



Pacific Law Journal Review of Selected Nevada Legislative

Volume 1987 | Issue 1

Article 117

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

NEV. REV. STAT. § 686B.____ (new); §§ 686B.050, 686B.070, 686B.090, 686B.100, 686B.110, 686B.120, 686B.160 (amended).
AB 315 (Nevin); 1987 STAT. Ch 655

Under existing law, an insurer's¹ rates must not be excessive, inadequate, unfairly discriminatory, or tend to destroy competition or create a monopoly.² Rates are presumed not excessive if a reasonable degree of price competition exists at the consumer level.³ The Commissioner of Insurance (Commissioner), when determining whether a reasonable degree of price competition exists, must consider several factors.⁴ If a rate is not in compliance with the standards for rates,⁵ existing law requires the Commissioner to order the rate discontinued for any policy issued or renewed after a specified date.⁶ 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.⁷ 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.⁸ Under Chapter 655, no rate promulgated to replace a disapproved rate may be used until filed and not disapproved within thirty days.⁹ Furthermore, if an insurer requests a hearing to

1. See NEV. REV. STAT. § 679A.100 (definition of insurer).

2. *Id.* § 686B.050 1 (amended by 1987 Nev. Stat. ch. 655, sec. 2, at ____).

3. *Id.* § 686B.050 2 (amended by 1987 Nev. Stat. ch. 655, sec. 2, at ____).

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 ____).

5. See 1987 Nev. Stat. ch. 655, sec. 2, at ____ (amending NEV. REV. STAT. § 686B.050) (standards for rates).

6. NEV. REV. STAT. § 686B.110 1 (amended by 1987 Nev. Stat. ch. 655, sec. 6, at ____).

7. 1987 Nev. Stat. ch. 655, sec. 2, at ____ (amending NEV. REV. STAT. § 686B.050 2). See *id.* sec. 6, at ____ (amending NEV. REV. STAT. § 686B.110) (disapproval of rates by Commissioner).

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).

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.¹⁰ 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.¹¹

Existing law provides that an authorized insurer¹² or designated rate service organization¹³ must file all rates, supplementary rate information,¹⁴ policies, and policy changes or amendments on or before the date the rates become effective.¹⁵ With the enactment of Chapter 655, these filings must be completed at least thirty days before the rates become effective.¹⁶

Under existing law, insurers may establish either their own rates and supplementary rate information for any market segment,¹⁷ or they may retain a rate service organization to prepare their rates, with average expense factors determined by the organization.¹⁸ The expense factors are subject to modification by the insurers based on their own expense and loss experience.¹⁹ Under Chapter 655, an insurer must establish rates and supplementary rate information for any market segment.²⁰ 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.²¹

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10. *Id.* sec. 6, at ___ (enacting NEV. REV. STAT. § 686B.110 4). See NEV. REV. STAT. §§ 686B.010-686B.175 (applicable standards for rates).

11. *Id.* sec. 1, at ___ (enacting NEV. REV. STAT. § 686B.____).

12. See NEV. REV. STAT. § 679A.030 (definition of authorized insurer). 13. See 1987 Nev. Stat. ch. 655, sec. 4, at ___ (amending NEV. REV. STAT. § 686B.090) (delegation of obligation to make and file rates). See also NEV. REV. STAT. § 686B.020 2 (definition of rate service organization). See generally *id.* §§ 686B.130 (operation and control of rate service organization), 686B.140 (licensing requirements for rate service organization).

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

15. *Id.* § 686B.070 (amended by 1987 Nev. Stat. ch. 655, sec. 3, at ___).

16. *Id.* sec. 3, at ___ (amending NEV. REV. STAT. § 686B.070). See *id.* sec. 4, at ___ (amending NEV. REV. STAT. § 686B.090 2) (alternate method of discharging filing obligation from Nevada Revised Statutes section 686B.070).

17. See NEV. REV. STAT. § 686B.020 1 (definition of market segment). See also *id.* § 686B.060 (factors to be considered for determining compliance of rates with standards).

18. *Id.* § 686B.090 1 (amended by 1987 Nev. Stat. ch. 655, sec. 4, at ___).

19. *Id.*

20. 1987 Nev. Stat. ch. 655, sec. 4, at ___ (amending NEV. REV. STAT. § 686B.090 1).

21. *Id.*