

QUESTION NO. 4

Amendment to the Nevada Constitution

CONDENSATION (ballot question)

Shall the Nevada Constitution be amended to add provisions governing insurance rates and practices in Nevada?

EXPLANATION

The proposed amendment, if passed, would create a new Article of the Nevada Constitution. The amendment requires that: premiums charged for casualty insurance be rolled back to the amount charged on December 1, 2005, and reduced an additional 20%; insurers justify future rate increases to ensure rates are maintained at fair levels; insurers be subject to all laws applicable generally to other Nevada businesses, including consumer protection and antitrust; motor vehicle insurers provide a 20% good driver discount; any statute in effect on December 1, 2006 which limits compensation provided by juries to victims of medical negligence by certain health care providers are void unless insurance companies lower malpractice premiums as a result of such limitations; the Governor appoint an Insurance Commissioner for oversight and regulation of the industry, and; one or more persons be appointed to represent the interests of the Nevada public related to insurance.

ARGUMENT IN SUPPORT OF QUESTION NO. 4

End excessive and unfair insurance rates.

If you're fed up with paying some of the highest insurance premiums in the country, now you can finally do something about it! Vote "YES" on Question 4 to bring your insurance rates back down to earth.

Question 4 was carefully drafted by experts. The same reforms have slashed rates in other states. Right next door in California, voters got \$1.2 billion in premium refunds when they passed insurance reform in 1988. The average refund check was \$171. The average automobile insurance premium actually dropped 22% between 1988 and 2001. Here in Nevada, it skyrocketed 37%! California's initiative has saved motorists over \$23 billion, according to the Consumer Federation of America.

Consumers like you put Question 4 on the ballot to end excessive and unfair insurance rates. Insurance company lobbyists are simply too influential for politicians to take action on this issue so it's time for us consumers to take matters into our own hands.

Question 4 will save every consumer hundreds of dollars each year on insurance premiums. It will:

1. Cut automobile, homeowner and business insurance premiums by 20% and freeze them at the lower rate for one year.
2. Give safe drivers an additional, permanent 20% Good Driver Discount.
3. Force insurance companies to open their books to justify rate increases before they take effect.
4. Stop overcharging, waste and fraud in the insurance system that eat up over twenty-five cents of every premium dollar you pay.
5. Force insurance companies to compete by eliminating their unfair exemption from the antitrust laws.
6. Require insurance companies to obey Nevada's consumer protection laws.

This law will even help keep our doctors in Nevada by making sure the insurance industry doesn't rip off Nevada's doctors, hospitals and patients. Limits on patients' legal rights were enacted two years ago to reduce medical malpractice insurance premiums for doctors. The insurance companies still haven't reduced the doctors' insurance rates. This law says they have to do so or the limits will be removed.

Best of all, Question #4 will cost taxpayers nothing. It requires insurance companies to pay a fee to cover its costs. And, by lowering the price of insurance, cities and counties will save taxpayers' money.

Beware of false advertising. The insurance companies will spend millions to defeat this initiative. Read the initiative and make your own decisions. Vote YES on Question 4.

REBUTTAL TO ARGUMENT IN SUPPORT OF QUESTION NO. 4

Personal injury attorneys are using the phony promise of insurance reform to repeal laws that helped keep doctors from leaving Nevada because of frivolous lawsuits.

Consumers ultimately pay the cost of unnecessary lawsuits and exorbitant legal fees when we pay our health insurance premiums. As those premiums increase, employers are forced to increase out-of-pocket costs, cut wages or drop coverage for their employees.

When the cost of medical malpractice insurance becomes intolerable, physicians move where they can afford to practice. OB-GYN and emergency room doctors are especially vulnerable to frivolous lawsuits, so women and trauma victims are the first to suffer from a doctor shortage.

That's what happened before, and that's what we can expect again if Question 4 passes.

If personal injury lawyers really want to help doctors and small business, why would the Nevada State Medical Association, the Las Vegas Chamber of Commerce and other groups oppose Question 4?

Question 4 is a cynical attempt to deceive voters into repealing sensible medical malpractice reforms. This proposal would add nearly 2,000 words to the Nevada Constitution and bypass public debate and scrutiny by Nevada's citizen legislature. Vote NO on Question 4!

ARGUMENT AGAINST QUESTION NO. 4

Question 4 will not lower insurance rates. Federal courts declared a similar insurance rollback in Nevada unconstitutional.

Even though insurance rates would not be reduced, one part of this amendment would negatively impact the availability of healthcare. Buried deep inside Question 4 is language intended to wipe out reforms that were enacted to keep doctors in Nevada and protect our access to health care.

The purpose of Question 4 is clearly spelled out in a Nevada Trial Lawyers Association letter dated March 8, 2004, which states they wrote this Initiative, "...building a constitutional wall against (Question 3's medical malpractice reforms for) this election..."

This is a deceptive trick by personal injury lawyers. They know voters would not knowingly prohibit reforms to limit frivolous lawsuits, so the lawyers stuck that provision into this "insurance" question.

It wasn't that long ago when trauma centers closed and doctors were leaving Nevada. Emergency services were cut. Women's health was compromised by an exodus of OB-GYN specialists.

High malpractice insurance costs mean higher healthcare costs for everyone. Employers are forced to increase out-of-pocket costs that their employees pay, while some drop coverage altogether. Insurance for those who pay for it themselves becomes unaffordable.

That's what we can expect if the reforms passed by the Legislature in 2002 are repealed by Question 4.

Question 4 also creates a huge new state bureaucracy. Insurance companies are supposed to pay fees to support the new bureaucrats, but nothing in Question 4 prevents them from passing on those costs to consumers. California passed a similar regulatory scheme and the size of its Department of Insurance grew over 500 percent. The last thing Nevada needs is more bureaucrats!

It is wrong to clutter Nevada's Constitution with a hodge-podge of provisions such as these. With approximately 2,000 words, Question 4 is the longest constitutional amendment in Nevada history. It has not been subject to thorough public debate and scrutiny in the way that most laws are.

Any mistakes or unintended consequences of Question 4 will be locked into our constitution where not even the governor or legislature can fix them.

Insurance reform is not the real objective of the personal injury lawyers backing Question 4. Killing common sense legal reform is their objective. Stop personal injury lawyers from using the Nevada Constitution to line their own pockets at the expense of Nevada consumers. Vote NO on Question 4.

REBUTTAL TO ARGUMENT AGAINST QUESTION NO. 4

The greedy insurance companies don't want you to vote for Question 4. The reason is simple: Question 4 will force these East Coast corporations to lower your insurance rates by 20%.

Question 4 is based on reforms passed by California voters sixteen years ago and upheld by the courts as constitutional – reforms that have saved every Californian thousands of dollars.

Question 4 will lower the cost of health care in Nevada. The California law forced insurers to refund over \$75 million to doctors. It blocked \$45.6 million in rate increases for physicians and hospitals last year alone.

Question 4 also reinforces the malpractice caps passed by our legislature. It will force the insurance companies to return money that belongs to doctors or patients.

No new government bureaucracy will be necessary – *none*. Just a new set of rules that create a competitive marketplace and prohibit insurance companies from charging excessive rates. Question 4 won't cost taxpayers *anything*.

Question 4 was put on the ballot by Nevadans fed up with excessive insurance rates. Don't buy the insurance industry's lies – they're designed to protect the insurance industry's excessive profits that cost us all.

Please vote YES on Question 4.

FISCAL NOTE

Financial Impact – Yes.

If the proposal is approved, holders of casualty insurance policies could see their premiums reduced by 20 percent beginning December 1, 2006. Holders of automobile

insurance policies who qualify for a good driver discount may also see their premiums reduced by an additional 20 percent beginning December 1, 2006. Because approval of the proposal could result in a decrease in insurance premiums, the proposal could result in a significant loss of revenues received by the State from the Insurance Premium Tax. If the proposal has the intended impact on insurance premiums, revenues from the Insurance Premium Tax could be reduced by approximately \$40 million in the first full fiscal year after the mandatory reductions in premiums go into effect (Fiscal Year 2007-2008). This compares to Insurance Premium Tax collections of approximately \$194 million in Fiscal Year 2003-2004.

The proposal would also place additional duties on the Division of Insurance of the Department of Business and Industry. The increased duties of the Division would include: reviewing and approving rate filings for casualty insurance; levying and collecting an assessment on insurers to cover the costs of the proposal; and determining whether recently imposed medical malpractice damage limitations have reduced medical malpractice claims and medical malpractice premiums. Additionally, the proposal would require the Legislature to provide by law for the appointment of one or more persons to represent the interests of the public related to insurance. The new duties set forth in the proposal would result in significant increases in personnel and operating expenses for the Division and in increased state expenses for the new positions representing the interest of the public related to insurance. Although the proposal provides that these increased expenses would be funded through a fee upon each insurer that conducts business in this State, the cost of the fee could possibly be passed on to policy holders through increased premiums once the rates are allowed to increase under the terms of the proposal.