1-1-1987

Insurance; rates

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Recommended Citation
University of the Pacific, McGeorge School of Law, Insurance; rates, 1987 U. PAC. L. REV. (2019). Available at: https://scholarlycommons.pacific.edu/nlr/vol1987/iss1/117

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Insurance; rates

AB 315 (Nevin); 1987 STAT. Ch 655

Under existing law, an insurer's rates must not be excessive, inadequate, unfairly discriminatory, or tend to destroy competition or create a monopoly. Rates are presumed not excessive if a reasonable degree of price competition exists at the consumer level. The Commissioner of Insurance (Commissioner), when determining whether a reasonable degree of price competition exists, must consider several factors. If a rate is not in compliance with the standards for rates, existing law requires the Commissioner to order the rate discontinued for any policy issued or renewed after a specified date. With the enactment of Chapter 655, the presumption that rates are not excessive is eliminated, and the Commissioner may disapprove rates if a reasonable degree of price competition at the consumer level does not exist. Furthermore, when determining whether a reasonable degree of price competition exists, the Commissioner must also consider whether price competition is attributable to the market or is artificial. Under Chapter 655, no rate promulgated to replace a disapproved rate may be used until filed and not disapproved within thirty days. Furthermore, if an insurer requests a hearing to

1. See NEV. REV. STAT. § 679A.100 (definition of insurer).
4. Id. § 686B.050 2(a)-(d) (amended by 1987 Nev. Stat. ch. 655, sec. 2, at ___). Factors to be considered include: (1) The number of insurers actively engaged in the class of business and their market shares; (2) the existence of rate differentials in that class of business; (3) whether the long-run profitability of insurers in that class of business is unreasonably high in relation to the risks; and (4) the consumers' knowledge with respect to the market. Id. If competition does not exist, rates are excessive if the long-term profits are unreasonably high in relation to the risks of the class of business, or if expenses are unreasonably high, in relation to the services rendered. Id. § 686B.050 2 (amended by 1987 Nev. Stat. ch. 655, sec. 2, at ___).
8. Id. sec. 2, at ___ (enacting NEV. REV. STAT. § 686B.050 2(e)).
9. Id. sec. 6, at ___ (amending NEV. REV. STAT. § 686B.110 2). When an insurer has no legally effective rates as a result of the Commissioner's disapproval of rates, the Commissioner will specify interim rates for the insurer. Id. sec. 6, at ___ (amending NEV. REV. STAT. § 686B.110 3).

Review of Selected Nevada Legislation 163
Furthermore, if an insurer requests a hearing to determine the validity of a rate disapproval by the Commissioner, the insurer has the burden of establishing compliance with the applicable rate standards. 

Chapter 655 further provides that any hearing by the Commissioner to determine whether rates comply with the applicable standards must be open to members of the public.

Existing law provides that an authorized insurer or designated rate service organization must file all rates, supplementary rate information, policies, and policy changes or amendments on or before the date the rates become effective. With the enactment of Chapter 655, these filings must be completed at least thirty days before the rates become effective.

Under existing law, insurers may establish either their own rates and supplementary rate information for any market segment, or they may retain a rate service organization to prepare their rates, with average expense factors determined by the organization. The expense factors are subject to modification by the insurers based on their own expense and loss experience. Under Chapter 655, an insurer must establish rates and supplementary rate information for any market segment. Furthermore, if an insurer has insufficient creditable loss experience, the insurer may use rates and supplementary rate information prepared by a rate service organization with modifications based on the insurer’s own expense and loss experience.

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14. See id. § 686B.020 3 (definition of supplementary rate information).
19. Id.
21. Id.