

Members present:

Chairman Jeffrey	Assemblyman Sena
Vice Chairman Robinson	Assemblyman FitzPatrick
Assemblyman Bennet	Assemblyman Rusk
Assemblyman Bremner	Assemblyman Tanner
Assemblyman Chaney	Assemblyman Weise
Assemblyman Horn	

Guests Present: See attached list

Chairman Jeffrey called the meeting to order at 3:10 p.m. Chairman Jeffrey noted that Assemblyman Price was ill and would not be testifying as introducer of the bill, but that the hearing would continue and hear other testimony regarding AB 202.

AB 202: George Vargas, attorney from Reno, representing the American Insurance Association was first to address the committee and stated that though the bill, on the surface, has very wide appeal, that it was not a workable plan. Mr. Vargas then added that he felt since fire insurance was included in the bill, he should address that area. He stated that you could have a long period of time loss-free and then if you had one fire, there could be a huge loss which would wipe out all the premiums you ever paid in plus a great deal more.

Mr. Vargas stated that in regard to automobile insurance that the rates are calculated by classification of drivers and that those who have a very bad record, generally have higher rates which are imposed by a surcharge.

In answer to a question from Mr. Bennet, Mr. Vargas stated that the large claims are paid through the "pool theory" which is the basis of all insurance.

Mr. Bremner stated that since the insurance commissioner was the person who would be setting the amount of discount that it could be set as low as 1%, and that he felt that the primary thrust of the bill was that there be some kind of discount for those people who historically had good records.

Dr. Robinson stated that he thought the bill originally was relative to auto insurance only. Chairman Jeffrey explained that Mr. Price has stated to him that the intent of the bill was that people would not have to pay excessive surcharges on their policies if they had gotten traffic tickets, but been accident free for a five year period.

Mr. Tanner asked Mr. Vargas if he felt that this bill would promote the already increasing practice of people paying for minor accidents themselves rather than turning the claims

into their insurance company. Mr. Vargas stated that he did feel this type of legislation would result in that kind of practice.

Next to testify on this bill was Mr. Virgil Anderson, representing Automobile Association of America, who stated that he agreed with Mr. Vargas' remarks, but added that he felt the bill was one sided inasmuch as it provided for a reduction for good drivers, but did not provided increases for drivers with bad records. He noted that the average cost for auto insurance in the Reno area is about \$500.00, 60% of which is for material damage to the vehicle and 35% of which is for other coverage such as uninsured motorist, bodily damage and no fault. He read to the committee from a Wall Street Journal article which is attached and marked as Exhibit "A", which points up the inflationary trend in the auto market and he pointed out that insurance rates will continue to increase due to inflation and mandating a reduction in rates will not solve the insurance premium problems with confront the public.

Mr. Rusk asked Mr. Anderson if he agreed with the consensus that 10% of the drivers caused 80% of the problems relating to increased premiums and, if so, what would he suggest to benefit the careful drivers. Mr. Anderson stated that he did agree in general with that kind of statement and that some companies already gave good drivers the very lowest rate possible within their structures and surcharged the drivers with bad records.

There was a discussion among the committee regarding the general inflationary problems facing all areas and the parallels between insurance protection and services paid for by property taxes, i.e. fire protection costs, and it was pointed out that the bill should, perhaps, have a fault provisions written into it. Mr. Weise pointed out that insurance is not an equity type investment; that it is paid to forestall having to pay yourself for a huge loss which might occur.

Mr. Vargas interjected that most insurance companies which issue stock currently rate on age, marital status and sex of the applicant; the higher the actuarial chance is for the person being involved in an accident, the higher the premium rate.

Mr. Anderson stated that the rating system between companies is highly competitive and that the differences from company to company is reflected by giving discounts for accident free driving, non-smokers, etc., and charging higher rates for persons under 25 who are unmarried, or have a high rate of traffic offenses. It was also noted that you could decrease the premium on your policy by increasing the amount of the deductible on the policy, as is currently being done by many policyholders.

Next to testify was Mr. Richard Garrod, Special Representative for Farmers Insurance Group, who stated that Farmers current-

ly gives good driver discounts and other premium considerations to their policyholders. He also stated that their company hasn't made a profit in Nevada for more than two years and that if they are mandated to decrease their premiums in this manner that that might be a determining factor in the company's decision as to whether or not to remain in Nevada.

He also said that he felt if the people thought they would lose their accident-free rate if they reported an accident, that they might in the case of a one car accident try to fraudulently represent the accident as a theft, etc. He also pointed out that this bill might induce a person to stay with a company which was not really doing a good job for him if he thought he would be getting the accident-free rate sooner than if he switched companies. He further pointed out that hit and run and vandalism type claims are currently not chargeable against a person's record with his company.

Mr. Charles Knaus, Casualty Actuary for the Insurance Division, was next to address the committee. He stated in response to an earlier question from Chairman Jeffrey regarding regulation PC 21, having to do with speeding tickets on one's driving record, generally that PC 21 was retroactive and that it did apply to offenses which had happened in the past as well as those which happen in the future. He stated that their division had tried to inform the individual insurance companies of this provision. He reinforced the comment made in earlier testimony that there is presently a competitiveness between the companies relative to rating. He proceeded to explain to the committee that in the past some companies which have given an accident-free rate have, prior to putting that lower rate into effect, raised their overall rate base to compensate for that reduction.

Mr. Weise asked Mr. Knaus if, in effect, this would lead to insurance companies anticipating higher losses and passing this on to their customers and then giving the discount based upon those figures. Mr. Knaus replied that the Insurance Division would not allow that to happen without considerable justification. He also stated that he wondered how much of a break would have to be given to the customer for the customer to feel he was being benefitted.

In answer to questions from Mr. Bennet and Mr. Weise, Mr. Knaus stated that currently the division reviews rate levels of the companies ever year and the classification within the companies approximately every two years, depending on the company's history. Mr. Chaney asked Mr. Knaus what kind of a profit margin was allowed for the insurance companies and how a company, such as Farmers Insurance Group, could go without making any money for two years and still be operating in Nevada. Mr. Knaus stated that Farmers had been given permission to increase their rates to stay solvent in this state and that the division had to make sure that a company had adequate profits and equity to provide for losses and costs.

It was pointed out to the committee by Mr. FitzPatrick that ultimately the Insurance Commissioner is responsible to see that the insurance companies are solvent because if they are not, the deficiency must be made up out of the Commissioners guarantee fund, in other words, by tax dollars.

That concluded the testimony on AB 202.

SB 7: After a brief discussion of the possible implications of this bill Mr. Weise moved to Indefinitely Postpone the bill and the motion was seconded by Mr. Rusk; however, the motion did not carry and Chairman Jeffrey stated that action on the bill would be held until a later time.

AB 216: Chairman Jeffrey asked for action on this bill and Mr. Weise moved to Do Pass, Mr. FitzPatrick seconded the Motion and the motion carried with all members voting aye except Dr. Robinson and Mr. Bennet, who were excused during this portion of the meeting, and Mr. Weise who abstained.

AB 207: Chairman Jeffrey asked for action on this bill and Mr. Rusk moved to Do Pass, Mr. Weise seconded the motion and it carried unanimously with Dr. Robinson and Mr. Bennet excused.

AB 150: Assemblyman Horn read the proposed amendment to the bill to the committee, said amendment number 76 is attached as Exhibit "B". He also stated that he had been contacted by the Hilton Hotel in Las Vegas and that they had suggested that they would be in agreement with the bill if the committee would delete lines 7 and 8 from the bill. Mr. Horn stated that he would not object to this deletion.

Mr. Bremner and Mr. Weise stated that they had received comments in opposition to this bill from their constituents. And, it was also asked if there had been any feedback from the University as to whether or not they felt this amendment would take care of their concerns. It was noted that there had been copies of the amendment sent to Mr. Ireland and that he had thus far made no comment. It was the consensus of the committee that Larry Lessly, Deputy Attorney General for the University, be contacted in regard to this matter and asked to return his opinion to the committee.

Chairman Jeffrey and Mr. Rusk offered several bill drafting requests to the committee for committee introduction and there were no objections to proceeding with them.

There being no further business, Chairman Jeffrey adjourned the meeting at 4:30 p.m.

Respectfully submitted,

*Linda D. Chandler*  
Linda D. Chandler, Secretary

(Committee Minutes)

ASSEMBLY COMMERCE COMMITTEE

GUEST LIST

NAME (Please print)	REPRESENTING (organization)	WISH TO SPEAK	
		Yes	No.
Geo. L. VARGAS	AMER. INS. ASS'N	X	
VIRGIL ANDERSON	AAA	X	
Richard R. Garret	Farmers Ins Group	x	

Wall St. Journal  
2/14/79

## GM, Ford Raise Delivery Charges Average of \$15

### Moves Mark Fourth Increase Since 1979-Model Autos, Trucks Were Introduced

By a WALL-STREET JOURNAL Staff Reporter

DETROIT—General Motors Corp. and Ford Motor Co. have quietly raised prices on new cars and trucks, the fourth increase since they began selling 1979 models last fall.

The latest increases, in the form of an average \$15 rise in delivery charges, are consistent with the recent industry practice of periodic boosts on vehicles or parts, such as larger engines and optional equipment.

Delivery charges are for shipment from the factory to the dealer. They aren't included in the suggested retail price but are added on and paid by the buyer. Each of the two largest auto makers last raised these charges at the beginning of the 1979 model year.

GM said its boost, which was effective Feb. 1, will average about 6% on the delivery-charge for all vehicles. The increase averages less than 0.5% on the company's overall car and truck prices, GM said. Ford didn't estimate the percentage increase, but a spokesman said he believed it would be "minuscule."

The \$15 boosts in shipping charges bring total increases on 1979 cars of the two concerns to between \$465 and \$490 since the start of the model year.

Chrysler Corp., which late last month made its fourth price increase, in the form of the addition of glass-belted radial tires at the added charge of \$54 a car, said it hasn't any plans to raise delivery charges.

Ford's increase, effective Feb. 5, reflects "general inflationary pressures which affected transportation costs," a spokesman said. GM also said the charges were to pass through transportation and related costs, noting that a rail freight charge increase was approved by the federal government in December.

EXHIBIT "B"

1979 REGULAR SESSION (60TH)

ASSEMBLY ACTION	SENATE ACTION	Assembly	AMENDMENT BLANK
Adopted <input type="checkbox"/>	Adopted <input type="checkbox"/>	AMENDMENTS to <u>Assembly</u>	
Lost <input type="checkbox"/>	Lost <input type="checkbox"/>	Bill No. <u>150</u> <del>Resolution No.</del> <u>Joint</u>	
Date: _____	Date: _____	BDR <u>58-756</u>	
Initial: _____	Initial: _____	Proposed by <u>Committee on Commerce</u>	
Concurred in <input type="checkbox"/>	Concurred in <input type="checkbox"/>		
Not concurred in <input type="checkbox"/>	Not concurred in <input type="checkbox"/>		
Date: _____	Date: _____		
Initial: _____	Initial: _____		

Amendment N<sup>o</sup> 76



Amend section 1, page 1, line 3, by deleting "A" and inserting "1. Except as provided in subsection 2, a."

Amend section 1, page 1, line 4, by deleting "view" and inserting "viewing at the time it takes place".

Amend section 1, page 1, line 6, by deleting "1." and inserting "(a)".

Amend section 1, page 1, line 7, by deleting "2." and inserting "(b)".

Amend section 1, page 1, after line 8 by inserting:

"2. Telecasts of athletic events governed by the national collegiate athletic association or by the association of intercollegiate athletics for women are excluded from the provisions of subsection 1."

Amend the title of the bill, line 2, by deleting:

"of a sporting or special event;" and inserting

"of certain sporting or special events;"

To: E & E  
LCB File  
Journal  
Engrossment  
Bill

Date 2-12-79 Drafted by JSP:ml