
ASSEMBLY BILL NO. 326—COMMITTEE ON COMMERCE AND LABOR

MARCH 21, 2005

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing changes in rates for certain insurance. (BDR 57-1058)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to insurance; establishing an expedited process pursuant to which certain increases or decreases in rates of insurance become effective upon the filing of the rates with the Commissioner of Insurance under certain circumstances; authorizing the Commissioner to order the rates to be discontinued under certain circumstances; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** Chapter 686B of NRS is hereby amended by adding
2 thereto a new section to read as follows:
3 ***1. Notwithstanding any provision of NRS 686B.070 to***
4 ***686B.110, inclusive, to the contrary, an insurer may file a***
5 ***proposed increase or decrease in rates pursuant to this section to***
6 ***become effective upon filing if the filing provides for an overall***
7 ***statewide increase or decrease in those rates of not more than 12***
8 ***percent in the aggregate for all types of coverage specified in the***
9 ***filing. The 12-percent limitation set forth in this section does not***
10 ***apply on the basis of an insured individual. An insurer may not***
11 ***file a proposed increase or decrease in rates pursuant to this***
12 ***section more than once during any 12-month period unless the***
13 ***filing, when combined with any other filings made by an insurer***
14 ***within the preceding 12 months, does not result in an overall***
15 ***statewide increase or decrease in those rates of more than 12***



1 *percent in the aggregate for all types of coverage that are subject*
2 *to the filing.*

3 *2. An insurer may not file a proposed increase or decrease in*
4 *rates pursuant to this section if the Commissioner determines that*
5 *the market for that insurance is not competitive or if he makes any*
6 *of the other determinations described in subsection 1 of*
7 *NRS 686B.110.*

8 *3. A proposed increase or decrease in rates filed pursuant to*
9 *subsection 1 is presumed to be in compliance with all applicable*
10 *provisions of this Code. If, after the proposed increase or decrease*
11 *in rates is filed, the Commissioner determines that the rates set*
12 *forth in the filing are inadequate or unfairly discriminatory or the*
13 *filing otherwise violates any provision of this Code, the*
14 *Commissioner shall issue a written order:*

15 *(a) Specifying the provision of this Code the insurer has*
16 *violated and the reasons the filing is inadequate, is unfairly*
17 *discriminatory or violates this Code; and*

18 *(b) Setting forth a reasonable date on which the filing is no*
19 *longer effective.*

20 *↳ An order issued by the Commissioner pursuant to this*
21 *subsection is prospective only and does not apply to any contract*
22 *of insurance that is subject to the filing and is issued or made*
23 *before the effective date of the order.*

24 *4. An increase in rates within the limitation specified in*
25 *subsection 1 may be applied to an individual existing policy only if*
26 *the increase in rates is applied at the time of a renewal or*
27 *conditional renewal of the existing policy and the insurer complies*
28 *with the notice requirements set forth in NRS 687B.350. A notice*
29 *of renewal or conditional renewal that clearly and conspicuously*
30 *discloses the amount of the renewal premium applicable to the*
31 *policy shall be deemed to be in compliance with this subsection.*

32 *5. If, after initially determining pursuant to subsection 3 that*
33 *a rate is adequate, not unfairly discriminatory or otherwise does*
34 *not violate a provision of this Code, the Commissioner finds that*
35 *the rate no longer meets the requirements of this Code, the*
36 *Commissioner may order the insurer to discontinue the rate. An*
37 *order for the discontinuance of a rate may be issued only after the*
38 *Commissioner conducts a hearing with at least 10 days' notice for*
39 *all insurers and rate service organizations that, as determined by*
40 *the Commissioner, would be affected by such an order. The order*
41 *must be in writing and include, without limitation:*

42 *(a) The grounds for issuing the order;*

43 *(b) The date on which the order to discontinue the rate*
44 *becomes effective; and*



1 (c) *The date the order expires, which must be within a*
2 *reasonable period after the date on which the order becomes*
3 *effective. An order for the discontinuance of a rate does not affect*
4 *any contract or policy of insurance that is made or issued before*
5 *the date on which the order becomes effective.*

6 **Sec. 2.** NRS 686B.010 is hereby amended to read as follows:

7 686B.010 1. The Legislature intends that NRS 686B.010 to
8 686B.1799, inclusive, *and section 1 of this act* be liberally
9 construed to achieve the purposes stated in subsection 2, which
10 constitute an aid and guide to interpretation but not an independent
11 source of power.

12 2. The purposes of NRS 686B.010 to 686B.1799, inclusive,
13 *and section 1 of this act* are to:

14 (a) Protect policyholders and the public against the adverse
15 effects of excessive, inadequate or unfairly discriminatory rates;

16 (b) Encourage, as the most effective way to produce rates that
17 conform to the standards of paragraph (a), independent action by
18 and reasonable price competition among insurers;

19 (c) Provide formal regulatory controls for use if independent
20 action and price competition fail;

21 (d) Authorize cooperative action among insurers in the rate-
22 making process, and to regulate such cooperation in order to prevent
23 practices that tend to bring about monopoly or to lessen or destroy
24 competition;

25 (e) Encourage the most efficient and economic marketing
26 practices; and

27 (f) Regulate the business of insurance in a manner that will
28 preclude application of federal antitrust laws.

29 **Sec. 3.** NRS 686B.020 is hereby amended to read as follows:

30 686B.020 As used in NRS 686B.010 to 686B.1799, inclusive,
31 *and section 1 of this act*, unless the context otherwise requires:

32 1. "Advisory organization," except as limited by NRS
33 686B.1752, means any person or organization which is controlled
34 by or composed of two or more insurers and which engages in
35 activities related to rate making. For the purposes of this subsection,
36 two or more insurers with common ownership or operating in this
37 State under common ownership constitute a single insurer. An
38 advisory organization does not include:

39 (a) A joint underwriting association;

40 (b) An actuarial or legal consultant; or

41 (c) An employee or manager of an insurer.

42 2. "Market segment" means any line or kind of insurance or, if
43 it is described in general terms, any subdivision thereof or any class
44 of risks or combination of classes.



1 3. "Rate service organization" means any person, other than an
2 employee of an insurer, who assists insurers in rate making or filing
3 by:

4 (a) Collecting, compiling and furnishing loss or expense
5 statistics;

6 (b) Recommending, making or filing rates or supplementary rate
7 information; or

8 (c) Advising about rate questions, except as an attorney giving
9 legal advice.

10 4. "Supplementary rate information" includes any manual or
11 plan of rates, statistical plan, classification, rating schedule,
12 minimum premium, policy fee, rating rule, rule of underwriting
13 relating to rates and any other information prescribed by regulation
14 of the Commissioner.

15 **Sec. 4.** NRS 686B.030 is hereby amended to read as follows:

16 686B.030 1. Except as otherwise provided in subsection 2,
17 NRS 686B.010 to 686B.1799, inclusive, *and section 1 of this act*,
18 apply to all kinds and lines of direct insurance written on risks or
19 operations in this State by any insurer authorized to do business in
20 this State, except:

21 (a) Ocean marine insurance;

22 (b) Contracts issued by fraternal benefit societies;

23 (c) Life insurance and credit life insurance;

24 (d) Variable and fixed annuities;

25 (e) Group and blanket health insurance and credit health
26 insurance;

27 (f) Property insurance for business and commercial risks;

28 (g) Casualty insurance for business and commercial risks other
29 than insurance covering the liability of a practitioner licensed
30 pursuant to chapters 630 to 640, inclusive, of NRS; and

31 (h) Surety insurance.

32 2. The exclusions set forth in paragraphs (f) and (g) of
33 subsection 1 extend only to issues related to the determination or
34 approval of premium rates.

