductible. It also adds several housekeeping amendments.

Section 12 ties back into Section 6. Have one proposed amendment on line 50, page 6, changing the word "required" to "permitted".

Section 13 extends the stay of court actions from 60 days to 6 months and also authorizes the guaranty association to petition to have a default judgment set aside.

Section 14 amends 690B.020 (Uninsured vehicle coverage; insolvency of insurer). Most of the amendments are housekeeping and were added by the Legislative Counsel Bureau. The one amendment of substance is on line 44, page 8.

Section 15 is new language and is important because of the reciprocity language that is included in the amendment. They have a further amendment they would like to make on page 9, line 20 which reads "in amounts equal to disbursements made or to be made by the association for claims-handling expense". The purpose of this amendment is what they had originally intended and missed.

Section 16 clarifies that the Nevada Guaranty Assn. and other similar statutory organizations are entitled to the same priority of payment of claims in a Nevada insurance insolvency as would be the policy holder himself. He stated they would come behind administration costs and wages.

Section 16 amends the assigned claims plan language in the no fault law.

SENATOR BLAKEMORE asked Mr. Guinan to explain line 8 on page 1. He stated he did not know the reason for this line in the amendment. He stated it was part of the model legislation and supposed it was there to clarify that the guaranty association can advertise its own existence when it puts a notice in the paper that a company has become insolvent and anyone having claims should make application to them.

Section 15 is to enable the various state guaranty associations to have access to some of the assets of the insolvent insurer at a time prior to the final winding up of the insolvency.

Section 16 accords the guaranty equal treatment with policy holders who are not protected for some reason by the guaranty association.

The next witness was Mr. George Ciapusci. He told the committee that when there is an insolvency they access all member companies within the state and gather the money in that fashion. They then disburse the money in payment of the claims and have a right of recovery back against the receiver which could be twenty years from now. The language allows them to reach in before the final disbursement of all the funds of the insolvent carrier and take out what they feel would be their operating costs, and use that money and avoid the assessment to the member carriers.

He stated that nation wide there have been 44 insolvencies since 1970 and four have been in the State of Nevada. Further all activity has been within the last 14-16 months and in the neighborhood of approximately 1/2 million dollars in assessments to pay the \$470,000 to pay the claims in the state.

Mr. Dave Guinan was asked if there was a long period of litigation and some assets were recovered on the claim, who accrues the benefit. He told the committee the way he read the bill, the credit would be against the net assessment, and that they have in fact, returned some assessment money to carriers, so that their initial assessment is higher than for what it eventually turned out to be.

Mr. Virgil Anderson of AAA distributed a sheet of amendments to the committee advising that they were a compromise on Section 10. He stated Section 10 was the only section of the bill that contained controversy. He stated the draft had been worked out with the concurrence of most of the principals involved, including Mr. Rottman, and he recommended that the amendments be adopted.

The next witness was Mr. Rottman, Insurance Commissioner. He stated that he concurred with the provisions and approved of the bill.

S. B. 129 INCREASES MINIMUM LIMITS OF MANDATORY MOTOR VEHICLE LIABILITY INSURANCE AND REQUIRES INSURERS TO OFFER NEW TYPE OF LIABILITY COVERAGE (BDR 43-287)

Mr. Jack Lehman, attorney from Las Vegas, appeared before the committee on behalf of himself. He stated Section 1 of the bill creates a new type of insurance for the State of Nevada. Minnesota already has this insurance and he was unable to locate any other state that does. He discussed at length the benefits of "uninsured" motorist protection.

He recommended passage of this bill.

SENATOR HERNSTADT asked about rates and Mr. Lehman advised they can't be higher than uninsured motorist protection, which is low - \$12.00 year approximately. He said if you carried \$100,000/\$300,000 it could go up to approximately \$18.00 per year.

Mr. Lehman indicated it would raise the limits substantially for the non-careful driver, or the high risk driver, as well as the young driver. In testimony he said it would have little or no effect on the careful driver.

Mr. Richard Garrod, Farmers Insurance Group, was the second witness. He stated that under normal conditions the Farmers Group does not interfere with any legislation which would increase the financial responsibility limits, because technically this means an increase in business. However, he wanted to point out that this will put more uninsured people on the road with the raise of limits from 15/30 to 25/50, further, the records in the State of Nevada indicate you have approximately 20% of uninsured drivers on the road.

SENATOR ASHWORTH asked Mr. Garrod to get further information back to the committee.

SENATOR YOUNG asked Mr. Garrod what he thought of a proposal to allow persons in lower income groups the option of perhaps a \$7,500/\$10,000 policy. Mr. Garrod indicated he would check on it with his company.

Mr. Virgil Anderson of AAA stated, regarding Section 1, that under the present uninsured motorist law, the mandate is 15/30 and companies may offer higher limits than that. He stated AAA does not offer more than the mandatory coverage. He said Section 1 of the bill goes beyond uninsured motorist coverage and in effect makes the individual his own carrier.

In lines 7, 8, and 9, the first party carrier, he said, would have to provide coverages which exceed the amount of bodily injury liability coverage which the operator of the other vehicle carries.

Changing from the 15/30 to 25/50 is roughly a 14% increase in premium.

Next to speak was Mr. Rich Myers, an attorney from Las Vegas. Questions had been raised, he stated, as to how an insurance company, when confronted with an uninsured motorist claim would defend themselves. He stated there is a case that the insurance companies are well acquainted with and tells the insurance companies exactly what their options are. (Petrosch vs Austin)

A Mr. Robbins was the next to testify. He stated that there was no doubt that the change to 25/50 would increase the cost of insurance. He said they are losing the capacity within the industry to insure the liability coverages. Stated they are not getting any new investment capital.

He stated that the number of lawsuits will increase and the number of policies that a company can write will be reduced.

Next to appear was Mr. George Ciapusci of State Farm. He agreed with Mr. Robbins and stated the bill does promote litigation and excessive claims costs. The costs can only be passed on to the customer. Advised that State Farm provides added uninsured motorist coverage up to 100/300 and provides the same limits on request under the bodily injury limits.

Referred the committee to page 5, subsection 2. He stated that the language "but may at the option of the insured" is then contradicted to a degree on line 19 by "the insurer shall". Stated there was an avenue open there for involved litigation unless there is some other language inserted providing positive means of written proof that this added coverage was made available to the insured and he rejected it.

SENATOR YOUNG asked Mr. Ciapusci to furnish some data on these optional benefits that are available and what the costs would be if the uninsured coverage is raised to cover the uninsured. Mr. Ciapusci responded he would have this by the end of the week.

Mr. Dick Rottman, State Insurance Commissioner, stated he did not have anything to add, however, the percentage of uninsured motorists in the State is estimated at 40%.

He stated Section 2 of the bill would prompt that figure to go even higher, and that now would be one of the worst times that the committee could consider raising the financial responsibility limits. In addition to the very high cost, you have additionally, the factor of maintaining the market for the people who are so called "substandard risks".

SENATOR YOUNG asked what Mr. Rottman thought about lowering the coverage to 5/10 or 7500. Mr. Rottman stated that he believed that it would have more more people buying insurance to the extent that some insurance is better than none - that the suggestion would have some merit.

SENATOR HERNSTADT brought S.B. 218 to the attention of the Committee stating that he had introduced it to the Transportation Committee. Further, it would put teeth in the mandatory insurance coverage. Discussed the fact there is a lack of coordination between committees.

Mr. Virgil Anderson asked to readdress the committee regarding his earlier testimony. He stated that in discussing the right to subrogation - there is a right to subrogation under uninsured motorist insurance - and his comments on the absence of subrogation pertained to uninsured.

S. B. 137

LIMITS INSURER'S RIGHTS OF SUBROGATION UNDER MOTOR VEHICLE INSURANCE ACT (BDR 57-321)

Mr. Neil Galatz stated the purpose of this bill is to clarify what has been decided in district court decisions in Clark County. This act tries to make clear that the no fault is indeed an additional coverage in lieu of the medical pay coverage that we used to get and no longer can get. That before the no fault carrier may be subrogated that at least to those financial responsibility minimums of 15/30, the persons who have been injured have the right of priority of recovery. Some of the carriers have

asserted that assuming there is only a 15 policy, that they have paid out 10 in no fault benefits, and that they are entitled to take the first 10 of the 15 out of the liability leaving only 5 for uncovered economic loss because the no fault, as we know, does not cover total economic loss,-it only covers a portion of economic loss. Therefore, a person could only have 5 available for uncovered economic loss, regardless of how serious the injury for the total non-economic or pain and suffering disability award. The two decisions in Clark County (one dealing with uninsured motorist insurance and one dealing with liability insurance) have both held that the financial responsibility minimum is not subject to the subrogation unless there is money left over, and after the payment of the benefits to the victim.

On lines 24-27 on page 3, he stated that essentially the no fault carrier has no subrogation rights until there has been payment in full to the injured victim.

Would suggest "economic and/or non-economic wordage.

The next witness was Mr. Dave Guinan representing himself. He stated that with respect to the proposed amendments to the uninsured motorist statute, it is his feeling that this amendatory language is merely a clarification of what the law already says, but has not been interpreted.

In subsection 7 he stated what he was attempting to accomplish was to say that a person should not be able to recover twice for the same element of damage. If a person has recovered from his no fault benefits, his benefits cover basically economic loss. When he goes to his uninsured motorist policy, he is either trying to collect economic loss that was not reimbursed by no fault damages, or, he is attempting to recover non-economic loss, pain and suffering and he is not attempting to recover twice for the same element of damages.

With respect to the subrogation provisions, it was his understanding that the purpose for authorizing subrogation was to be able to maintain some sort of a merit rating system without the companies being able to go into arbitration and subrogate against each other-the basis of premiums would be determined on the number of people in the family, irrespective of the insured's driving record.

He recommended passage of the bill as written. He stated that if he had a change to make it would be to line 27, on page 3, that no subrogation should be allowed until the injured person had recovered for all unreimbursed economic or non-economic detriment. The exact wordage was: "on economic damage or unreimbursed economic damage".

Mr. George Vargas, of the American Insurance Assn. (Registration #179) testified that he was somewhat confused by the bill. He stated that he wondered if this double recovery, which was designed to try to get an insured prompt payment of his economic loss, was not actually permitting him double recovery at the expense of the other policy holders. He stated that if the money went out of the insurance companies, it would definitely affect the rates.

Mr. John Benson, Attorney from Reno was the next to testify. Mr. Benson stated he does personal plaintiff work and represents some insurance companies. He believes that S. B. 137 just says that after a person benefits under his no fault coverage (under a coverage that he has paid for) he has a right under either his uninsured motorist coverage or against the tort-feasor to also seek as much recovery as is necessary to compensate him under the facts of the persecutor case, and after that insured person, the person who has paid the premiums for the coverage is fully compensated, then under the principles of equity and common law with regard to subrogation, then an insurance company, if there are limits available, should also be compensated in order to promote the merit system.

S. B. 143

PROVIDES FAIR ACCESS TO FIRE INSURANCE COVERAGE
(BDR 57-591)

SENATOR RAGGIO testified that it was brought to his and SENATOR YOUNG'S attention by several constituents within their districts that there may be a problem with reference to acquiring insurance for high risk types of business. He stated he had asked the Counsel Bureau to look into the Fair Plan which exists in the State of California.

He indicated he had had some question about subsection 2 of section 1, and Mr. Terzich and he had checked with the bill drafter and apparently it is as it ought to be. SENATOR RAGGIO furnished the committee information regarding the California Fair Plan.

Mr. Charles R. Smith testified that he was in the furniture refinishing business. He stated the bill

really didn't cover everything - that he did not find it comprehensive enough. He stated that it requires the insurance companies to participate, but does nothing with the cost of premiums. Further, that as it is now, anyone that is a high risk is penalized with a surcharge.

He told the committee he had been in business 30 years - 8 years at the same location. That his insurance had jumped 600% with 2 days notice. Additionally, he stated he has never had a fire.

Mr. Rottman testified that fire protection rates are high. That the building in which Mr. Smith works had been shown as unoccupied for a number of years, and it was recently discovered that was not the case.

He stated he had no specific opposition to forming a Fair Plan in Nevada, but it was his opinion that it was not warranted insofar as he believed there are not enough risks that cannot get insurance absolutely.

He stated the Fair Plan works in two ways: (1) It is self-sustaining and the premiums are passed right back to the risks that are accepted in the plan. (2) It can be subsidized through either the General Revenue, which is a highly unusual measure, or it can be subsidized by the other insurance as written in the State.

Mr. Rottman told the committee he would get with the company covering Mr. Smith and see about some type of adjustment of rates if Mr. Smith will move the location of the flammable materials. Further, he stated he would contact Insurance Services Office (OSI) and have them review and make specific recommendations.

SENATOR HERNSTADT asked Mr. Rottman if the newspaper article furnished the committee by Mr. Smith was true in that Mr. Rottman now has the authority to assure availability of fire insurance to high risk clients. Mr. Rottman stated that that was true.

SENATOR BRYAN asked Mr. Rottman what type of guidelines or plan of action he was going to have under the Essential Insurance Assn. Mr. Rottman answered that he did not have a plan of action specifically worked out because he did not believe there were enough people in the state that were having severe enough problems that we needed to set up a type of Fair Plan at this point.

CHAIRMAN WILSON asked Mr. Rottman to investigate Mr. Smith's problem and advise the committee.

Mr. Richard Garrod of the Farmers Insurance Group advised the committee that his chief underwriter for one of the fire companies had been a director on the California Fair Plan. Prior to the Watts riots the Fair Plan was only involved in exclusive homes in woody areas. At the time of the Watts riots, the State of California worked out an industrial type Fair Plan and appropriated 10 million dollars from their General Fund and set that amount aside to buy re-insurance for the Industrial Fair Plan risks. Since there have been no problems since the Watts riots, the State of California has ceased in the participation and the carriers have been able to build up a little equity and enter into a better re-insurance program themselves.

Mr. Carl Hulbert of National Assn. of Independent Insurers, stated there is information available as to how commercial structures are rated and what improves the rating category (sprinklers, housekeeping, availability of fire hydrant, occupancy, etc.)

Mr. George Vargas stated there are about 140 companies that write casualty and fire. Further that his people feel it would be a mistake at this time for the Nevada Legislature to mandate one of these plans because someone will come in and they won't be able to get insurance and another plan will have to be mandated. There is also the possibility, he said, that these plans may disinterest some of the market to leave.

SENATOR CLOSE moved that the first three sets of minutes for the Commerce & Labor Committee be approved.

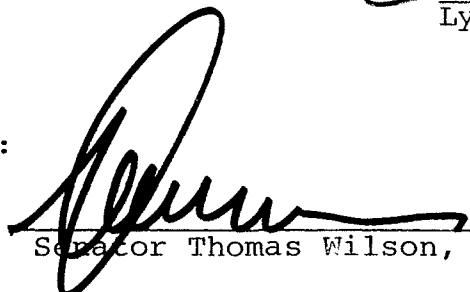
Motion was seconded by SENATOR YOUNG.

Meeting was adjourned at 5:40 P.M.

Respectfully submitted,


Lyndee Lee Payne, Secretary

APPROVED BY:


Senator Thomas Wilson, Chairman

SENATE
HEARING

COMMITTEE ON..... COMMERCE AND LABOR
Monday
Date..... Feb. 14, 1977 Time..... 1:30 p.m. Room..... 213

Bill or Resolution
to be considered

Subject

REVISED

- S.B. 109 Requires designation of beneficiary of motor vehicle insurance survivor's benefits. (BDR 57-293)
- S.B. 127 Changes provisions concerning Nevada insurance guaranty association. (BDR 57-483)
- S.B. 129 Increases minimum limits of mandatory motor vehicle liability insurance and requires insurers to offer new type of liability coverage. (BDR 43-287)
- S.B. 137 Limits insurer's rights of subrogation under Motor Vehicle Insurance Act. (BDR 57-321)
- S.B. 143 Provides fair access to fire insurance coverage. (BDR 57-591)

GUEST REGISTER

COMMITTEE

DATE: Feb 14, 1977

THOSE WISHING TO TESTIFY SHOULD IDENTIFY THEMSELVES BEFORE GIVING TESTIMONY.....

| NAME | DO YOU WISH TO TESTIFY | BILL NO. | REPRESENTING |
|----------------------|------------------------|------------------|---|
| Jack Edman | yes | 129 137 | self. |
| Ston Warner | yes | SB 109 | Nevada Bell |
| ✓ Dave Guinan | yes | SB 127 SB 137 | SB 127 - Nevada Insurance Guaranty Assn SB 137 - self |
| DON H. OLSON. | NO | SB 127 | NEV. INS. GUAR. ASSN. |
| ✓ GEORGE L. CIAPUSCI | YES | ALL | STATE FARM INS. CO. |
| T. V. CORICA | NO | 127 | NEV. INS. GUAR. ASSN. |
| LARRY KEES | NO | Ann | NEV. IND. INS. AGTS. |
| ✓ D. Miller | NO | All | AAA |
| ✓ VIKTOR ANDERSON | yes | SB 109 127 | AAA |
| Robert F. Quinn | NO | SB 109 137 | Nev. Motor Transport Assn. |
| ✓ DARYL E. CAPURRO | Yes | SB 109 SB 137 | NEVADA MOTOR TRANSPORT ASSOC. NEVADA FRANCHISED AUTO DEALERS ASSN. |
| Bill Parish | NO | SB 109 | Nev Ins Agts |
| KAY LOCKHART | NO | SB 109 | " " " " |
| Charles B. Marriage | NO | ALL | " " " " |
| ✓ Charles R. Smith | yes | SB 143 | Self |
| PETER C. NEUMAN | YES | SB 129/137 | Nev. Trial Lawyers Association |
| ✓ Jim Crockett | NO | SB 129/137 | Self |
| ✓ Weillb. GATZ | yes | 129/137 | Nev. Trial Lawyers Association |
| ✓ Nick L. Roth | YES | | State Insurance Div. |
| ✓ Vera L. Smith | NO | ALL | STATE INSUR. DIV. |
| James L. Wadhams | NO | ALL | Insurance Division 292 |
| ✓ Scott Baker | No | All | Insurance Div. |
| ✓ Paul W. Hulbert | Yes | 109/127 | Natl. Assn. of Indep. Insurers |
| ✓ John C. Currell | NO | 129 | DMU |
| ✓ Richard J. Grand | yes | | Farmers Ins Group |
| ✓ Richard W. Myers | yes | 129+137 | my self |
| ✓ Joe Ragazzo | yes | 143 | self |
| ✓ George J. J. J. J. | yes | 137 | AIA. |
| ✓ J. J. J. | yes | 137 | Self |

SECTION 3 SB109

698.180 (1) "Survivor" means a person identified in NRS 12.090 as one entitled to receive benefits by reason of the death of another person.

disregard underlining in this subsection - this is existing law.

added → (2) Survivors benefits payable under NRS 698.070 shall be paid, unless specific bequest is otherwise made by will, in the following manner:

- (A) First, to the surviving spouse.
- (B) Second, if the decedent shall leave no surviving spouse, then to his or her lawful issue, share and share alike.
- (C) Third, if the decedent shall leave no surviving spouse or issue, or if an unmarried minor then to his heirs within that class of persons entitled to receive benefits under NRS 12.090.



*Submittal # 2 on
SB 109
pg. 1, line 3*

STAN WARREN

PUBLIC AFFAIRS MANAGER
NEVADA BELL
645 EAST PLUMB LANE
RENO, NEVADA 89502

NEVADA SENATE BILL NO. 109

Amendment No. 1

On page 1 of the printed bill, line 3 after
"insurer" insert:

" , other than self insured employers that
provide their employees with life insurance
benefits as part of the employees compensation, "

Nevada Bell
2-1-77

AMENDMENT TO NEVADA SENATE BILL NO. 109

Amendment No. 1

On page 1 of the printed bill, line 3 after "insurer"
insert "other than a self insurer"

Mr. Underwood
AAA
8-14-77

AMENDMENTS TO SECTION 10
OF SENATE BILL NO. 127

Sec. 10. NRS 687A.050 is hereby amended to read as follows:

687A.050 1. The board of directors of the association shall consist of not ~~less~~ fewer than five nor more than nine persons,] ~~serving terms as established in the plan of operation.~~] The members of the board shall be] ~~selected by member insurers subject to the approval of the commissioner.~~] appointed by the commissioner and shall serve for terms at his discretion. Vacancies on the board shall be filled] ~~for the remaining period of the term]~~ in the same manner as initial appointments.] ~~If no members are selected within 60 days after May 5, 1971, the commissioner may appoint the initial members of the board of directors.]~~

2.] ~~In approving selections to the board]~~ A majority of such appointments shall be designated representatives of member insurers and the commissioner shall consider among other things whether all member insurers are fairly represented.

3. Members of the board may be reimbursed from the assets of the association for expenses incurred by them as members of the board of directors.

(Underlined language is new.)

PETER H. BEHR
Chairman
DENNIS E. CARPENTER
RANDOLPH COLLIER
MER L. RAINS
NEWTON R. RUSSELL

California Legislature

Allen, 10-29-76
ROBERT S. STEVENS
Vice Chairman
WALTER W. STIERN
JAMES WEDWORTH
GEORGE N. ZENOVICH

2-10-77

SENATE COMMITTEE ON INSURANCE AND FINANCIAL INSTITUTIONS

ROOM 2193, STATE CAPITOL
SACRAMENTO, CALIFORNIA 95814
TELEPHONE: 445-6306

TERRY J. MILLER, CONSULTANT
CHARLENE MATHIAS, CONSULTANT
SUZANNE HUNTLEY, SECRETARY

December 17, 1976

Senator William J. Raggio
Post Office Box 3137
Reno, Nevada 89505

Dear Senator Raggio:

Don Rhodes, Chief Deputy Research Director, Nevada Legislature, asked me to send you some information on the California FAIR Plan. Hopefully, the enclosed material will be of use to you. If you would like any other information, you could either get in touch with the FAIR Plan (1930 Wilshire Blvd., Los Angeles, CA 90057, telephone: (213) 484-1074), or write or call me at the above address/number.

Here are a few facts and figures regarding the FAIR Plan. The plan currently has about 88,000 insurance policies. Out of this, 43,000 are single unit dwellings, 17,000 are commercial policies, and 21,000 are brush/fire area policies. The FAIR Plan will issue up to \$1.5 million liability per policy - however, it would be best to check with the Plan for specifics on this area since my information was from their public relations - legislative liaison representative who is not a technician in the field. The FAIR Plan also has approximately \$3.5 billion in coverage and \$12.3 million in premiums. For 1973, 1974, and 1975 it made a profit. For 1976 there is an anticipated projected loss. Any profits are returned to the insurance industry; however, the industry must absorb losses.

Sincerely,

Terry J. Miller
TERRY J. MILLER

TJM:sdh
Enclosures

California

FAIR

Plan

1975

LEGISLATIVE ENDORSEMENT LETTERS

LETTERS ENDORSING OUR PROGRAM WERE RECEIVED FROM
THE FOLLOWING MEMBERS OF THE STATE LEGISLATURE.



Assembly California Legislature



Sincerely,

A handwritten signature in cursive script that reads "Richard Alatorre".

RICHARD ALATORRE

Sincerely,

A handwritten signature in cursive script that reads "Robert G. Beverly".

ROBERT G. BEVERLY

A handwritten signature in cursive script that reads "Mike D. Antonovich".

MIKE D. ANTONOVICH

Sincerely yours,

A handwritten signature in cursive script that reads "John V. Briggs".

John V. Briggs

Sincerely,

A handwritten signature in cursive script that reads "Tom Bane".

TOM BANE

Sincerely,

A handwritten signature in cursive script that reads "Willie L. Brown, Jr.".

WILLIE L. BROWN, JR.

Sincerely,

A handwritten signature in cursive script that reads "Howard L. Berman".

HOWARD L. BERMAN

Sincerely,

A handwritten signature in cursive script that reads "John L. Burton".

JOHN L. BURTON

Assembly California Legislature

Sincerely,

Peter R. Chacon
Peter R. Chacon

Sincerely,

John Garamendi
JOHN GARAMENDI

Sincerely,

William A. Craven
WILLIAM A. CRAVEN

Sincerely,

Alex P. Garcia
ALEX P. GARCIA

Sincerely,

Wadie P. Deddeh
WADIE P. DEDDEH

Respectfully,

Bill Greene
BILL GREENE

Sincerely,

Julian C. Dixon
JULIAN C. DIXON

Very truly yours,

Leroy F. Greene
LEROY F. GREENE

Sincerely,

Jack R. Fenton
JACK R. FENTON

Sincerely,

Richard D. Hayden
RICHARD D. HAYDEN

Sincerely,

John Francis Foran
JOHN FRANCIS FORAN

Sincerely yours,

Walter M. Ingalls
WALTER M. INGALLS

2

Assembly California Legislature


Very truly yours,

JOHN T. KNOX

Sincerely,


KEN MAC DONALD

Cordially,


Leo T. McCarthy

Sincerely yours,


ERNEST N. MOBLEY


Sincerely,


BOB MORETTI

Sincerely,


Louis J. Papan

Thank you,


PAUL PRIOLO

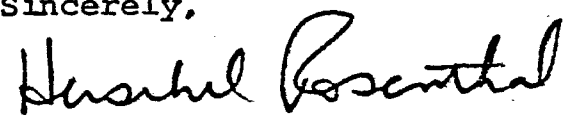
Sincerely,


LEON D. RALPH

Sincerely,


RICHARD ROBINSON

Sincerely,


HERSCHEL ROSENTHAL

Sincerely,


NEWTON R. RUSSELL

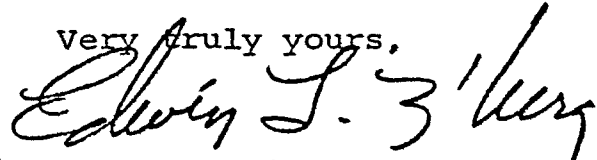
Sincerely,


ART TORRES

Sincerely,


HENRY A. WAXMAN

Very truly yours,


EDWIN L. Z'BERG



California Legislature Senate



Sincerely,

Peter H. Behr

Cordially,

MILTON MARKS

Sincerely,

ANTHONY C. BEILENSEN

Sincerely,

GEORGE R. MOSCONE

Very truly yours,

CLARK L. BRADLEY

Sincerely,

NICHOLAS C. PETRIS

DENNIS E. CARPENTER

Sincerely,

OMER L. RAINS

Most cordially,

George Deukmejian

Sincerely,

ALBERT S. RODDA

Sincerely,

JOHN L. HARMER

Sincerely,

GEORGE N. ZENOVICH

Very truly yours,

JOSEPH M. KENNICK



RADIO COPY

STARTING DATE: June 10, 1975
ENDING DATE: At Your Discretion
TIME: :10

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

BOOTH ANNOUNCER

DO YOU HAVE A PROBLEM OBTAINING FIRE OR CRIME INSURANCE IN SPITE OF KEEPING YOUR PROPERTY IN GOOD CONDITION? IF SO, ASK ANY LICENSED INSURANCE MAN ABOUT THE CALIFORNIA FAIR PLAN.

This message courtesy of California FAIR Plan Association and this station.

SCBA FILE #40176-222GI

PUBLIC ANNOUNCEMENT



THE FAIR PLAN

ENGLISH



RADIO COPY

STARTING DATE: June 10, 1975
ENDING DATE: At Your Discretion
TIME: :20

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

BOOTH ANNOUNCER

HAVE YOU TAKEN PRECAUTIONS TO KEEP YOUR PROPERTY IN GOOD, SAFE, AND SECURE CONDITION, BUT, UNFORTUNATELY, STILL FIND FIRE OR CRIME INSURANCE HARD TO GET? THE CALIFORNIA FAIR PLAN, A COMBINED EFFORT OF ALL PROPERTY INSURANCE COMPANIES AND THE STATE OF CALIFORNIA, MAY BE ABLE TO SOLVE YOUR PROBLEM. ASK ANY LICENSED INSURANCE MAN ABOUT THE CALIFORNIA FAIR PLAN.

This message courtesy of California FAIR Plan Association and this station.

SCBA FILE #40176-222GI



RADIO COPY

STARTING DATE: June 10, 1975
ENDING DATE: At Your Discretion
TIME: :30

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

BOOTH ANNOUNCER

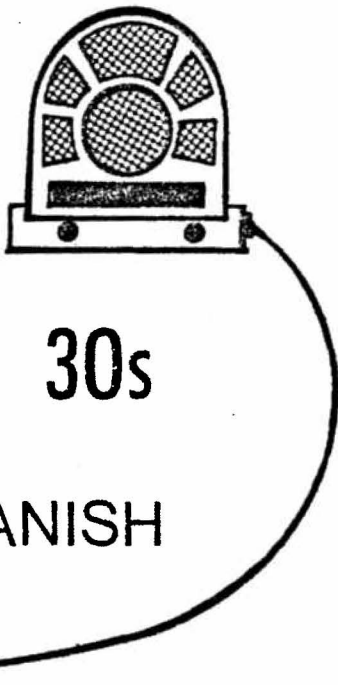
HIGH HAZARDS OF FIRE OR CRIME IN YOUR NEIGHBORHOOD NEED NOT BE A BARRIER TO YOUR SECURING FIRE OR CRIME INSURANCE FOR YOUR HOME OR BUSINESS. IF YOU KEEP YOUR PROPERTY IN GOOD CONDITION, THE CALIFORNIA FAIR PLAN, ESTABLISHED BY THE INSURANCE INDUSTRY AND THE STATE OF CALIFORNIA, WILL NOT DECLINE COVERAGE BECAUSE OF NEIGHBORHOOD OR AREA LOCATION OR ANY ENVIRONMENTAL HAZARDS BEYOND A PROPERTY OWNER'S CONTROL. ASK ANY LICENSED INSURANCE MAN ABOUT THE CALIFORNIA FAIR PLAN. DO IT TODAY BECAUSE TOMORROW MAY BE TOO LATE.

This message courtesy of California FAIR Plan Association and this station.

SCBA FILE #40176-222GI

SERVICE ELEMENTS

DIO



10s 20s 30s

SPANISH



RADIO COPY

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

STARTING DATE: June 10, 1975
ENDING DATE: At Your Discretion
TIME: :10

BOOTH ANNOUNCER

LE ES DIFÍCIL OBTENER PÓLIZAS DE SEGURO CONTRA INCENDIO O ACTOS CRIMINALES A PESAR DE MANTENER SU PROPIEDAD EN BUENA CONDICIÓN? PREGUNTE A CUALQUIER AGENTE DE SEGUROS CON LICENCIA ACERCA DE CALIFORNIA FAIR PLAN.

Este mensaje es una cortesía de la Asociación California FAIR Plan y esta emisora.

SCBA FILE #40176-222GI



RADIO COPY

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

STARTING DATE: June 10, 1975
ENDING DATE: At Your Discretion
TIME: :20

BOOTH ANNOUNCER

HA TOMADO PRECAUCIONES PARA MANTENER SU PROPIEDAD EN BUENA CONDICION, A SALVO DE RIESGOS, Y AUN LE ES DIFICIL ENCONTRAR POLIZAS DE SEGURO CONTRA INCENDIO O ACTOS CRIMINALES? CALIFORNIA FAIR PLAN, UN PROGRAMA COMBINADO POR TODAS LAS COMPANIAS DE SEGUROS DE PROPIEDADES Y EL ESTADO DE CALIFORNIA, PUEDE AYUDARLE. PREGUNTE A CUALQUIER AGENTE DE SEGUROS CON LICENCIA ACERCA DE CALIFORNIA FAIR PLAN.

Este mensaje es una cortesía de la Asociación California FAIR Plan y esta emisora.

SCBA FILE #40176-222GI



RADIO COPY

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

STARTING DATE: June 10, 1975
ENDING DATE: At Your Discretion
TIME: :30

BOOTH ANNOUNCER

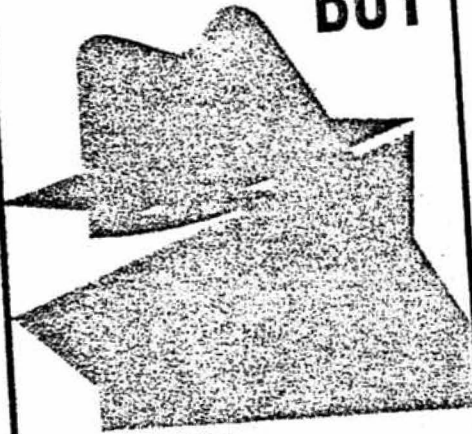
LOS ALTOS RIESGOS DE INCENDIO O CRIMEN DONDE VIVE USTED NO DEBEN SER OBSTACULO PARA OBTENER PÓLIZAS DE SEGURO CONTRA INCENDIO O ACTOS CRIMINALES PARA SU CASA O NEGOCIO, SI MANTIENE SU PROPIEDAD EN BUENAS CONDICIONES. CALIFORNIA FAIR PLAN, ESTABLECIDA POR LA INDUSTRIA DE SEGUROS Y EL ESTADO DE CALIFORNIA, NO LE NEGARÁ PROTECCIÓN A RAZÓN DE AREA O RIESGOS A SUS ALREDEDORES FUERA DEL MANDO Y CONTROL DEL PROPIETARIO. PREGUNTE A CUALQUIER AGENTE DE SEGUROS CON LICENCIA ACERCA DE CALIFORNIA FAIR PLAN.

Este mensaje es una cortesía de la Asociación California FAIR Plan y esta emisora.

SCBA FILE #40176-222GI

201

**NOW
YOU CAN
BUY**



**CRIME
INSURANCE***
for your
Home



NOW...

help with

YOUR

**FIRE INSURANCE
PROBLEMS**

through
the

**CALIFORNIA
FAIR PLAN**

1930 WILSHIRE BOULEVARD
Los Angeles, California 90057



**NOW
YOU CAN
BUY**



**CRIME
INSURANCE***
for your
Business



**FAIR ACCESS TO INSURANCE
ASK ANY LICENSED INSURANCE MAN**

** Distributed to the members of the Assembly Finance and Insurance Committee at the Assembly Committee hearing on the California FAIR Plan Association, February 9, 1972. Information and statistics contained herein were accurate as of that date. Interim changes, such as the change of the California fire minimum premium established by the licensed rating bureau from \$25.00 to \$35.00, make some portions of this report obsolete.

The California FAIR Plan Association

Fire Insurance Division

Its Origin and Development **

The Fire Insurance Industry has long recognized that fire insurance is not only a necessity for the individual, but is also essential to the community in today's sophisticated commercial world.

Such essentials as mortgage loans, loans for construction and financing of inventories dry up where lenders cannot have the assurance that fire will not wipe out the collateral for their loans. Where insurance against fire is difficult to obtain, a community may wither and die.

Recognizing this, the fire insurance community has often pooled its resources to make basic fire coverage available where hazard of risk beyond the property owner's control appears to outweigh the possibilities of financial gain or even the possibility of breaking even.

The California FAIR Plan Association is such a Pool composed of all fire insurers who have certificates of authority to do business in California.

The FAIR Plan Association has as its ancestors, two previous Pools. Both of which arose because of hazards beyond the property owner's control.

In 1961, severe brush fires swept through the tinder dry chaparral which composes the normal water shed in the Hollywood Hills and Santa Monica Mountains. Approximately \$25,000,000 in losses were suffered by insurance companies during this catastrophe. Such brush fires caused by hot desert winds, heated by compression as they blow down through the canyons into the Los Angeles basin had been regular occurrences in the Los Angeles area every five or ten years since long before the pioneers had settled in the basin. Now, with thousands of homes being built in the hills, in the brush, catastrophe had struck. While the city and county tried to come up with an answer to the hazard, the insurance

industry formed a voluntary Pool in an attempt to make insurance available for those who had homes in the brush area.

The other forerunner of the FAIR Plan was an outgrowth of the Riots which broke out in the Southwest area of Los Angeles in 1965. Fire bombing caused great fire losses in what has become known as the curfew area. Again, the insurance industry acted quickly in organizing a voluntary Pool known as the "Watts Pool" in an attempt to keep fire insurance available and commerce alive.

As riots swept the country the insurance industry in other areas sprang into action forming similar facilities to provide basic fire insurance in areas of great risk. Basic insurance is the minimum coverage required by the lending institutions as a prerequisite for making loans. Recognizing that these civil disorders, if continued and intensified, could seriously strain the financial structure of the insurance industry, the industry and the Congress of the United States agreed that Federal Reinsurance of losses caused by Riot & Civil Disorders would be a wise safeguard. Thus, the Congress passed the "Urban Property Protection and Reinsurance Act of 1968". This legislation offered availability of Federal Reinsurance of Riot and Civil Disorders losses in each state where a FAIR Plan was established. A FAIR Plan (FAIR stands for Fair Access to Insurance Requirement) was to be a Pool of the insurance companies writing Fire Premiums within a state for the purpose of making Basic Insurance available to all insurable risks in urban areas subject to riots and civil disorders.

The California Legislature and the Insurance Industry recognized the necessity of a California FAIR Plan. Enabling legislation was passed which set up the "California FAIR Plan" and which permitted California insurance companies to purchase Federal Riot and Civil Disorder Reinsurance. The Bill through which this was done was AB 1577 of 1968. The Legislature and the

industry also recognized the necessity of having all companies with certificates of authority to write fire insurance in California share in the Pool for the brush area. Thus the Legislation was written to include brush risks in the FAIR Plan. AB 1577 placed urban dwellings and brush risks in the FAIR Plan with all companies sharing in the Plan by law. A voluntary Pool was established by the California FAIR Plan for commercial risks. Again the legislature and the industry felt this commercial pool should be borne by all companies in California writing these lines. Thus AB 394 was passed to include commercial lines in the California FAIR Plan.

Under AB 394, all companies licensed to write fire insurance in California are members of the Plan. The Plan writes the California Basic Fire Insurance Policy, Extended Coverage Endorsement, Vandalism & Malicious Mischief and Sprinkler Leakage. Both commercial and dwelling risks are eligible in urban and geographical areas designated by the Insurance Commissioner. These are areas where it has been determined there is difficulty in insuring some property in the normal market even though it is maintained in insurable condition.

There is a misunderstanding among many people that all losses under the California FAIR Plan are underwritten by Federal reinsurance. This is not so. Only Riot and Civil Disorders losses are covered for companies buying Federal Reinsurance. These losses are covered only after the company has paid losses on claims caused by riot and civil disorders up to a prescribed percentage of their written premiums. Then a State Layer of losses comes into effect and after that, Federal Reinsurance. Operating losses resulting from heavy claims not connected to riot and civil disorders must be borne by the FAIR Plan member companies.

The areas where the FAIR Plan writes insurance are under constant review and may expand or contract according to availability of insurance in the normal markets.

The operations of the FAIR Plan are directed by a Governing Board of nine voting members who are officials from the insurance companies and four non-voting members: two from Producers Groups, one from the surplus lines market and one from the general public. The Board determines general policy and hires a manager and staff to carry on the details of operation.

The Plan, which is a syndicated Association, writes only one-year policies. This limitation is designed to permit re-evaluation annually as to whether or not market conditions have changed and to determine at the renewal date whether or not the risk can then be placed in the normal market. Between 11% and 12% of the risks are not renewed and, while investigations have not been completed as to whether these risks are placed in the normal market, it is reasonable to surmise that they are. Over a three year period, one third of the risks in the FAIR Plan do not stay in the FAIR Plan. Another reason for the yearly policy is so that yearly rate adjustments may be made as bureau rates are adjusted. These one-year policies are written under the name "California FAIR Plan Association". The Plan collects its own premiums, pays its own expenses and pays its own claims. Profits are distributed and losses are assessed on the basis that the percentage of each company's written fire premium bears to the total fire premiums of all companies in the State.

Underwriting in the Plan is simple. The Plan takes all insurable risks submitted in the geographical areas where it is permitted to write, if the property owners keep the property in insurable condition and comply with the laws and ordinances of the political jurisdiction in which the property is located.

Rates for coverage by the FAIR Plan are standard rates published by the Insurance Services Office rating bureau. Occupied single family dwellings are currently being accepted at bureau rates without inspections. All other risks are personally inspected by an ISO rating bureau inspector and can be

adjusted for sub-standard conditions which are controllable by the applicant and observed from this personal inspection.

Applications may be submitted by an agent or broker licensed in California or may be submitted by the owner directly to the Plan. Risks cannot be bound by the agent or broker, but insurance is effective from the date of the premium quotation returned from the Plan which contains either a final or provisional rate for one year's coverage on the amounts requested. These quotations are currently being mailed from the FAIR Plan office within six working days from the receipt of the application in most cases.

If the Plan has not either accepted or rejected a risk nor been able to quote a premium within twenty days from the receipt of an application in the FAIR Plan office, a notice of deemer privilege is mailed explaining that the risk will be deemed to be covered, if the applicant submits a \$25 provisional premium between the 21st and 45th day after the application was received.

Limits of coverage are \$1,500,000 on a Possible Maximum Loss basis.

The first test of the Plan in a catastrophe came during the 1970 brush fire catastrophe in the Newhall and Malibu areas. Prior to the fire, and currently, basic Fire insurance was and is available to every insurable risk in the area designated as brush area by ISO through the California FAIR Plan. Forty-four total losses were covered plus eighty partial losses through the FAIR Plan facility. Hundreds of other total and partial losses were incurred by our participating companies through their own insurance facilities. Between the normal market and the FAIR Plan, insurance was and is available to all who keep their property in an insurable condition.

The Plan has operated in a satisfactory manner, adapting itself to directives and laws from both the Federal and State governments. It is living and active evidence that the private insurance industry is interested in its obligation to the public and recognized the vital role insurance plays in all phases of economic life.



News Release

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES, CA 90057

AVAILABILITY OF INSURANCE FOR HOME AND VALUABLES

California residents and businessmen of innercore areas of our urban cities may be unaware that insurance to protect their home, furniture and other valuables against fire and crime is available thru the California FAIR Plan if they keep their property in insurable condition. The State of California and the insurance industry have joined together to create the California FAIR Plan Association. This Association will provide property insurance to responsible applicants who have been unable to obtain it from other insurance companies.

Most residents and businessmen of innercore areas will be able to obtain insurance through normal sources without using the facility of the FAIR Plan. The California FAIR Plan is not intended to compete with the normal market. The FAIR Plan should not write insurance for an applicant until he or she has tried to get insurance through other insurance companies and failed. The following steps to obtain insurance will usually result in an applicant obtaining insurance through one of the insurance companies in California without using the FAIR Plan facility.

The applicant should look in the telephone book yellow pages under "Insurance". Do not pick an insurance agent or broker strictly by the size of the advertisement. Instead, look for an agent in the area where the applicant lives. Many times competent insurance men do not advertise but only carry a one line listing by name of their agency. The reason we suggest contacting an agent in close vicinity is that he will be easily available if a claim or need for information arises. There are approximately

200 insurance companies selling fire and crime insurance in California, each with its own philosophy as to underwriting requirements (those applications they accept or decline). Thus, one company declining a risk does not necessarily indicate another company would decline it. Some insurance men represent one insurance company while others represent several. For this reason, it is often wise to consult more than one insurance man if the risk is declined by one. Calling the insurance agent or broker is one method of getting information on the insurance desired but it is suggested that a personal visit to the office of the agent or broker since he is in the applicant's area may provide better communication between the insurance man and the applicant. If the insurance man is unable to place the insurance for the applicant with the companies he represents, he will usually suggest applying to the California FAIR Plan Association. If he does not suggest this, the applicant should ask him to do so. It is far better to apply to the FAIR Plan through a licensed insurance man than to apply directly as the insurance man can be of technical assistance both at the time of sale and if a loss occurs. The applicant can, however, apply directly to the California FAIR Plan by writing to the Plan at the following address and requesting an application:

California FAIR Plan Association
1930 Wilshire Boulevard
Los Angeles, CA 90057

The insurance man cannot bind coverage in the FAIR Plan immediately but will help the applicant complete the application, explain the terms and conditions under which the FAIR Plan operates and the coverages offered by the Plan. He will then send the application to the FAIR Plan.

For fire coverages, the FAIR Plan will return a quotation of premium which may be either firm or provisional (subject to change upon FAIR Plan inspection) within 21 days of the receipt of the application. Normally, the quotation will be returned in about 1 week. Upon the applicant's payment of the premium, the policy will be issued.

FAIR Plan rates are the average rates charged for like property in California. Condition

charges are not applied to single family dwellings in urban areas. Multi-unit dwellings and other properties will be inspected and the owner shown the conditions that increase the hazard of the property. These hazards may result in "Condition Charges" which will be removed when the situation is corrected.

For crime coverages, the insurance man will tell the applicant the amount of the premium when he fills out the application. He will collect and send the premium to the FAIR Plan with the application. Coverage will be effective when the FAIR Plan reviews and accepts the property for coverage.

The California FAIR Plan Association is permitted to write insurance only in designated areas. If you wish to determine if your area is open to FAIR Plan insurance, ask any licensed insurance man or write to the FAIR Plan.

Distributed to the members of the Assembly Finance and Insurance Committee at the Assembly Committee hearing on the California FAIR Plan Association, February 9, 1972.

The California FAIR Plan Association

Crime Insurance Division

Its Origin and Development

In 1970 the Federal Insurance Administrator informed the insurance commissioners of states in which he felt there was a high crime rate, that crime insurance must be made available through the state's FAIR Plan or the Federal Government would start writing crime insurance in these states. California was among the states listed as having a high crime rate.

The deadline to have crime insurance available was set by the Federal Insurance Commissioner as August 1, 1971. The legislature passed AB 2323 which placed crime insurance in the California FAIR Plan prior to this deadline.

The Federal Insurance administrator stated that in order for the California FAIR Plan Association's crime program to qualify it must meet the criteria of affordability.

Shortly after the announcement that the Federal Government felt there was a problem in the crime insurance area and prior to the passage of AB 2323 representatives of the insurance industry formed the "Crime Study Committee". While they failed to find a serious problem of applicants being unable to secure insurance in the normal market, they nevertheless studied the matter of crime insurance through the FAIR Plan Facility. The biggest problem was in what definition the Federal Insurance Administrator gave the term "affordable". In order to be assured that the California FAIR Plan's crime program would meet this criteria, the committee decided to adopt the same rate schedule as used by the Federal Plan.

When the Federal Plan was brought out it was unique in its method of rating commercial risks. The affordability feature was in a factor which was applied to the base rate and was based on the insured's gross income. This rating method was adopted by the California FAIR Plan.

Some parts of the Federal Plan were used though they raised doubts as to their feasibility. One part which was adopted but questioned by the committee was the package policy concept for commercial risks. The lower income struggling businessman might like the many coverages a package offered but could afford only the coverage which caused him the greatest hazard. We have been studying this facet of our program and are interested to note that in the past few weeks the Federal program has come out with options to split out individual coverages from the package. The package has simply not been selling in commercial crime either in the California FAIR Plan or in the Federal Program.

A facet of the Federal Program we discarded was the warranty by the assured as to his completing certain security measures. Under the Federal Program breach of this warranty voids the contract. In our program we personally inspect the commercial risk and if our inspection shows that our security standards are met the insured need not worry about our finding a defect which voids the policy at the time of a claim.

The purpose of the California FAIR Plan Crime Program was improvement of the risk by giving the prospective assured a set of security standards that are not unreasonable but which harden his business from the criminal. When the applicant has completed these measures, he usually does not need to purchase his insurance through the Plan for he finds he now qualifies in the normal market. For this reason, the success of the crime program can not be judged solely on the number of policies insured.

Nevertheless, at this point it appears the program in the commercial crime area needs adjustments in offering the components of the package as well as the package.

At this point over 4,000 agents have written for crime kits which contain a producer's manual, security standards booklets and applications. Yet as of February 1, only 16 applications for the commercial crime policy have been received by the Plan, and nine policies issued. As of the same date, 210 residential crime policies have been issued.

Why is the demand so light? It is hard to tell. Certainly many risks only needed the information in our security standards booklet to qualify in the normal market. Perhaps there is not a serious problem placing risks in the normal market. Another point is that crime insurance must be sold. While lenders insist on fire insurance, no one insists on crime insurance. Perhaps in the areas where our product would be most sought, we have made the price too high by selling a package rather than the components.

In conclusion, let us say we are seriously and conscientiously studying the entire matter of the small number of commercial applications which have been received by the California FAIR Plan Association. Our Crime Committee has met with the Chief Deputy Insurance Commissioner and the Manager of the Plan to determine steps to be taken to make the Commercial Crime Policy more closely meet the needs of the community. They are recommending to the Governing Committee changes such as offering the components of the package policy. They believe these changes will make the Commercial Crime Policy more closely akin to community needs.

for an update on the Crime Program.

Supplement & Update Of
The California FAIR Plan Association
Crime Insurance Division
Its Origin & Development

Prepared For The Study Committee Of The
Assembly Finance and Insurance Committee

Since February 9, 1972, several revisions and improvements have been made to make the Program more acceptable to commercial risks. These revisions were made in an attempt to remove possible impediments to wide use of the Program by producers and the public discussed in the conclusion of the February 9, 1972 report. The revisions and improvements follow:

Effective April 1, 1972:

1. We adopted the principle of dividing coverages into 4 options:
Option 1 - the original package policy
Option 2 - robbery coverage only
Option 3 - Burglary and safe burglary only
Option 4 - any combination of options 2 and 3
2. We increased robbery limits to \$3,000.00.
3. We reduced premiums on basic Option 1.
4. By permitting separate purchase of options 2 and 3, the premium cost to the purchaser can be tailored to the needs and the financial ability of the merchant.

Effective October 15, 1972:

The premiums on all coverages were reduced by applying a new gross receipts multiplier. Depending on gross receipts, premiums were reduced between 28.6 and 40%.

Effective August 1, 1973:

1. The inspection fee of \$15.00, which had been non-refundable, will be refunded if the inspection is approved and a policy is issued.
2. We deleted a requirement calling for non-removable keys on padlocks when left unlocked.

3. We deleted requirement for rabbitted jambs on inswinging doors.

The above changes, while increasing submissions above the previous level, still did not materially increase the use of the Program.

To date, the FAIR Plan has covered 55 commercial policyholders. 12 of these risks found coverage through normal channels or no longer desired it and have not renewed. 43 policies are now in force. The following table gives the areas in which the risks are located and the type of coverage in effect:

Commercial Business In Force

| <u>Area</u> | <u>No. Of Policies</u> | <u>Package</u> | <u>Robbery</u> | <u>Burglary</u> |
|----------------------|------------------------|----------------|----------------|-----------------|
| Los Angeles County | 27 | 6 | 16 | 8 |
| San Francisco County | 2 | | 2 | |
| Alameda County | 6 | 1 | 7 | |
| Sacramento County | 2 | 1 | 1 | |
| Yolo County | 1 | | 1 | |
| Orange County | 1 | | | 1 |
| San Diego County | 4 | | 4 | |
| | <u>*43</u> | <u>8</u> | <u>31</u> | <u>9</u> |

* Where totals of individual options do not add to total number of policies, it is due to use of option 4 where two selected amounts for each of the options used are insured under one policy.

The following table indicates the type of business covered:

| <u>Class of Commercial Policies</u> | <u>Number</u> |
|-------------------------------------|---------------|
| Taverns | 10 |
| Liquor Stores | 10 |
| Retail Stores | 10 |
| Service Stations | 4 |
| Clothing and Shoes | 4 |
| Misc. | 5 |
| | <u>43</u> |

Total commercial exposure to loss - \$151,000.00

The residential crime policy has had more appeal generally. To date, we have covered 607 policyholders. 71 did not renew. 536 policies are now in effect. The following table gives the distribution of these policies by area:

Residential Business In Force Distribution

| <u>Area</u> | <u>No. Of Policies</u> | <u>% Of Total</u> | <u>Exposure To Loss</u> | <u>% Of Total</u> |
|-----------------|------------------------|-------------------|-------------------------|-------------------|
| Urban South | 162 | 30.2% | \$ 598,750 | 28.1% |
| Urban North | 103 | 19.2% | 382,030 | 17.9% |
| Brush Areas | 219 | 40.9% | 962,950 | 45.3% |
| Seasonal: North | 27 | 5 % | 185,016 | 8.7% |
| South | 25 | 4.7% | | |
| Total | 536 | 100 % | \$2,128,746 | 100 % |

To date, 5,375 licensed agents and brokers have asked the FAIR Plan to send them a sales kit, which includes a producers manual, commercial security standards booklet, and commercial and residential crime insurance applications. 339 of these agents have submitted applications to the Plan for which policies were issued.

The Plan's original efforts to make sure all who need crime insurance would have it available were spent educating the licensed insurance agents and brokers and company personnel. These men are in touch with the vast majority of California residents and it appeared this would be the most rewarding place to devote our time and money. Recently, we have also embarked upon a campaign to directly advise the public of the Crime Program. This Program includes public service spots on television and radio, plus news stories and advertisements in the minority newspapers. Attached you will find a detailed breakdown of our various community relations activities supporting the Program. It is too early to evaluate the effect of the public education program.

The question (raised in the February 9, 1972 document) as to why demand for crime policies is so light still is hard to determine. We have made changes to the commercial program to remove possible impediments to wide use of the Program without great success. We still believe that many commercial risks only need the information contained in our security standards booklet to qualify in the normal market. We have distributed 40,406 of these booklets to agents who have requested them. There may not be a problem placing risks in the normal market if applicants properly protect their property.

The State of California was billed under the Excess Loss Agreement for \$8,300 our first operating year and \$32,890 for our second operating year, (copies of invoice enclosed). Had we not embarked on our Community Information Program, which cost \$24,600, the billings to the State would have been reduced by that amount. It was the opinion of the Insurance Department and our Governing Committee that an adequate public education program was essential.



News Release

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

FROM: Ivan N. Daniel, Jr.
Community Relations Manager

FAIR PLAN CRIME INSURANCE FOR BUSINESS AND RESIDENCE

Businessmen in the high crime risk areas of twenty-five counties and the major cities of California are now able to secure the crime insurance protection with a better choice of coverage and at a more affordable premium through the California FAIR Plan Association.

The FAIR (Fair Access to Insurance Requirements) Plan is a joint venture of all of the property insurance companies authorized to do business in California. The property insurance companies joined together in 1967 to help property owners in designated geographical areas, who had trouble obtaining property insurance through the normal insurance market because of environmental hazards, secure essential fire coverage through their usual local agent or broker.

Crime insurance was added to the FAIR Plan for both business and residential property owners as authorized by Assembly Bill 2323 in August of 1971 in cooperation with the federal program of the Department of Housing and Urban Development. Commercial crime coverage available since that date has been limited to one package of robbery and burglary insurance with a fixed schedule of limits as was recommended by the federal government.

The FAIR Plan, by the approval of their Governing Committee and the authorization of the Insurance Commissioner, now provide four distinct options of commercial crime insurance to help agents and brokers better fit the needs of the business people in the urban business areas and at rates that make it

possible for the smaller businessman to afford the financial protection of insurance.

As of April 1, 1972 rates for new and renewals of the original package coverage will be reduced 50% for increments of coverage over \$3,000. The maximum coverage available for robbery, kidnapping, theft from a bank night depository and damages to the insured property or premises will be increased from \$2,500 to \$3,000.

Businessmen will be able to now buy either burglary or robbery insurance coverage separately or packaged together in any desired multiples up to a maximum of \$15,000 of burglary protection, \$3,000 of robbery protection, and depending upon the type of safe, up to \$5,000 of safe burglary protection. Burglary protection reimburses the insured for losses of and damage to the insured property and premises where there has been forcible entry with visible signs left by the criminal. Robbery protection reimburses losses of and damage to the insured property by violence or the threat of violence to a custodian or messenger

Rates vary depending on; the type and quantity of coverage desired, the type of business, the size of the business as measured by gross receipts and the county crime exposure factor determined by total population. Neighborhood or any environmental hazard beyond the control of the businessman are not included in the rate structure or deemed to be acceptable criteria for the FAIR Plan to decline coverage.

The commercial security standards and requirements necessary for burglary eligibility provide new but less expensive alternates to protect the insured's property from attack and are not required at all for the robbery only insurance. The burglary coverage will now have a limitation of \$350 in each cash register

or cash drawer to encourage businessmen to reduce their own hazard by keeping their money in their safe or by making more frequent bank deposits.

These new optional coverages as offered by the California FAIR Plan Association now makes the crime insurance program offered to business comparable to the options offered in the normal insurance market and will help all insurance agents and brokers meet the insurance requirements of their customers.

Businessmen are encouraged to contact any licensed insurance agent or broker to apply for FAIR Plan crime coverage. All California licensed agents and brokers are authorized to handle inquires or receive applications for coverages offered through the California FAIR Plan.

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The California FAIR Plan is authorized by the Insurance Commissioner to provide the coverage here mentioned in the following counties of California; Alameda, Contra Costa, Fresno, Kern, Humboldt, Los Angeles, Marin, Monterey, Napa, Orange, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Joaquin, San Mateo, Santa Barbara, Santa Clara, Solano, Sonoma, Stanislaus, Ventura and Yolo. The other counties of California are able to secure such coverage for businessmen in the normal insurance market.



News Release

FROM THE COMMUNITY RELATIONS DEPARTMENT
1930 WILSHIRE BOULEVARD - LOS ANGELES CA 90057

FROM: Ivan N. Daniel, Jr.
Community Relations Manager

FAIR PLAN FIRE INSURANCE COVERAGE

If you own property in California and have had difficulty obtaining fire insurance in the normal market on your property, you may find help available through the California FAIR Plan. Ask any general insurance representative about the Association.

The California FAIR Plan is a joint venture of the property insurance companies doing business in the State. They have joined together to help property owners in urban areas or designated geographical areas who have had trouble obtaining property insurance in the normal market.

In order for your home or business to be eligible, it must be located in an urban or geographical area where the California FAIR Plan is presently authorized to write fire insurance. Urban or geographical areas open to FAIR Plan insurance are designated by the California Insurance Commissioner and the California FAIR Plan Governing Committee.

Applicants will not be refused insurance because their urban property is in a deteriorated neighborhood or because of hazards beyond the property owners' control.

Under the California FAIR Plan, property is insurable as long as it meets reasonable underwriting requirements such as minimum fire and health

protection standards. Among the deficiencies one should look for are:

- 1) Faulty wiring.
- 2) Improper heating or heating system in poor condition.
- 3) General dilapidated conditions.
- 4) Poor housekeeping - in form of accumulation of rubbish.

These deficiencies effect the insurability of property and are opposed to fire safety. Fire safety and insurability go hand in hand...Maintaining ones' property in insurable condition not only will help preserve property, but may save a loved one's life.

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STATE OF NEVADA
DEPARTMENT OF COMMERCE
INSURANCE DIVISION

201 SOUTH FALL STREET
CARSON CITY, NEVADA 89710
(702) 885-4270

DICK L. ROTTMAN, Ph.D., CPCU, CLU
Commissioner of Insurance

VERNON E. LEVERTY
*Chief Deputy
Carson City*

W. O. SLAYTON
*Chief Deputy
Las Vegas*

MIKE O'CALLAGHAN
Governor

MICHAEL L. MELNER
Director

February 22, 1977

The Honorable Thomas C. Wilson, Senator
State of Nevada
Legislative Building
401 South Carson Street
Carson City, NV 89710

RE: CHARLES SMITH

Dear Senator Wilson:

At the Senate Hearing, Monday, February 14, in conjunction with S.B. 143, you asked that I develop some additional information regarding some problems Mr. Smith has had in regard to fire insurance for his business. In addition to personally inspecting the premises, I directed my staff to gather all pertinent information for your convenience. I have summarized my findings below:

1. Mr. Smith is a lessee and this prevents him from enjoying the bargaining advantages available to an owner. The insurance in dispute is the building insurance, rather than the contents insurance.
2. Until the building was rereated in December of 1976, it had been continuously misrated since 1969. During this period it was classified as "unoccupied". It appears that the company previously involved had been notified by the agent of the nature of Mr. Smith's business. In December 1976, the company made an independent inspection of the premises, discovered the nature of the risk involved (furniture refinishing) and rated the building accordingly.
3. From my personal inspection, as well as that of my staff, it is apparent that the "housekeeping" is clearly less than what it might be. This, of course, has an adverse impact on insurability. In my judgment, Mr. Smith is fortunate to be able to purchase insurance at any rate under the current circumstances.

Thomas C. Wilson, Senator
February 22, 1977
Page 2

4. At my specific request, The Insurance Services Office has reinspected the building and rerated. For your reference, a copy of their report is attached.
5. The Insurance Services Office is preparing a list of criteria which, if met, should improve Mr. Smith's insurability.

We will continue to work with Mr. Smith in an effort to make his fire insurance situation as affordable as possible.

If we can provide any further information to you or your committee, please do not hesitate to let me know.

Sincerely,



Dick L. Rottman

DLR:gv
Enclosure

cc: Mr. Charles Smith



INSURANCE SERVICES OFFICE

INTER-OFFICE CORRESPONDENCE

To Charles B. Knaus

Office Insurance Division,
Carson City, Nevada

From Donald G. Dumble

Office Reno, Nevada

Subject 2509-11 Sutro St., Reno, Nevada

Date February 16, 1977

In accordance with your verbal request of February 15 and based upon my inspection of subject premises along with the information furnished by Charles R. Smith, building tenant, on that date, I have computed a building rate of 2.11 per \$100.00 of fire insurance. This rate does not include the application of Rate Adjustment Factor or Average Clause Credit.

This rate will not be published unless publication is requested.

Donald G. Dumble
DONALD G. DUMBLE
Senior Inspector



INSURANCE SERVICES OFFICE

INTER-OFFICE CORRESPONDENCE

To.....Charles B. Knaus.....

Office Insurance Division,
Carson City, Nevada

From.....Donald G. Dumble.....

Office Reno, Nevada

Subject I.S.O. Building Inspection Policy.....

Date February 15, 1977

In reply to your telephone request this morning, the subject policy is, to the best of my knowledge, as follows:

A building will be inspected for fire insurance/^{rating} purposes by I.S.O. inspectors upon receipt of a written request from the insured, interested agent, broker or company.

An exception to this policy became operational in 1974 when the 10 year reinspection program was implemented. The purpose of this action is to facilitate a more cyclical reinspection and schedule application for specifically rated non-sprinklered properties.

Buildings in cities, towns or fire districts may be reinspected because of changes in protection grading.

Donald G. Dumble
DONALD G. DUMBLE
Senior Inspector

RATE COMPUTATION

DATE: 2-15-77

| | | | | | | | |
|---|-------------|--------------|----------------------|-------------------|--------------|--------|-------|
| District | Prot. Class | Construction | Occupancy | | | | |
| | 5 | CL "C" | OFFICE - CARSON CITY | | | | |
| Rate Book | Page | Line | Published Code | | E.C.E. Grade | | |
| CARSON CITY | 21428 | 30 | 070 | | ST | | |
| RATE FORMULA | | | FIRE | | | E.C.E. | |
| | | | BLDG. | EQUIP. | STOCK | BLDG. | CONT. |
| Annual Published or Class Rate: | | | | | | | |
| (a) Without Average Clause | | | .65 | | | | |
| (b) With % Average Clause | | | | | | | |
| Charges (Describe): | | | | | | XXX | XXX |
| Credits (Describe): | | | | | | XXX | XXX |
| % Credit, if any, for 90 % Average Clause | | | 15% | | | | |
| Rate Adjustment: % Charge | | | | | | XXX | XXX |
| % Credit .720 | | | .720 | action 28% credit | | XXX | XXX |
| Time Element Factor | | | | | | | |
| Annual or D.P.P. Rate | | | | | | | |
| Term Rate | | | .398 | | | | |



458
Jan. 1969

PRIOR TO 11/3/76

RATE COMPUTATION

DATE:

| District | Prot. Class | Construction | Occupancy | | | | |
|--|-------------|--------------|----------------|-------------------------|--------------|--------|-------|
| Spec. Rate Book | Page | Line | Published Code | | E.C.E. Grade | | |
| RATE FORMULA | | | FIRE | | | E.C.E. | |
| | | | BLDG. | EQUIP. | STOCK | BLDG. | CONT. |
| Annual Published or Class Rate: | | | | | | | |
| (a) Without Average Clause | | | 1.65 | | | | |
| (b) With % Average Clause | | | | | | | |
| Charges (Describe): | | | | | | XXX | XXX |
| Credits (Describe): | | | | | | XXX | XXX |
| % Credit, if any, for <u>90</u> % Average Clause | | | <u>15%</u> | | | | |
| Rate Adjustment: % Charge | | | | | | XXX | XXX |
| % Credit | | | <u>40%</u> | <i>- actual credit.</i> | | XXX | XXX |
| Time Element Factor | | | | | | | |
| Annual or D.P.P. Rate | | | | | | | |
| Term Rate | | | <u>332</u> | | | | |



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Jan. 1969



See of



INSURANCE SERVICES OFFICE
INTER-OFFICE CORRESPONDENCE

To Charles B. Knaus Office Insurance Division
 From Donald G. Dumble Office Reno, Nevada
 Subject 2509-11 Sutro St., Reno, Nevada Date February 23, 1977

Handwritten initials and scribbles

FEB 25 1977

INSURANCE DIVISION
State of Nevada

Please refer to my memorandum of 2-16-77: The tentative building rate quoted was 2.11; after conference with my San Francisco office, the rate should be 2.15

In compliance with your verbal request of 2-22-77, the rate could be reduced to 1.04 in the following manner and no other occupancy changes occur which would cause an increase in rate:

- | | |
|---|--------------------|
| (1) All flammable liquids are stored in an approved cabinet | .04 reduction |
| (2) All flammable liquids are transferred from container to point of consumption by U.L. pump | .07 reduction |
| (3) Good housekeeping, no combustible rubbish, scraps of wood in or about premises | .60 reduction |
| (4) "No Smoking" signs posted and enforcement by management | .40 reduction |
| Total reduction | <u>1.11</u> |

Again, this rate does not include the application of Rate Adjustment Factor or Average Clause Credit. Also, this is not a guarantee that any insurance/^{company} will accept the liability of this risk.

Donald G. Dumble
DONALD G. DUMBLE
Senior Inspector