

**PRIVATE PASSENGER AUTOMOBILE INSURANCE OWNER'S POLICY  
EXCLUSIONS UNDERINSURED EXHAUSTION CLAUSE**

Two recent opinions issued by the Supreme Court of Nevada affect private passenger automobile insurance policies offered in this state.

In *Federated American Insurance Company v. Omaha Property Casualty and Insurance Company*, 108 Nev., Adv. Op. 97 (Case No. 22643) (August 5, 1992), the Court held that, under subsection 1 of NRS 485.3091, an owner's policy must provide the statutory minimum liability coverage to all permissive users of the covered vehicle. This standard applies even to permissive users who have been explicitly excluded from coverage.

All insurers currently offering their insureds exclusions for certain drivers shall reexamine this practice, the coverage available, and the notice signed by the insured for such exclusion.

In *Mann v. Farmers Insurance Exchange*, 108 Nev. Adv. Op. 112 (Case No. 22609) (August 20, 1992), the Court ruled that a clause requiring insureds to exhaust the liability limits of a third-party's policy or bond as a condition precedent to underinsured coverage violates public policy.

All insurers who issue policies containing an exhaustion clause which limits underinsured coverage must immediately file an appropriate revision with the Department of Insurance for its approval.

**TERESA P. FRONCEK RANKIN, J.D., CPCU**  
Commissioner of Insurance