# AMENDMENT TO

# PROPOSED PERMANENT REGULATION OF THE

# COMMISSIONER OF INSURANCE

## LCB File No. R175-24

November 18, 2024

EXPLANATION – Matter in **blue bold italics** is new; red strikethrough is deleted language in the original regulation; purple double strikethrough is language proposed to be deleted in this amendment.

AUTHORITY:  §§ 1-3, NRS 679B.130 and 686B.020; § 4, NRS 679B.130, 686B.050 and 686B.110.

A REGULATION relating to insurance; revising requirements for the filing of certain rates and supplementary rate information with the Commissioner of Insurance; establishing circumstances under which the Commissioner will disapprove as unfairly discriminatory a rate for homeowners' insurance or property insurance for dwellings; and providing other matters properly relating thereto.

**Legislative Counsel's Digest:**
Existing law prohibits an insurer from charging excessive, inadequate or unfairly discriminatory rates when transacting certain kinds and lines of insurance. (NRS 686B.030, 686B.040, 686B.050) Existing law further requires that when transacting such kinds and lines of insurance, an insurer must: (1) establish rates and supplementary rate information based only on certain factors; and (2) file with the Commissioner of Insurance certain information concerning rates and supplementary rate information. (NRS 686B.030, 686B.040, 686B.060, 686B.070, 686B.090) Under existing law, supplementary rate information includes, without limitation, any manual or plan of rates, statistical plan, classification, rating schedule, minimum premium, policy fee, rating rule, rule of underwriting relating to rates and any other information prescribed by regulation of the Commissioner (NRS 686B.020) **Section 2** of this regulation provides that for the purpose of establishing and filing rates and supplementary rate information for certain kinds and lines of insurance, supplementary rate information includes certain models used by an insurer to make certain determinations that are relevant to establishing the rate charged to an insured. **Section 3** of this regulation provides that supplementary rate information also includes rules or models used in underwriting that affect premiums charged to an insured or a decision not to renew an existing policy.

Under existing law, the Commissioner is required to consider each proposed increase or decrease in the rate of any kind or line of insurance that is required by existing law to be filed with the Commissioner. (NRS 686B.110) If the Commissioner finds that a proposed increase in such a rate will result in a rate that is excessive, inadequate or unfairly discriminatory, the Commissioner is required to disapprove the rate. (NRS 686B.050, 686B.110) **Section 4** of this

regulation establishes certain circumstances under which the Commissioner will disapprove an increase in the rate for homeowners' insurance or for property insurance for dwellings because the rate is unfairly discriminatory.

**Section 1.**  Chapter 686B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this regulation.

**Sec. 2.**  *For the purposes of NRS 686B.070 and 686B.090, the definition of "supplementary rate information" set forth in subsection 4 of NRS 686B.020 includes, without limitation, any model, including a predictive model, without regard to whether the model originated from the insurer, a third party or any other source, used by the insurer to:*

*1.  Determine placement of an insured within a tier where placement within a tier is considered as a variable within the rating plan of the insurer;*

*2.  Determine placement of an insured within one of several affiliated companies within a group, where each company would have a different rating plan and has the possibility of charging different rates for risks which are otherwise identical;*

*3.  Compute any manner of score or index used as either a direct rating variable or a determinant of eligibility or company placement, in whole or in part, if there is a possibility for such model to affect the premium that the insured is charged; or*

*4.  Determine the extent to which an insurer relies on actuarially indicated change to a base rate or relativity.*

**Sec. 3.**  *For the purposes of the definition of "supplementary rate information" set forth in subsection 4 of NRS 686B.020, the term "rule of underwriting relating to rates" means any underwriting rule or model used in underwriting that affects:*

*1.  The premium that any insured would pay; or*

*2.  A decision of an insurer to not renew an existing policy.*

**Sec. 4.**    NAC 686B.503 is hereby amended to read as follows:

686B.503  *1.*    A filing for an increase or decrease in rates for homeowners' insurance or for property insurance for dwellings, commonly referred to as "dwelling fire insurance," must:

[1.] *(a)* Identify the largest theoretical rate increase proposed by the filing; and

[2.] *(b)* Identify the contribution of each component of the increase, including, but not limited to, the contribution of the amount of insurance, the protection class, the territory and the construction class.

*2.  The Commissioner will consider a rate filed pursuant to subsection 1 to be unfairly discriminatory if the rate was established using a method that:*

*(a) Includes, without limitation, the use of:*

*(1)    Zip code or territory data in such a manner as to clearly fail to reflect equitably the differences in expected losses and expenses among the zip codes or territories in question;*

*(2)    Market value of the home or dwelling when the market value has no direct correlation to the replacement cost of the home or dwelling; or*

*(3)    Any model deemed supplementary rate information used in conjunction with other underwriting factors if the other underwriting factors are duplicative of factors considered as part of the model.*

[(b)        Does not include the use of a program created by the Commissioner pursuant to NRS 679B.129 to provide incentives to insurers to promote and encourage property owners to take measures to mitigate the risk of property loss or damage caused by wildfire.]

Agency Revision to LCB Draft of Proposed Regulation R175-24