

March 31, 2025

Chair Elaine Marzola
Assembly Committee on Commerce and Labor
Nevada State Legislature
401 S. Carson St.
Carson City, NV 89701
AsmCL@asm.state.nv.us

Cc: Vice Chair Sandra Jauregui, Committee Members

Re: AB 376 (Oppose) – Increasing Nevadans’ Insurance Rates with More Speed and Less Accountability

The Consumer Federation of America (CFA)* opposes AB 376, which would allow insurance companies to raise rates on Nevada homeowners, renters, and motorists before the Division of Insurance (DOI) reviews filings and with no accountability if the rate change is excessive, financially unsound, or otherwise unfair to Nevada residents. This bill will cost Nevadans millions of dollars in higher insurance premiums and provide no recourse for consumers or the state when insurers are found to have overcharged customers.

AB 376 introduces two different ways in which it guts Nevada’s consumer protection laws concerning insurance prices and practices. The first way allows insurers to raise rates without any review by the Division of Insurance. The second way would allow insurance companies to use Nevada consumers as their testing grounds for unregulated insurance products. This is a shoot first, ask questions later approach that is certain to increase premiums and put consumer financial security at risk.

Under the bill, an insurer can increase its rates however high and however often it wants and charge its customers the new rate without waiting for the Division’s assessment of whether or not the rate complies with state laws prohibiting excessive, inadequate, or unfairly discriminatory rates. In fact, an insurance company would be allowed to raise its customers’ rates even if it had not filed a complete rate application.

In lieu of the current system, in which insurance companies have to demonstrate the actuarial soundness of their rate changes and their compliance with Nevada law before making drivers, homeowners, and renters pay higher rates, the AB 376 system gives insurers a free pass to overcharge customers for a minimum of 90 days *after the Division determined the rate was illegal*. Because insurers, under this proposal, would have a right to as much as 60 days to

* CFA is a nonprofit, nonpartisan association of over 200 consumer organizations that works to advance consumer interests through research, advocacy, and education. CFA’s Director of Insurance Douglas Heller has worked on insurance consumer protection issues for nearly three decades, serves as a member of the Federal Advisory Committee on Insurance, and serves on the board that oversees California’s low cost auto insurance program. CFA’s Research and Advocacy Associate Michael DeLong is a funded Consumer Representative with the National Association of Insurance Commissioners (NAIC) and a member of the Nevada Property & Casualty Advisory Committee.

request reconsideration of the Division’s disapproval and the bill provides another 30 days for the Division to conduct the reconsideration, it is likely that **every improper, unfair, and excessive rate hike insurers impose under this new bill will be charged to Nevadans for at least half a year.** Even if the Division finds that insurers have been grossly overcharging customers for six months, it will be prohibited from ordering insurers from refunding their overcharges to consumers. Even that would not be the end of the price gouging, because under AB 376 insurers could keep filing and using new unapproved rates once they are finally required to stop overcharging customers based on the old unapproved rates.

It is worth noting that the \$26 million in refunds that DOI was able to return to residents in the wake of some insurers’ failure to comply with auto insurance consumer protection regulations during the pandemic, would not have been possible if the regime proposed by AB 376 had been in effect.¹ If a consumer tries to defraud an insurance company, the law requires the fraudster to disgorge ill-gotten gains and ensures accountability for their illicit behavior. But under AB 376, the Legislature would authorize insurers to continue to defraud consumers with improper rates even after DOI uncovers the fraud, and never make the companies disgorge their ill-gotten gains or face any accountability.

The other aspect of this legislation – the so-called “sandbox” – would allow insurers to bring insurance products into Nevada that face virtually no scrutiny whatsoever. Insurance products are too important to the financial stability and resilience of individuals, businesses, and communities to allow companies to experiment with residents’ financial protections without oversight. If companies have products they believe will interest and benefit Nevadans, they should be encouraged to present them to the DOI and demonstrate that they are actuarially sound and financially secure products that meet the standards of Nevada consumer protections.

Nevada, as with the rest of the nation, has faced several years of rising insurance rates as companies point to climate change as a source of increased risk and stronger and more frequent natural disasters. Drivers, homeowners and tenants rely on DOI’s efforts to ensure that companies neither overcharge customers or put consumers at financial risk by undercharging in order to gain market share in a manner that may leave them unprepared to pay claims in the wake of a disaster. Destroying the consumer protections built into Nevada law, as AB 376 proposes to do, will only make the current insurance burden worse for Nevadans.

This bill, far from improving Nevada’s insurance system, would expose Nevadans to unrestrained and unjustified rate hikes. It is an astonishing attempt by the insurance industry to take advantage of the national insurance crisis to undermine safeguards for Nevadans and erode regulatory scrutiny in multiple ways. Effectively, Nevada would have little or no insurance oversight at all—and insurers would be free to engage in price gouging to their hearts’ content.

¹ “Nevada Consumers Received Over \$26 Million in Refunds from Temporary Ban on Credit Information in Insurance.” Consumer Federation of America. May 20th, 2024. Available at https://consumerfed.org/press_release/nevada-consumers-received-over-26-millions-in-refunds-from-temporary-ban-on-credit-information-in-insurance/.

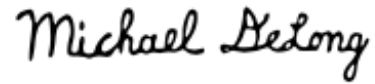
CFA urges your opposition to SB 92, which would gut Nevada's consumer protection rules and increase premiums. Nevada should be strengthening its consumer protections and insurance oversight, not dismantling them.

Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "DH", with a long horizontal flourish extending to the right.

Douglas Heller
Director of Insurance
Consumer Federation of America

A handwritten signature in black ink that reads "Michael DeLong" in a cursive style.

Michael DeLong
Research and Advocacy Associate
Consumer Federation of America