

MEMBERS PRESENT:           Senator Close  
                          Senator Wilson  
                          Chairman Price  
                          Vice Chairman Polish  
                          Assemblyman Beyer  
                          Assemblyman DuBois  
                          Assemblyman Glover  
                          Assemblyman Mello  
                          Assemblyman Prengaman  
                          Assemblyman Westall

MEMBERS ABSENT:

GUESTS PRESENT:           Please see attached Guest Lists

Chairman Price called the meeting to order at 3:00 p.m. in Room 131. He noted that three bills were scheduled to be heard: AB-69, AB-70, and AB-71. Due to some extensive work necessary on AB-71, it will be heard at a later date.

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AB-69 Prescribes duties for Commissioner of Insurance.

AB-70 Imposes duties on insurers in relation to rates and coverage for motor vehicle insurance.

Mr. Bob Dickens, from the University of Nevada, Reno, said he runs U.N.I.T.E. Teleconference Systems for the office of Communications and Broadcasting and is very pleased to provide this service to the Nevada State Legislature. He explained the usage of the "press-to-talk" microphones which, in effect, will enable the conferees who are joining in by long distance telephone to hear the afternoon proceedings. Instructions for talking included pressing down the black bar on the microphone and to speak about 5-8" away from the microphone itself. The U.N.I.T.E. system involves hardware such as a "bridge" which allows connection between the State Legislature and the 8-10 individuals providing today's testimony. It also involves a permanent series of locations which tie northern Nevada together for the purpose of providing continuing education programs to citizens in the cow counties.

Chairman Price, after thanking Senator Wilson for his help in putting together the joint hearings, addressed the long-distance conferees by giving a short rundown of Assembly concurrent Resolution 29 of the 1979 Legislature which provided for an interim study to look into the problems of automobile insurance rates and rating pro-

cedures. Numerous hearings were held throughout the State of Nevada which resulted in the legislative study that is here today with a number of recommendations. During the course of those investigations, the dilemma became apparent in regard to automobile insurance rates. The Legislature now mandates that citizens carry a certain amount of insurance. Insurance rates, as have most things in our society, have soared and prices have gone beyond the reach of many people.

Mr. Price stated that he would like to have seen a recommendation come from the hearings of a rating system depending more on a personal driving record rather than some of the other factors used today. The committee, however, adopted a more modest series of recommendations, all sound, almost all of them opposed by the industry with the exception of our recommendation for a State Fraud Unit in the Insurance Division.

Also, for the benefit of those listening in, Mr. Price gave a brief explanation of AB-69 and AB-70, the bills to be discussed today: AB-69, he stated, simply gives our Insurance Commissioner the ability to consider factors such as profitability, nature of the business, loss experience, investment income, etc. when determining the requests of the insurance companies for rate increases (or rate decreases, should the case arise). It also provides for a two-part "shopper's guide" which is now used in a number of states throughout the United States. AB-70 attempts to clarify some language passed in 1979 concerning the under-insured and un-insured coverage. It would also prohibit companies from refusing to insure a person based on their sex, marital status, occupation, residence, etc. An interesting fact they uncovered during their investigation was that the insurance division had little or no records of the criteria involving classification. Upon looking through manuals, it was discovered that some of the poor insurance risks are professional athletes, entertainers, musicians, bellhops, liquor store operators, busboys, beauticians, parking lot and garage attendants, delivery boys, taxicab operators, military personnel, waiters, waitresses and cooks. The point here is that those types of decisions should not be made without some input from the Insurance Commissioner.

Mr. Price recognized some of the well known experts in the field, and consumer advocates who were on-line with those at the meeting today, thanks to the use of the U.N.I.T.E. system: Dr. Joseph Ferrer, Assistant Professor of Urban Sciences and Operations at M.I.T.; Walter Dartlin from County Consumer Advocates Office in Florida; Howard Clark, former Insurance Commissioner from South Carolina; Tom Goldstein with Metropolitan Consumer Advocates; Bob Hunter, President of the National Insurance Consumers Organization, Ron McKinney from Division of Consumer Advocacy in the State of South Carolina; and James Sheeran, Insurance Commissioner from the State of New Jersey.

Mr. James Sheeran was asked to begin. He complimented the Nevada State Legislature for their undertaking on this issue and stated his opinion that, in reality, problems do not differ from state to state. In New Jersey there has been 85 days of hearings, and a report will be coming out shortly that completely analyzes the rating system. He stated that the bottom line of all the problems dealt with in New Jersey is the fact that insurance is mandated... and when insurance is mandated and then we proceed to have rating factors that price many people out of the market, we do a great disservice to the public. He used as an example the reason behind the fact that Nevada has 30 percent uninsured drivers. Now pending in New Jersey, he stated, is a package of legislation that will get rid of the assigned risk and change the system into a joint underwriting association; thus no differential is made between drivers that are placed in the secondary or primary markets provided those individuals have not gotten a major driving violation.

Howard Clark, former Insurance Commissioner from South Carolina, spoke next and emphasized what he believed to be at the root of the problem: As Nevada has gotten into a system of compulsory automobile insurance, you have adopted a public policy of at least making reasonably certain that there is a minimal compensation for the innocent accident victim. Every citizen of Nevada, in being called upon to obtain liability insurance whether he wants or needs it, is being called upon to participate in that public policy of compensating the accident victim. Originally the purpose of liability insurance was simply to protect the assets of the insured; but with your financial responsibility and your compulsory insurance law, you have shifted the focus of automobile insurance to the accident victim.

In addressing AB-69, Mr. Clark suggested introducing the same theme of investment income into Section 2 as in 3. They you would be saying that rates are accepted if they are likely to produce a long-run profit that is unreasonably high, giving consideration to the investment income. He also noted that in West Germany and in western Europe in general, they have had compulsory insurance, and the right of insurer selection is unknown there. Any person who is eligible to drive an automobile is able to obtain coverage from the insurer of his choice. There is no such thing as selection by insurers.

Mr. Price asked Mr. Clark to forward a list of his suggested changes so that they may be considered at a later work session.

Mr. Walter Dartlin from Miami, representing the County Consumer Advocates Office, forcefully pointed out that consumer knowledge in insurance areas is nil, that the average consumer does not read, and does not know what he should have or how he should have it. He recommended that a booklet and ratings be available at the most critical time, the time of purchase. He noted the success of the

N.H.T.S.A hotline (National Highway Traffic Safety Association) and suggested it be considered-by funding the Insurance Commissioner's office to provide telephone consultation so questions can be answered such as what the insurance coverage is, information on deductibles, shopping, etc. This is handled either by a person or by a three minute tape on a particular subject.

Mas Fukai, next speaker, stated that in view of the research completed, and because there are no valid statistics from the insurance companies, it was his opinion that all driving and insurance rates should be based on a person's driving record regardless of occupation or location. However, he felt the issue of territorial rating should have first priority in being solved.

A Mr. Bennett gave a brief run-down on pending litigation that began three years ago in Los Angeles exploring the alternatives and consequences of territorial rating based on highway patrol data.

Commenting on the bills, Mr. Bob Hunter suggested that a closer look be given to uniformity of classes and coverages in order to assist the consumer information systems that have been developed. He gave a brief listing of the impediments to competition: The lack of meaningful consumer information and also the ability of insurers to say "no" to consumers who must buy insurance. Mr. Hunter said he agreed with all of Howard Clark's comments regarding AB-69. On AB-70 he expressed his deep concern as to how enforcements can be carried out regarding prohibition because of occupation, sex and age.

Mr. Hunter then introduced Mr. John Ingram, Insurance Commissioner of the State of North Carolina who explained that the re-insurance facility, the mandate to write, makes the free-enterprise system work for everyone, as a consumer can go to the agent or company of his choice to buy automobile insurance. He pointed out that in 1977 the Casualty insurance industry in North Carolina was able to get changes in the re-insurance facility law which, in effect, had damaging results due to the creation of an unfair two-tier premium. Mr. Bob Hunter, he said, will be testifying shortly before a committee of the House of Representatives to attempt to resolve some of these problems.

Dr. Ferreira, next speaker on-line, expressed general support of most of the changes proposed in the bills. In speaking on accuracy of classes, it was his view that classes are not as accurate as many would tend to believe in distinguishing high and low risks, which then results in many implications when it comes to regulating underwriting standards. He believes that any effort to look at the adverse impact of classification must be done hand-in-hand with concern for underwriting standards, substandard markets, residual markets and the uninsured motorist. Dr. Ferreira basically agreed with

Howard Clark that AB-70 is a step in the right direction but should be tightened up further as Mr. Clark suggested. He concurred with the testimony given thus far on AB-69 in that territories should be uniformly defined. Dr. Ferreira also made the suggestion that in Section 2, part 4 of the bill in the vicinity of lines 6-13 on page 2, the word "equity" be added to "conditions of reasonable accuracy".

Next speaker was Mr. Ron McKinney, an attorney who works with rate hearings on behalf of consumers, representing the Division of Consumer Advocacy in the State of South Carolina. He stressed that the selling of insurance differs from marketing of most other consumer products and services in that the single cost of doing business for the seller, the insurer, may be incurred long after the transaction involved. Therefore, the seller is more careful in selecting his customer. Problems tend to arise as insurers are primarily interested with good risks, whereas most of the consumer public is concerned with good driving records. Those people who accidentally cause accidents constitute only a minority of the total group, so we may face the situation where a large proportion of those people who are perceived to be high risks and therefore placed into the residual market, are nevertheless good drivers. On AB-69 and AB-70, Mr. McKinney basically endorsed the comments made in previous testimony. He especially complimented Nevada on having the initiative to recommend that the proposed shopping guides be distributed through the Department of Motor Vehicles, because that would guarantee widespread circulation. Regarding our concern in AB-70 over the possible duplication of benefits under the uninsured motorists' coverage, he said he would be happy to send some proposed alternatives.

Pete Ingham, appearing on behalf of State Farm Mutual Auto Insurance Company, stated that his company well appreciated the problems faced by the Assembly at present. The fact that Nevada has the highest death rate in the nation (twice the national average), an entertainment industry which operates 24 hours per day, and constant increases in population--are all reflected in automobile insurance rates which in recent years have risen faster than the Consumer Price Index. State Farm has experienced an underwriting loss from inception. Regarding AB-69 and AB-70, he stated that we are at the crossroads in making a decision, either for free enterprise or the social engineering approach that has been suggested by some previous witnesses. It appears that AB-69 and AB-70 are going the social engineering route, contrary to the trend in the rest of the country where the Federal Government has been moving toward de-regulation and the competitive approach. Mr. Ingham mentioned that they have an alternative proposal for AB-69 which is strictly an open-rating approach and does require that the rates be filed with the insurance department.

Mr. Vic Slevin, Vice President of American Insurance Association for the Western Region, commenting on AB-71, said they would support that bill if it is the NAIC model as amended in 1980.

The hearings were concluded at 5:30 P.M.

Respectfully submitted,

*Christine Shaw*

Christine Shaw, Secretary

AGENDA

JOINT MEETING OF THE SENATE COMMITTEE ON COMMERCE AND LABOR  
AND THE ASSEMBLY COMMITTEE ON TRANSPORTATION

Day Tuesday , Date March 24, 1981 , Time 3:00 p.m. , -Rm. 131

- AB 69 Prescribes duties for commissioner of insurance.
- AB 70 Imposes duties on insurers in relation to rates and coverage for motor vehicle insurance.
- AB 71 Limits disclosure of information by insurers, agents and organizations which support the business of insurance.

GUEST LIST

Date: Tuesday, March 24, 1981

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
Kevin Sullivan	National Assoc. of Ind. Insurers			
Wayne D. Wilson	DEP. ATTY GEN - INS. DIV.			
ROBERT E HEANEY	NEVADA TRIAL LAWYERS ASSOC.	X		AB 69, 70, 71
Richard R. Garrow	Farmers Ins Group		X	" " "
VERNON E. LEIGHTY	DOCTORS COMPANY I.C.A. & N.C. MEDICAL LIAISON ASSOC.		X "IN PART"	AB 71-



GUEST LIST

Date: Tuesday, March 24, 1981

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
Nate B Bennett	Dept of Motor Vehicles			AB69
Ronald C. Hudson	ERUFAX SERVICES			
DAVE BIANCHI	NEV. STATE LIFE UNDERWRITERS	X		AB71
Don Howard	Amer. Council of Life Ins.	X		"
Milos Terzich	American Council of Life Ins.	X		"
I. A. INGHAM	STATE FARM MUT INS CO	X	X	AB69-70-71
W.V. SLEVIN	AMERICAN INSURANCE ASSN	X	X	AB69, 70, 71
John Sande III	" " "			
Shelley Chase	ASSEMBLYMAN Bob Price - INTERN FOR			
GARY PAULEY	State Farm Mutual Auto Ins. Co			AB69, 70, 71
JERRY STRICKLAND	" " " " " "			
KNAYS	NEVADA INS DIVISION			
PATSY REDMOND	NEVADA INS. DIVISION			
B. J. Smith	AAA -			
Pete Kelley	NEV. Ind. Insurance Agent,			
Bill Parish	" " " "			
Gene HAM	ASSEMBLYMAN			