

Amendment No. 323

Assembly Amendment to Assembly Bill No. 338

(BDR 57-232)

Proposed by: Committee on Commerce and Labor**Amendment Box:****Resolves Conflicts with:** N/A**Amends:** Summary: No Title: Yes Preamble: No Joint Sponsorship: No Digest: No

Adoption of this amendment will MAINTAIN a 2/3s majority vote requirement for final passage of AB338 (§§ 7, 11, 61, 62, 63, 64, 74, 75, 80, 85, 123, 152, 158, 162, 163).

ASSEMBLY ACTION	Initial and Date	SENATE ACTION	Initial and Date
Adopted <input type="checkbox"/> Lost <input type="checkbox"/>	_____	Adopted <input type="checkbox"/> Lost <input type="checkbox"/>	_____
Concurred In <input type="checkbox"/> Not <input type="checkbox"/>	_____	Concurred In <input type="checkbox"/> Not <input type="checkbox"/>	_____
Receded <input type="checkbox"/> Not <input type="checkbox"/>	_____	Receded <input type="checkbox"/> Not <input type="checkbox"/>	_____

Amend sec. 8, page 3, line 44, by deleting “*insurer.*” and inserting:

“insurer, health maintenance organization or prepaid limited health service organization pursuant to title 57 of NRS.”.

Amend sec. 12, page 5, by deleting line 2 and inserting:

“cancel the plan.”.

Amend the bill as a whole by renumbering sections 17 through 31 as sections 62 through 76 and adding new sections designated sections 17 through 61, following sec. 16, to read as follows:

“Sec. 17. Title 57 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 18 to 61, inclusive, of this act.

JDA/JRS

Date: 4/25/2005

A.B. No. 338—Makes various changes relating to insurance.

Sec. 18. *As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 19 to 40, inclusive, of this act have the meanings ascribed to them in those sections.*

Sec. 19. *“Closed-end credit” means a credit transaction that is not open-end credit.*

Sec. 20. *“Collateral” means personal property in which a purchase money security interest is retained or personal property that is pledged as security for the satisfaction of a debt.*

Sec. 21. *“Compensation” means commissions, dividends, retrospective rate credits, service fees, expense allowances or reimbursements, gifts, furnishing of equipment, facilities, goods and services, or any other form of remuneration that is paid either directly or indirectly as a result of the sale of credit personal property insurance.*

Sec. 22. *“Credit agreement” means the written document that sets forth the terms of the credit transaction and includes the security agreement.*

Sec. 23. *“Credit personal property insurance” means a policy, endorsement, rider, binder, certificate, or other instrument or evidence of insurance written in connection with a credit transaction that:*

1. Covers perils to the goods purchased through a credit transaction or used as collateral for a credit transaction and that concerns the interest of a creditor in the purchased goods or pledged collateral either in whole or in part; or

2. Covers perils to goods purchased in connection with an open-end credit transaction.

Sec. 24. *“Credit transaction” means any transaction for which the terms of repayment of money loaned or loan commitment made, or payment of goods, services or properties sold or leased, is to be made at a future date.*

Sec. 25. “Creditor” means the lender of money or vendor or lessor of goods, services, property, rights or privileges for which payment is arranged through a credit transaction, and includes:

- 1. The successor to the right, title or interest of;**
- 2. An affiliate, associate or subsidiary of;**
- 3. Any director, officer or employee of; or**
- 4. Any other person in any way associated with,**

↪ any such lender, vendor or lessor.

Sec. 26. “Creditor-placed insurance” means single-interest insurance or dual-interest insurance that is purchased by the creditor, as the named insured, after a credit transaction:

- 1. According to the terms of the credit agreement as a result of the debtor’s failing to provide required insurance, the cost for which is charged to the debtor; and**
- 2. For coverage against loss, expense or damage to personal property used as collateral as a result of fire, theft, collision or other risk of loss that would impair the interest of the creditor or adversely affect the value of the collateral.**

Sec. 27. “Debtor” means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

Sec. 28. “Dual-interest insurance” means credit personal property insurance covering the interest of the creditor or seller and any portion of the interest of the borrower in goods purchased through the credit transaction or pledged as collateral for the credit transaction.

Sec. 29. “Experience” means earned premiums and incurred losses during the experience period.

Sec. 30. *“Experience period” means the most recent period of time that is not more than 3 years and for which earned premiums and incurred losses are reported.*

Sec. 31. *“Finance charge” means any charge payable directly or indirectly as an incident to or condition of an extension of credit, including, without limitation, interest, time-price differentials, amounts payable under a discount system of additional charges, service, transaction or carrying charges, loan fees, points or similar charges, appraisal fees or charges incurred for investigating the creditworthiness of the consumer. The term does not include charges as a result of default, taxes, license fees, delinquency charges or filing fees.*

Sec. 32. *“Gross debt” means the sum of the remaining payments owed to a creditor by a debtor.*

Sec. 33. *“Identifiable charge” means a charge for credit personal property insurance that is made to debtors who have that insurance and not made to debtors who do not have that insurance. The term includes a charge for insurance that is disclosed in the credit agreement or other instrument furnished to the debtor which sets forth the financial elements of the credit transaction and any difference in the finance, interest, service or other similar charge made to debtors who are in similar circumstances except for the insured or noninsured status of the debtor.*

Sec. 34. *“Incurred losses” means total claims and claim adjustment expenses paid during the experience period plus any change in claim and claim adjustment expense reserves.*

Sec. 35. *“Loss ratio” means incurred losses divided by the sum of earned premiums.*

Sec. 36. *“Net debt” means the amount required to liquidate the remaining debt in a single lump-sum payment, excluding all unearned interest and other unearned finance charges.*

Sec. 37. *“Nonfiling insurance” means insurance that indemnifies the creditor for loss of its interest in the collateral due to failure to perfect a security interest in the collateral.*

Sec. 38. *“Open-end credit” means credit extended by a creditor under an agreement in which:*

- 1. The creditor reasonably contemplates repeated transactions;*
- 2. The creditor periodically imposes a finance charge on any outstanding unpaid balance; and*
- 3. The amount of credit that may be extended to the debtor during the term of the agreement up to any limit set by the creditor is generally made available to the extent that any outstanding balance is repaid.*

Sec. 39. *“Reverse competition” means competition among insurers that regularly takes the form of insurers competing for the favor of a person who controls or may control the placement of insurance with insurers that tends to increase insurance premiums or prevents a decrease in insurance premiums in order to give greater compensation to a person who controls or may control the placement of insurance with insurers.*

Sec. 40. *“Single-interest insurance” means credit personal property insurance covering only the interest of the seller or creditor in goods purchased through a credit transaction or pledged as collateral in a credit transaction.*

Sec. 41. *All credit personal property insurance, including guaranteed asset protection insurance, written in connection with credit transactions for personal, family or household purposes is subject to the provisions of this chapter, except:*

- 1. Credit transactions involving extensions of credit primarily for business or commercial purposes;*

2. Insurance written in connection with a credit transaction that is secured by a real estate mortgage or deed of trust;

3. Creditor-placed insurance;

4. Title insurance;

5. Nonfiling insurance;

6. Insurance purchased by a creditor after repossession or a similar event in which the creditor acquired possession of the property; and

7. Insurance for which an identifiable charge is not made to or collected from the debtor.

Sec. 42. *For credit personal property insurance sold in conjunction with a closed-end credit transaction, an insurer shall not:*

1. Issue credit personal property insurance unless the amount financed exceeds \$300;

2. Issue credit personal property insurance in an amount that exceeds the amount of the underlying credit transaction; and

3. Sell credit personal property insurance with a term that exceeds the scheduled term of the underlying credit transaction.

Sec. 43. *Credit personal property insurance must:*

1. At a minimum, include the coverage in the standard fire policy with coverage attachment and extended coverage endorsement; and

2. Cover a substantial risk of loss of or damage to the property related to the credit transaction.

Sec. 44. 1. *An insurer shall not:*

(a) Require the bundling of other credit insurance coverage with the purchase of credit personal property insurance; and

(b) Use gross debt in any manner to determine the premiums for credit personal property insurance.

2. A debtor must have a choice to purchase credit personal property insurance separately from other credit insurance coverage.

Sec. 45. 1. Before a debtor elects to purchase credit personal property insurance in connection with a credit transaction, the following information must be disclosed to the debtor in writing:

(a) That the purchase of credit personal property insurance from the creditor is not mandatory and is not a condition for obtaining credit approval;

(b) If more than one type of credit insurance is made available to the debtor, whether the debtor may purchase credit personal property insurance separately from any other credit insurance;

(c) The conditions of eligibility;

(d) That if the debtor has other insurance that covers the risk, the debtor may not want or need credit personal property insurance;

(e) That the debtor may cancel the insurance at any time, or if evidence of insurance is required for the extension of credit, upon proof of insurance that is acceptable to the creditor, and obtain a refund of:

(1) If the cancellation is not more than 30 days after the debtor receives the individual policy or certificate of insurance, any premium paid by the debtor; or

(2) If the cancellation is more than 30 days after the debtor receives the individual policy or certificate of insurance, any unearned premium paid by the debtor;

(f) A brief description of the coverage, including a description of the amount, term, extensions, limitations, perils and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium, the person who would receive any benefits, and the premium or premium rate for the credit personal property insurance; and

(g) If the premium or charge is for the insurance financed, that it will be subject to finance charges at the rate applicable to the credit transaction.

2. The disclosures required pursuant to subsection 1:

(a) If made in connection with credit personal property insurance offered at the same time as the extension of credit or offered through direct mail advertisements, must be made in writing and presented to the customer in a clear and conspicuous manner; or

(b) If made in connection with credit personal property insurance offered after the extension of credit other than through direct mail advertisements, may be provided orally or electronically if written disclosures are provided not later than the earlier of:

(1) Ten days after the debtor elects to accept the coverage; or

(2) The date any other written material is provided by the creditor to the debtor.

Sec. 46. An offer to extend coverage for an open-end credit transaction must include, at the time of the invitation to contract, a written disclosure or, if the solicitation is made by telephone and the written disclosure is mailed to the debtor not later than 10 days after enrollment, an oral summary of the written disclosure. The written disclosure must be in not smaller than 12-point type and be in substantially the following form:

This coverage may duplicate existing coverage if you have a residential property insurance policy. It applies to any item of covered property on which you owe a debt. This coverage is primary, so it is the first source to be used in the event of a loss on property it covers. You may cancel this coverage at any time by calling the insurer during business hours at the telephone number provided to you or by writing to the insurer. We are charging you a premium that may be based on subjects for which a claim cannot be made, such as services, meals or other consumables, entertainment, finance or service fees, loan interest, delivery charges or other insurance premiums.

Sec. 47. 1. *All credit personal property insurance must be evidenced by an individual policy or a certificate of insurance that is delivered to the debtor.*

2. *The individual policy or certificate of insurance must, in addition to other requirements of law, include:*

- (a) The name and address of the home office of the insurer;*
- (b) The name of each debtor or, on a certificate of insurance, the identity by name or otherwise of each debtor;*
- (c) The amount of the premium or payment of the debtor or, for open-end credit, the premium rate, basis of the calculation of premiums and balance to which the premium rate applies;*
- (d) A complete description of the coverage or coverages, including the amount of coverage and any exceptions, limitations and exclusions;*
- (e) A statement that all benefits must be paid to the creditor to reduce or extinguish the unpaid debt or to repair or replace the property and that if the benefits exceed the unpaid debt, any excess benefit must be paid to the debtor;*

(f) If the scheduled term of the insurance is less than the scheduled term of the credit transaction, a statement indicating that fact set forth on the face of the individual policy or certificate of insurance in not less than 10-point bold type; and

(g) If the policy is related to open-end credit, a statement that the debtor will, at least once each year, receive the statement as required pursuant to subsection 3.

3. For credit personal property insurance related to open-end credit, the creditor must provide to the debtor at least once each year with the account statement a statement in the following form in at least 12-point type:

You are paying a premium for credit personal property insurance based on the outstanding balance of this account. You may cancel this coverage at any time by calling the insurer during business hours at the telephone number provided to you or by writing to the insurer. You are being charged a premium that may be based on subjects for which a claim cannot be made, such as services, meals or other consumables, entertainment, finance or service fees, loan interest, delivery charges or other insurance premiums.

Sec. 48. 1. Except as otherwise provided in subsection 2, the individual policy or certificate of insurance must be delivered to the debtor upon acceptance of the insurance by the insurer.

2. An individual policy or certificate of insurance made in connection with an open-end credit agreement or any credit personal property insurance requested by the debtor after the date the debt is incurred must be delivered to the debtor not more than 30 days after the debtor requested the insurance.

Sec. 49. 1. All policies, certificates of insurance, applications for insurance, enrollment forms, endorsements and riders delivered or issued for delivery in this State and the schedules of premium rates related thereto must be filed with the Commissioner.

2. An item filed with the Commissioner pursuant to subsection 1 may not be issued until 60 days after it is filed with the Commissioner or until the written prior approval of the Commissioner is obtained.

3. The Commissioner shall, not more than 60 days after an item is submitted to him pursuant to subsection 1, disapprove the item if the benefits are not reasonable in relation to the premium charged or if the item contains provisions that are unjust, unfair, inequitable, misleading or deceptive or encourage misrepresentation of the coverage or are contrary to any provision of the Code or any regulation adopted pursuant to the Code. If the Commissioner does not disapprove an item filed pursuant to subsection 1 in accordance with this subsection, the item shall be deemed to be approved.

4. If the Commissioner notifies an insurer that an item is disapproved pursuant to subsection 3, the insurer shall not use the item. The notice must include the reason for the disapproval and state that a hearing will be granted not less than 30 days after the insurer submits a written request for a hearing to the Commissioner, unless postponed by mutual consent or by order of the Commissioner.

5. The Commissioner may hold a hearing to withdraw approval of an item submitted pursuant to subsection 1 not less than 20 days after providing a written notice of the hearing to the insurer. The written notice must include one of the reasons described in subsection 3 for the proposed

withdrawal of approval of the item. An insurer shall not use an item if approval of the item is withdrawn pursuant to this subsection.

Sec. 50. If an insurer revises its schedule of premium rates, it shall file the revised schedule with the Commissioner pursuant to section 49 of this act. An insurer shall not issue credit personal property insurance for which the premium rates exceed the rates determined by the schedule approved by the Commissioner.

Sec. 51. Benefits provided by credit personal property insurance must be reasonable in relation to the premium charged. Benefits shall be deemed to be reasonable if the premium rate charged develops or may reasonably be expected to develop a loss ratio of not less than 60 percent or such higher loss ratio as designated by the Commissioner to afford reasonable allowance for actual and expected loss experience, including a reasonable catastrophe provision and reasonable general and administrative expenses, acquisition expenses, creditor compensation, investment income, premium taxes, licenses, fees, assessments and profit for the insurer.

Sec. 52. For open-end credit transactions, the rating plan of the insurer must address, by the grouping of similar accounts, the expected variance in the ratio of goods purchased that are covered under the credit personal property insurance and goods that are not covered by that insurance. Accounts must be separated into groups that have or are expected to have a similar ratio of goods purchased that are covered under the credit personal property insurance and goods that are not covered by that insurance.

Sec. 53. An insurer shall not pay to a creditor compensation in excess of 20 percent of the premium. A reasonable level of creditor compensation may be lower than 20 percent. A

reasonable level of compensation must be considered in determining the extent to which benefits are reasonable pursuant to sections 49 to 52, inclusive, of this act.

Sec. 54. Each year, not later than the date specified in the Instructions to the Annual Statement published by the National Association of Insurance Commissioners, an insurer doing business in this State shall file with the Commissioner and the National Association of Insurance Commissioners a report of credit personal property insurance written on the basis of a calendar year. The report must be prepared using the Credit Insurance Supplement-Annual Statement Blank approved by the National Association of Insurance Commissioners and must contain separate data for each state.

Sec. 55. A rate that has been filed and approved pursuant to section 49 of this act is effective for a period not to exceed 3 years after the date of approval. The insurer shall file a rate for approval before the expiration of the 3-year period. The insurer may file a rate for approval at any time before the expiration of the 3-year period.

Sec. 56. Except as otherwise provided in this section, a debtor is entitled to a refund of unearned premiums calculated on a daily pro rata basis if the credit personal property insurance of the debtor is cancelled for any reason and if the amount of the refund is \$10 or more.

Sec. 57. 1. All claims must be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate files on all reported claims. All claims must be settled as soon as practicable and in accordance with the terms of the insurance contract.

2. All claims must be paid by draft drawn upon the insurer, by electronic funds transfer or by check of the insurer to the order of:

(a) The claimant to whom payment of the claim is due pursuant to the provisions of the policy;
or

(b) Any other person designated by the claimant to whom payment is due.

Sec. 58. A plan or arrangement may not be used whereby a person other than the insurer or its designated claim representative is authorized to settle or adjust claims. The creditor may not be designated as the representative for the insurer in adjusting claims, except that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due the group policyholder subject to the periodic audit of the insurer.

Sec. 59. A claim made pursuant to credit personal property insurance must not be denied more than 90 days after the initiation of coverage because the debtor was ineligible for coverage unless the debtor misrepresented a material fact. If a claim is denied within 90 days after the initiation of coverage because the debtor was ineligible for coverage or because the debtor misrepresented a material fact, the insurer shall refund to the debtor any premium paid and the creditor shall refund to the debtor any finance charge paid on the premium.

Sec. 60. The Commissioner:

- 1. Shall, by regulation, establish reasonable rates as described in this chapter; and*
- 2. May adopt any other regulations to carry out the provisions of this chapter.*

Sec. 61. In addition to any other penalty provided by law, a person who violates a provision of this chapter or a final order of or a regulation adopted by the Commissioner pursuant to this chapter, after notice and a hearing, upon order of the Commissioner is subject to:

- 1. The imposition of an administrative fine not to exceed \$5,000 per violation, or \$10,000 per violation if the Commissioner determines that the violation was willful; and*

2. Revocation of the license or certificate of authority held by the person.”.

Amend sec. 20, page 13, line 27, by deleting “17” and inserting “62”.

Amend sec. 26, page 17, lines 12 and 20, by deleting “24” and inserting “69”.

Amend sec. 30, page 19, line 34, by deleting “expires” and inserting “[~~expires~~] terminates”.

Amend sec. 30, page 19, line 35, by deleting “at”.

Amend sec. 30, page 19, by deleting line 36 and inserting:

“not more than 30 days after the termination of the license, the associate”.

Amend the bill as a whole by renumbering sections 32 through 42 as sections 80 through 90 and adding new sections designated sections 77 through 79, following sec. 31, to read as follows:

“Sec. 77. Chapter 685B of NRS is hereby amended by adding thereto a new section to read as follows:

Any producer of insurance or surplus lines broker licensed in this State who in this State knowingly represents or aids an unauthorized insurer in violation of the Unauthorized Insurers Act is guilty of a category B felony and shall be punished as provided in NRS 193.130.

Sec. 78. NRS 685B.030 is hereby amended to read as follows:

685B.030 1. As used in this section , unless otherwise indicated, “insurer” includes:

(a) All corporations, associations, partnerships and natural persons engaged as principals in the business of insurance, including a fraternal benefit society, a nonprofit corporation offering dental, hospital and medical services, a health maintenance organization, a prepaid limited health service organization, an organization for dental care, a dental plan, an optometric plan or a similar health service plan; and

(b) Interinsurance exchanges and mutual benefit societies.

2. It is unlawful for any insurer to transact an insurance business in this State as set forth in subsection 3 ~~[]~~ without a certificate of authority from the Commissioner. This section does not apply to:

(a) Any transaction for which a certificate of authority is not required pursuant to NRS 680A.070.

(b) Attorneys at law acting in the ordinary relation of attorney and client in the adjustment of claims or losses.

(c) Transactions in this State involving any policy of insurance or annuity contract issued before January 1, 1972.

(d) Transactions in this State relative to a policy issued or to be issued outside this State involving insurance on vessels, craft or hulls, cargoes, marine builder's risk, marine protection and indemnity or other risk, including strikes and war risks commonly insured under ocean or wet marine forms of policy.

3. Any of the following acts in this State effected by mail or otherwise by or on behalf of an unauthorized insurer ~~[constitutes]~~ **constitute** the transaction of an insurance business in this State:

(a) The making of or proposing to make, as an insurer, an insurance contract.

(b) The making of or proposing to make, as guarantor or surety, any contract of guaranty or suretyship as a vocation and not merely incidental to any other legitimate business or activity of the guarantor or surety.

(c) The taking or receiving of any application for insurance.

(d) The receiving or collection of any premium, commission, membership fees, assessments, dues or other consideration for any insurance or any part thereof.

(e) The issuance or delivery of contracts of insurance to residents of this State or to persons authorized to do business in this State.

(f) Directly or indirectly acting as an agent for or otherwise representing or aiding on behalf of another any person or insurer in the solicitation, negotiation, procurement or effectuation of insurance or renewals thereof or in the dissemination of information as to coverage or rates, or forwarding of applications, or delivery of policies or contracts, or inspection of risks, a fixing of rates or investigation or adjustment of claims or losses or in the transaction of matters after effectuation of the contract and arising out of it, or in any other manner representing or assisting a person or insurer in the transaction of insurance with respect to subjects of insurance that are resident, located or to be performed in this State. The provisions of this paragraph do not prohibit full-time salaried employees of a corporate insured from acting in the capacity of an insurance manager or buyer in placing insurance on behalf of such an employer.

(g) The transaction of any kind of insurance business specifically recognized as transacting an insurance business within the meaning of the statutes relating to insurance.

(h) The transacting or proposing to transact any insurance business in substance equivalent to any of the provisions of paragraphs (a) to (g), inclusive, in a manner designed to evade the provisions of the statutes.

4. The venue of an act committed by mail is at the point where the matter transmitted by mail is delivered and takes effect.

5. The failure of an insurer transacting insurance business in this State to obtain a certificate of authority does not impair the validity of any act or contract of the insurer and does not prevent the insurer from defending any action at law or suit in equity in any court of this State, except that no

insurer transacting insurance business in this State without a certificate of authority may maintain an action in any court of this State to enforce any right, claim or demand arising out of the transaction of such business until the insurer has obtained a certificate of authority. In the event of a failure by an unauthorized insurer to pay any claim or loss within the provisions of an insurance contract, any person who assisted or in any manner aided directly or indirectly in the procurement of the insurance contract is liable to the insured for the full amount of the claim or loss in the manner provided by the provisions of the insurance contract.

6. Any insurer who transacts any unauthorized business as set forth in this section is guilty of a category B felony and shall be punished as provided in NRS 193.130.

Sec. 79. NRS 685B.080 is hereby amended to read as follows:

685B.080 1. Any unauthorized insurer who transacts any unauthorized act of an insurance business as set forth in the Unauthorized Insurers Act may be fined not more than \$10,000 for each act or violation.

2. ~~In addition to any other penalties provided in this Code:~~

~~—(a) Any producer of insurance or surplus lines broker licensed in this State who in this State knowingly represents or aids an unauthorized insurer in violation of the Unauthorized Insurers Act is guilty of a category C felony and shall be punished as provided in NRS 193.130.~~

~~—(b) Any person other than a producer of insurance or surplus lines broker licensed in this State who in this State represents or aids an unauthorized insurer in violation of the Unauthorized Insurers Act is guilty of a category C felony and shall be punished as provided in NRS 193.130.~~

~~—(c) Any person who commits a second or subsequent violation of this section is guilty of a category B felony and shall be punished by imprisonment in the state prison for a minimum term of not less than 1 year and a maximum term of not more than 20 years.~~

~~—3.]~~ In addition to the penalties provided in subsection ~~[2,]~~ **1**, such a violator is liable, personally, jointly and severally with any other person liable therefor, for the payment of premium taxes at the same rate of tax as imposed by law on the premiums of similar coverages written by authorized insurers.”.

Amend sec. 39, page 27, line 24, by deleting “**37**” and inserting “**85**”.

Amend sec. 41, page 28, lines 20 and 22, by deleting “**40**” and inserting “**88**”.

Amend the bill as a whole by renumbering sections 43 through 84 as sections 124 through 165 and adding new sections designated sections 91 through 123, following sec. 42, to read as follows:

“**Sec. 91.** Chapter 690A of NRS is hereby amended by adding thereto the provisions set forth as sections 92 to 114, inclusive, of this act.

Sec. 92. *“Compensation” means commissions, dividends, retrospective rate credits, service fees, expense allowances or reimbursements, gifts, furnishing of equipment, facilities, goods and services, or any other form of remuneration that is paid directly or indirectly as a result of the sale of consumer credit insurance.*

Sec. 93. *“Credit accident and health insurance” means insurance on a debtor to provide indemnity for payments or debt becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.*

Sec. 94. *“Credit transaction” means any transaction for which the terms of repayment of money loaned or loan commitment made, or payment of goods, services or properties sold or leased, is to be made at a future date or dates.*

Sec. 95. *“Credit unemployment insurance” means insurance on a debtor to provide indemnity for payments or a debt becoming due on a specific loan or other credit transaction while the debtor is involuntarily unemployed as defined in the policy.*

Sec. 96. *“Gross debt” means the sum of the remaining payments owed to a creditor by a debtor.*

Sec. 97. *“Identifiable charge” means a charge for consumer credit insurance that is made to debtors who have that insurance and not made to debtors who do not have that insurance. The term includes a charge for insurance that is disclosed in the credit agreement or other instrument furnished to the debtor which sets forth the financial elements of the credit transaction and any difference in the finance, interest, service or other similar charge made to debtors who are in similar circumstances except for the insured or noninsured status of the debtor.*

Sec. 98. *“Net debt” means the amount required to liquidate the remaining debt in a single lump-sum payment, excluding all unearned interest and other unearned finance charges.*

Sec. 99. *“Open-end credit” means credit extended by a creditor under an agreement in which:*

- 1. The creditor reasonably contemplates repeated transactions;*
- 2. The creditor periodically imposes a finance charge on any outstanding unpaid balance; and*
- 3. The amount of credit that may be extended to the debtor during the term of the agreement up to any limit set by the creditor is generally made available to the extent that any outstanding balance is repaid.*

Sec. 100. *The types of consumer credit insurance defined in this chapter may be written separately or in combination with other types of consumer credit insurance on an individual policy or group policy basis. The Commissioner may by regulation prohibit or limit any combination.*

Sec. 101. 1. *Except as otherwise provided in this section, the amount of credit life insurance must not exceed the greater of the actual net debt or the scheduled net debt.*

2. If coverage is written on the actual net debt, the amount payable at the time of loss must not be less than the actual net debt less any payments that are more than 2 months past due.

3. If the coverage is written on any scheduled net debt, the amount payable at the time of loss must not be less than:

(a) If the actual net debt is less than or equal to the scheduled net debt, the scheduled net debt;

(b) If the actual net debt is greater than the scheduled net debt but less than the scheduled net debt plus 2 months of payments, the actual net debt; or

(c) If the actual net debt is greater than the scheduled net debt plus 2 months of payments, the scheduled net debt plus 2 months of payments.

4. If a premium is assessed to the debtor on a monthly basis and is based on the actual net debt, the amount payable at the time of loss must not be less than the actual net debt on that date. If the premium is based on a balance that does not include accrued past due interest, the amount payable at the time of loss must not be less than the actual net debt less any accrued interest that is more than 2 months past due.

5. Insurance on agricultural loan commitments that do not exceed 1 year in duration may be written for not more than the amount of the loan on a nondecreasing or level term plan.

6. Insurance on educational loan commitments may be written for the net unpaid debt plus any unused commitment.

7. Coverage may be written for less than the net debt through the following methods:

(a) The amount of insurance may be the lesser of a stated level amount and the amount determined in accordance with subsection 2;

(b) The amount of insurance may be the lesser of a stated level amount and the amount determined in accordance with subsection 3;

(c) The amount of insurance may be a constant percentage of the amount determined in accordance with subsection 2;

(d) The amount of insurance may be a constant percentage of the amount determined in accordance with subsection 3; or

(e) In the absence of any exclusions for a preexisting condition, the amount of insurance payable in the event of death by natural causes may be limited to the balance as it existed 6 months before the date of death if:

(1) There have been one or more increases in the outstanding balance during the 6-month period other than increases resulting from the accrual of interest or late charges; and

(2) Evidence of individual insurability has not been required during the 6-month period.

8. Other amounts of insurance may be used if those amounts are not inconsistent with the provisions of this section.

Sec. 102. 1. Except as otherwise provided in this section, for consumer credit insurance that is made available to and elected by a debtor before or with the credit transaction to which it relates, the term of the insurance must, subject to acceptance by the insurer, commence on the date on

which the debtor becomes obligated to the creditor. If the insurer requires evidence of individual insurability and the evidence is provided to the insurer more than 30 days after the date on which the debtor becomes obligated to the creditor, the insurance may commence on the date on which the insurer determines the evidence to be satisfactory.

2. Except as otherwise provided in this section, for consumer credit insurance that is made available to and elected by a debtor after the credit transaction to which it relates, the term of the insurance must, subject to acceptance by the insurer, commence on a date not earlier than the date the election is made by the debtor and not later than 30 days after the date on which the insurance company accepts the risk for coverage. If the coverage does not commence on the date on which the insurance company accepts the risk for coverage, the date that coverage commences must be related to an objective method for determining the date, including, without limitation, the billing cycle, the payment cycle or a calendar month.

3. If a group policy provides coverage with respect to debts existing on the effective date of the policy, the insurance related to a debt must not commence before the effective date of the group policy.

4. A creditor or insurer shall not charge or retain payment from a debtor before commencement of the insurance to which the charge is related.

Sec. 103. 1. *The term of any consumer credit insurance must not extend beyond the date of termination specified in the policy. The date of termination of the insurance must not occur more than 15 days after the scheduled maturity date of the debt to which it relates unless:*

(a) The date is extended at no additional cost to the debtor; or

(b) The date is extended pursuant to a written agreement signed by the debtor and relates to a variable rate credit transaction or a deferral, renewal, refinancing or consolidation of debt.

2. If a debt is discharged because of any renewal, refinancing or consolidation before the scheduled date of termination of the consumer credit insurance, the insurance must be cancelled before any new consumer credit insurance is written in relation to the renewed, refinanced or consolidated debt.

3. If consumer credit insurance is terminated before the scheduled termination date, unless the insurance is terminated because of the performance by the insurer of all obligations with respect to the insurance, the insurer shall make an appropriate refund or credit to the debtor of any unearned charge that was paid by the debtor.

4. A debtor may cancel consumer credit insurance at any time by providing a request to the insurer. The insurer may require the request to be submitted in writing and may require the debtor to surrender any individual policy or group certificate. The right of the debtor to cancel the insurance may be subject to the terms of the credit transaction.

Sec. 104. 1. *Before a debtor elects to purchase consumer credit insurance in connection with a credit transaction, the following information must be disclosed to the debtor in writing:*

(a) That the purchase of consumer credit insurance from the creditor is not mandatory and is not a condition for obtaining credit approval;

(b) If more than one type of consumer credit insurance is made available to the debtor, whether the debtor may purchase each separately or only as a package;

(c) The conditions of eligibility;

(d) That if the debtor has other insurance that covers the risk, the debtor may not want or need consumer credit insurance;

(e) That the debtor may cancel the insurance at any time, or if evidence of insurance is required for the extension of credit, upon proof of insurance that is acceptable to the creditor, and obtain a refund of:

(1) If the cancellation is not more than 30 days after the debtor receives the individual policy or certificate of insurance, any premium paid by the debtor; or

(2) If the cancellation is more than 30 days after the debtor receives the individual policy or certificate of insurance, any unearned premium paid by the debtor;

(f) A brief description of the coverage, including a description of the amount, term, extensions, limitations, perils and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium, the person who would receive any benefits, and the premium or premium rate for the consumer credit insurance; and

(g) If the premium or insurance charge is financed, that it will be subject to finance charges at the rate applicable to the credit transaction.

2. The disclosures required pursuant to subsection 1:

(a) If made in connection with consumer credit insurance offered at the same time as the extension of credit or offered through direct mail advertisements, must be made in writing and presented to the customer in a clear and conspicuous manner; or

(b) If made in connection with consumer credit insurance offered after the extension of credit other than through direct mail advertisements, may be provided orally or electronically if written disclosures are provided not later than the earlier of:

(1) Ten days after the debtor elects to accept the coverage; or

(2) The date any other written material is provided by the creditor to the debtor.

Sec. 105. 1. *All consumer credit insurance must be evidenced by an individual policy or a group certificate that is delivered to the debtor.*

2. The individual policy or group certificate must, in addition to other requirements of law, include:

(a) The name and address of the home office of the insurer;

(b) The name of each debtor or, on a certificate of insurance, the identity by name or otherwise of each debtor;

(c) The amount of the premium or payment of the debtor stated separately for each type of coverage or as a package or, for open-end credit, the premium rate, basis of the calculation of premiums and balance to which the premium rate applies;

(d) A complete description of the coverage or coverages, including the amount of coverage and any exceptions, limitations and exclusions;

(e) A statement that all benefits must be paid to the creditor to reduce or extinguish the unpaid debt and that if the benefits exceed the unpaid debt, any excess benefit must be paid to the debtor; and

(f) If the scheduled term of the insurance is less than the scheduled term of the credit transaction, a statement indicating that fact set forth on the face of the individual policy or certificate of insurance in not less than 10-point bold type.

3. The insurer shall deliver the individual policy or group certificate to the debtor upon acceptance of insurance by the insurer and not more than 30 days after the debtor elects to

purchase the insurance. An individual policy or group certificate related to open-end credit or consumer credit insurance that is requested by the debtor after the date of the credit transaction to which it is related shall be deemed to have been delivered at the time the debtor elected to purchase insurance if the delivery is made not more than 30 days after the date on which the insurer accepts the insurance.

Sec. 106. 1. If the individual policy or group certificate is not delivered to the debtor at the time the debt is incurred or at such other time as the debtor purchases consumer credit insurance, a copy of the application or a notice of proposed insurance, signed by the debtor, must be delivered to the debtor. The application or notice of proposed insurance must include:

- (a) The name and address of the home office of the insurer;*
- (b) The name of each debtor;*
- (c) The premium or amount of payment by the debtor for the insurance;*
- (d) The amount, term and a brief description of the coverage; and*
- (e) A statement that upon acceptance by the insurer, the insurance will become effective as described in section 102 of this act.*

2. The application or notice of insurance provided pursuant to subsection 1 must:

- (a) Refer exclusively to consumer credit insurance; and*
- (b) Be separate from the loan, sale or other credit statement, instrument or agreement unless the information required pursuant to subsection 1 is prominently set forth in the statement, instrument or agreement.*

3. The application or notice of insurance provided pursuant to subsection 1 may be used to meet the requirements of sections 104 and 105 of this act if it includes the information required by those sections.

Sec. 107. 1. If a named insurer does not accept the insurance and another insurer accepts the insurance, the insurer shall provide an individual policy or group certificate that includes the name and address of the home office of the insurer who accepted the insurance and the amount of the premium to be charged. If the premium is less than the premium paid by the debtor, the insurer shall provide a refund of the excess premium not more than 30 days after the date it was paid by the debtor.

2. If a named insurer does not accept the insurance and no other insurer accepts the insurance, a person who received any premium payment related to the insurance shall refund the payment not more than 30 days after the date it was paid by the debtor.

Sec. 108. 1. All policies, certificates of insurance, applications for insurance, enrollment forms, endorsements and riders delivered or issued for delivery in this State and the schedules of premium rates related thereto must be filed with the Commissioner.

2. An item filed with the Commissioner pursuant to subsection 1 may not be issued or used until 60 days after it is filed with the Commissioner or until the written prior approval of the Commissioner is obtained.

3. The Commissioner shall, not more than 60 days after an item is submitted to him pursuant to subsection 1, disapprove the item if the benefits are not reasonable in relation to the premium charged or if the item contains provisions that are unjust, unfair, inequitable, misleading or deceptive or encourage misrepresentation of the coverage or are contrary to any provision of the

Code or any regulation adopted pursuant to the Code. If the Commissioner does not disapprove an item filed pursuant to subsection 1 in accordance with this subsection, the item shall be deemed to be approved.

4. If the Commissioner notifies an insurer that an item is disapproved pursuant to subsection 3, the insurer shall not use the item. The notice must include the reason for the disapproval and state that a hearing will be granted not less than 30 days after the insurer submits a written request for a hearing to the Commissioner, unless postponed by mutual consent or by order of the Commissioner.

5. The Commissioner may hold a hearing to withdraw approval of an item submitted pursuant to subsection 1 not less than 20 days after providing a written notice of the hearing to the insurer. The written notice must include one of the reasons described in subsection 3 for the proposed withdrawal of approval of the item. An insurer shall not use an item if approval of the item is withdrawn pursuant to this subsection.

Sec. 109. If an insurer revises its schedule of premium rates, it shall file the revised schedule with the Commissioner pursuant to section 108 of this act. An insurer shall not issue consumer credit insurance for which the premium rates exceed the rates determined by the schedule approved by the Commissioner.

Sec. 110. Each individual policy or group certificate must provide for a refund if the insurance is terminated before the scheduled termination date of the insurance. Except as otherwise provided in this section, any refund must be provided to the person to whom it is entitled as soon as practicable after the date of termination of the insurance. The Commissioner shall establish by regulation a minimum refund. A refund that is less than the minimum refund established by the

Commissioner is not required to be refunded. The formula used to determine the amount of a refund must be submitted to and approved by the Commissioner before it is used.

Sec. 111. *If a creditor requires a debtor to make a payment for consumer credit insurance and an individual policy or group certificate is not issued, the creditor shall immediately notify the debtor in writing and make an appropriate credit to the account of the debtor or issue a refund.*

Sec. 112. *The amount charged to a debtor for any consumer credit insurance must not exceed the amount of the premiums charged by the insurer as determined at the time that the charge was made to the debtor.*

Sec. 113. *Except as otherwise prohibited by law, any duty imposed on an insurer pursuant to this chapter may be carried out by a creditor who is acting as an agent of the insurer.*

Sec. 114. *The Commissioner:*

- 1. Shall, by regulation, establish reasonable rates as described in this chapter; and*
- 2. May adopt any other regulations to carry out the provisions of this chapter.*

Sec. 115. NRS 690A.010 is hereby amended to read as follows:

690A.010 Any **consumer credit** insurance issued in connection with loans or other credit transactions **for personal, family or household use** is subject to the provisions of this chapter ~~unless the insurance is issued~~ **except:**

1. Insurance written in connection with a ~~[loan or other]~~ credit transaction ~~[of more than 15 years' duration or the issuance of the insurance is]~~ **that is:**

- (a) Secured by a first mortgage or deed of trust; and*
- (b) Made to finance the purchase of real property or the construction of a dwelling thereon, or to refinance a prior credit transaction made for that purpose;*

2. Insurance that is sold as an isolated transaction on the part of the insurer and not related to an agreement or a plan for insuring debtors of the creditor ~~[-]~~;

3. Insurance for which no identifiable charge is made to the debtor; or

4. Insurance on accounts receivable.

Sec. 116. NRS 690A.011 is hereby amended to read as follows:

690A.011 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS ~~[690A.012 to 690A.028,]~~ **690A.015 to 690A.018, inclusive, and sections 92 to 99, inclusive, of this act** have the meanings ascribed to them in those sections.

Sec. 117. NRS 690A.015 is hereby amended to read as follows:

690A.015 “Credit insurance” **or “consumer credit insurance”** means ~~[credit]~~ **any or all of the following:**

1. Credit life insurance ~~[-, credit disability insurance, involuntary]~~;

2. Credit accident and health insurance;

3. Credit unemployment insurance ~~[and any other similar form of insurance.]; or~~

4. Any other insurance defined in this chapter.

Sec. 118. NRS 690A.016 is hereby amended to read as follows:

690A.016 “Credit life insurance” means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction ~~[-]~~ **to provide for satisfaction of a debt, in whole or in part, upon the death of an insured debtor.**

Sec. 119. NRS 690A.050 is hereby amended to read as follows:

690A.050 1. Except as otherwise provided in subsection 2, the total amount of periodic indemnity payable pursuant to a policy of credit ~~[disability]~~ **accident and health insurance or credit**

unemployment insurance in the event of disability ~~[,] or unemployment,~~ as defined in the policy, ~~for pursuant to a policy of involuntary unemployment insurance in the event of involuntary unemployment as defined in the policy,~~ must not exceed the aggregate of the periodic scheduled unpaid installments of the ~~[indebtedness,]~~ **gross debt**, and the amount of each periodic indemnity payment must not exceed the original ~~[indebtedness]~~ **gross debt** divided by the number of periodic installments.

2. ~~[Credit disability insurance or involuntary]~~ **For credit accident and health insurance or credit** unemployment insurance ~~[may be]~~ written in connection with ~~[a commitment for an educational credit transaction if the monthly indemnity does not exceed the amount that results when the total commitment is divided by the number of months in the term of the transaction.]~~ ***an open-end credit agreement, the amount of insurance must not exceed the gross debt which would accrue on that amount using the periodic indemnity. Subject to any policy maximum, the periodic indemnity must not be less than the minimum repayment schedule of the creditor.***

Sec. 120. NRS 690A.120 is hereby amended to read as follows:

690A.120 All policies and certificates of **consumer** credit insurance may be delivered or issued for delivery in this State only by an insurer authorized to do an insurance business in this State, and may be issued only through holders of licenses or certificates of authority issued by the Commissioner.

Sec. 121. NRS 690A.130 is hereby amended to read as follows:

690A.130 1. All claims must be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate files on all reported claims. All claims must

be settled as soon as ~~{possible}~~ **practicable** and in accordance with the terms of the insurance contract.

2. All claims must be paid ~~{either}~~ by draft drawn upon the insurer, **by electronic funds transfer** or by check of the insurer to the order of:

(a) The claimant to whom payment of the claim is due pursuant to the provisions of the policy; or

(b) Any other person designated by the claimant to whom payment is due.

3. ~~{No}~~ A plan or arrangement may **not** be used whereby ~~{any}~~ **a** person other than the insurer or its designated **claim** representative is authorized to settle or adjust claims. The creditor may not be designated as the representative for the insurer in adjusting **a** claim, ~~{but}~~ **except that** a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due the group policyholder subject to the periodic audit of the insurer.

Sec. 122. NRS 690A.140 is hereby amended to read as follows:

690A.140 When any form of **consumer** credit insurance is required as additional security for any ~~{indebtedness,}~~ **debt**, the debtor may furnish the required amount of insurance through existing policies of insurance owned or controlled by him or procure or furnish the required coverage through any insurer authorized to transact the business of insurance in this State.

Sec. 123. NRS 690A.280 is hereby amended to read as follows:

690A.280 In addition to any other penalty provided by law, any person who violates any provision of this chapter or a regulation adopted or a final order of the Commissioner issued pursuant to this chapter shall, after notice and hearing, pay a civil penalty:

1. In an amount not to exceed ~~{ \$2,500;}~~ **\$5,000;** or

2. If the violation is willful, in an amount not to exceed \$10,000,

↪ and the Commissioner may, after notice and a hearing, revoke or suspend the license or certificate of authority of that person.”.

Amend sec. 43, page 29, line 14, by deleting:

“44 to 62,” and inserting:

“125 to 143,”.

Amend sec. 59, page 33, line 42, by deleting “*formed.*” and inserting “*domiciled.*”.

Amend sec. 63, page 34, line 43, by deleting:

“*44 to 53,*” and inserting:

“*125 to 134,*”.

Amend sec. 76, page 40, line 28, by deleting “*55*” and inserting “*136*”.

Amend sec. 77, page 42, line 7, by deleting “Ten” and inserting:

“~~Ten~~ *Twenty-five*”.

Amend sec. 79, page 43, by deleting lines 25 through 27 and inserting:

“mutual nonassessable ~~legal reserve disability~~ *life or health* insurers.”.

Amend sec. 83, page 45, line 7, by deleting “689B.190” and inserting:

“689B.190, 690A.012, 690A.013, 690A.014, 690A.019, 690A.021, 690A.022, 690A.023, 690A.024, 690A.025, 690A.026, 690A.027, 690A.028, 690A.030, 690A.040, 690A.060, 690A.070, 690A.080, 690A.090, 690A.100, 690A.110, 690A.150, 690A.160, 690A.170, 690A.180, 690A.190, 690A.200, 690A.210, 690A.220, 690A.230, 690A.240, 690A.250, 690A.260, 690A.270”.

Amend sec. 84, page 45, by deleting lines 8 through 13 and inserting:

“**Sec. 165.** 1. This section and sections 1 to 16, inclusive, 62, 63, 65 to 69, inclusive, 71 to 74, inclusive, 77, 78, 79, 81, 82, 83, 87 to 90, inclusive, 124 to 159, inclusive, and 161 of this act become effective upon passage and approval.

2. Sections 64, 70, 76, 80, 84, 85, 86, 160, 162 and 164 of this act become effective on October 1, 2005.

3. Sections 17 to 61, inclusive, and 91 to 123, inclusive, of this act become effective:

(a) Upon passage and approval for the purpose of adopting regulations and performing any other preparatory administrative tasks that are required to carry out the provisions of this act; and

(b) On October 1, 2005, for all other purposes.

4. Sections 74 and 162 of this act expire by limitation on the”.

Amend sec. 84, page 45, by deleting line 24 and inserting:

“5. Sections 75 and 163 of this act become effective on the date”.

Amend the bill as a whole by deleting the text of repealed sections and adding the leadlines of repealed sections to read as follows:

“

LEADLINES OF REPEALED SECTIONS

689B.190 Renewal of converted policy: Request for information on sources of other benefits; grounds for refusal to renew; notice concerning cancellation of other coverage.

690A.012 “Compensation” defined.

690A.013 “Contingent compensation” defined.

690A.014 “Credit disability insurance” defined.

690A.019 “Gross coverage” defined.

690A.021 “Indebtedness” defined.

690A.022 “Involuntary unemployment insurance” defined.

690A.023 “Joint life insurance” defined.

690A.024 “Level term plan” defined.

690A.025 “Outstanding balance basis” defined.

690A.026 “Primary compensation” defined.

690A.027 “Producer” defined.

690A.028 “Single premium basis” defined.

690A.030 Limitations on form of issuance and type of insurance.

690A.040 Amounts of credit life insurance.

690A.060 Term.

690A.070 Policies and certificates of insurance: Contents; delivery.

690A.080 Forms, schedules and formulas: Filing; approval; regulations; withdrawal of approval.

690A.090 Premiums and refunds.

690A.100 Collection of premium or other charge.

690A.110 Premiums and gains not deemed interest.

690A.150 Maintenance of statistics regarding insurance and records regarding creditors.

690A.160 Use or continuation of compensating balances or accounts of special deposits prohibited.

690A.170 Insurer required to conduct audits and reviews; retention of results; payment of costs; Commissioner may order audit or review.

690A.180 Order issued by Commissioner for noncompliance with chapter.

690A.190 Excessive rates; approval of higher rate; filing of statistical experience for higher rate; restrictive provisions in policy.

690A.200 Rates: Credit life insurance.

690A.210 Rates: Credit disability insurance.

690A.220 Rates: Involuntary unemployment insurance.

690A.230 Restrictions based on age.

690A.240 Payment of compensation to producer.

690A.250 Formula for refund.

690A.260 Transfers to unauthorized insurer.

690A.270 Foreign insurers.

690B.060 Reports to Commissioner.”.

Amend the title of the bill to read as follows:

“AN ACT relating to insurance; providing for the regulation of discount health plans; providing the tax rate on premiums for risk retention groups; providing for the regulation of credit personal property insurance; decreasing certain fees for risk retention groups; authorizing an insurer to invest in bonds or notes secured by second liens upon real property under certain circumstances; setting forth the circumstances under which a producer of insurance may pay a commission for selling, soliciting, procuring or negotiating insurance in this State; authorizing the Nevada Insurance Guaranty

Association to perform certain acts requested by the Commissioner of Insurance; providing that coverage under a conversion health benefit plan must be renewed by the carrier that issued it under certain circumstances; providing for the regulation of consumer credit insurance; providing for the establishment and regulation of sponsored captive insurers; providing for the establishment and regulation of branch captive insurers; providing penalties; and providing other matters properly relating thereto.”.