



## DEPARTMENT OF COMMERCE

INSURANCE DIVISION

201 South Fall Street

Carson City, Nevada 89710

(702) 885-4270

BULLETIN 86-004

June 6, 1986

### RATE FILINGS

It appears that many insurance companies have not used the appropriate statistical basis when conducting their rating activity.

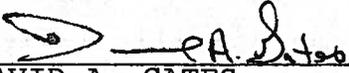
NRS 686B.050 provides that rates may not be excessive, inadequate, or unfairly discriminatory. NRS 686B.060 provides for the utilization of the insurers' loss and expense experience, and NRS 686B.090 allows for the use of a rate service organization. Insurers filing rates and supplementary rate information pursuant to NRS 686B.070 must use the following procedures:

1. Each insurer must file its own experience which was used in its rate making. An insurer may not, by reference, use the statistical base of another insurer.
2. If an insurer does not have sufficient data which is statistically creditable, it must use the services of a rate service organization. If an insurer uses the data of such an organization, it must use the advisory rate filed by that organization.
3. No insurer may use a "deviation" from the rate filed by the rating organization, unless it has the statistical data which supports the deviation requested.

The Division, as a part of its market conduct examinations, will conduct on a random basis, examinations of an insurer's rating practices. The Division's examiners will identify commercial insureds and conduct a physical examination of the risk to determine that the price quoted for that risk conforms to filed rates, including the use of any "scheduled credits and debits" filed with the Division.

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If there is a significant variation between the insurer's filings and the price quoted for the risk reviewed, the Division will take disciplinary action against both the insurer and the agent which quoted the rate.

  
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DAVID A. GATES  
Commissioner of Insurance

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