

**LEGISLATIVE REVIEW OF ADOPTED REGULATIONS
INFORMATIONAL STATEMENT AS REQUIRED BY NRS 233B.066**

LCB FILE NO. R108-16

The following statement is submitted by the State of Nevada, Department of Business and Industry, Division of Insurance (“Division”) for adopted amendments to Nevada Administrative Code (“NAC”) Chapter(s) 680A.

1. A clear and concise explanation of the need for the adopted regulation.

The regulation is necessary in order to require large insurers to have an internal audit function similar to the requirements for publicly traded companies by the Securities Exchange Commission. This regulation is necessary in order to meet National Association of Insurance Commissioners (“NAIC”) accreditation standards.

2. A description of how public comment was solicited, a summary of public response, and an explanation of how other interested persons may obtain a copy of the summary.

(a) Public comment was solicited by e-mailing the proposed regulation, notice(s) of workshop, notice(s) of intent to act upon the regulation, and small business impact statement to persons on the Division’s mailing list requesting notification of proposed regulations. The documents were also made available on the website of the Division, <http://doi.nv.gov/>, mailed to the main library for each county in Nevada, and posted at the following locations:

Department of Business and Industry
Division of Insurance
1818 East College Parkway, Suite 103
Carson City, Nevada 89706

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, Nevada 89104

Legislative Building
401 South Carson Street
Carson City, Nevada 89701

Grant Sawyer Building
555 East Washington Avenue
Las Vegas, Nevada 89101

Blasdel Building
209 East Musser Street
Carson City, Nevada 89701

Capitol Building
101 North Carson Street
Carson City, Nevada 89701

Nevada Department of Employment,
Training and Rehabilitation
2800 E. Saint Louis Avenue
Las Vegas, Nevada 89104

Public comment was also solicited at the workshops held on Wednesday, September 21, 2016 and Tuesday, November 15, 2016, and at the hearings held on Tuesday, October 11, 2016

and Friday, December 2, 2016. The public meetings took place at the offices of the Division, 1818 East College Parkway, Carson City, Nevada 89706, with simultaneous videoconferencing to the Bradley Building, 2501 East Sahara Avenue, Las Vegas, Nevada 89104.

(b) There were no written comments submitted to the Division. There was no public response at either workshop or hearing. There were, however, two inquiries asking the Division to provide clarification.

One inquiry was received by email which asked about applicability of the regulation as it relates to an insurer's state of domicile. The Division clarified that it will only be applicable to insurers domiciled in Nevada.

Another inquiry was received during the November 15, 2016 workshop asking about the standards required of an internal auditor. The Division stated that the only requirements are those which are in accordance with U.S. auditing standards, as cited in the proposed regulation.

(c) The summary in part 2(b) above reflects the public comments and testimony that transpired with regard to regulation R108-16. A copy of said summary may be obtained by contacting Omar D. Akel, Chief Insurance Examiner, at (775) 687-0743 or oakel@doi.nv.gov. This summary will also be made available by e-mail request to insinfo@doi.nv.gov.

3. The number of persons who:

- (a) Attended each hearing:
On 10/11/16 and 12/2/16: Four Division employees; no one from the public.
- (b) Testified at each hearing:
On 10/11/16: Two Division employees. On 12/2/16: One Division employee.
- (c) Submitted to the agency written statements: One Division employee; none from the public.

4. A list of names and contact information, including telephone number, business address, business telephone number, electronic mail address, and name of entity or organization represented, for each person identified above in #3 (b) and (c), as provided to the agency:

Name	Entity/Organization Represented	Business Address	Telephone No./ Business Telephone No.	E-Mail Address
Omar Akel	Nevada Division of Insurance	1818 E. College Pkwy., Carson City, NV 89706		oakel@doi.nv.gov

Gennady Stolyarov II	Nevada Division of Insurance	1818 E. College Pkwy., Carson City, NV 89706		gstolyarov@doi.nv.gov
----------------------	------------------------------	---	--	-----------------------

5. A description of how comment was solicited from affected businesses, a summary of their responses, and an explanation of how other interested persons may obtain a copy of the summary.

Comments were solicited from affected businesses in the same manner as they were solicited from the public. Please see the description, summary and explanation provided above in response to question #2.

6. If after consideration of public comment the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

No public comment was received regarding this regulation.

7. (a) The estimated economic effect of the adopted regulation on the business which it is to regulate:

(1) Both adverse and beneficial effects:

Adverse: Those insurers that don't have an internal audit will absorb the cost of establishing an internal audit function.

Beneficial: Companies that are required to maintain an internal audit will be better equipped to prevent fraud from employees and the public, and the public will benefit from the requirements which prevent fraud by company management.

(2) Both immediate and long-term effects:

Adverse: Those insurers that don't have an internal audit will absorb the cost of establishing an internal audit function.

Beneficial: Companies that are required to maintain an internal audit will be better equipped to prevent fraud from employees and the public, and the public will benefit from the requirements which prevent fraud by company management.

(b) The estimated economic effect of the adopted regulation on the public:

(1) Both adverse and beneficial effects:

Adverse: No impact noted.

Beneficial: The public receives more protection against an insurance company's illegal behavior in the market.

(2) Both immediate and long-term effects:

Adverse: No impact noted.

Beneficial: The public receives more protection against an insurance company's illegal behavior in the market.

8. The estimated cost to the agency for enforcement of the adopted regulation.

No additional cost, as the Division is already enforcing similar regulations and laws.

9. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

No other regulation overlaps with this regulation.

10. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of those provisions.

None.

11. If the regulation establishes a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

None.