

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

LCB FILE NO. R156-24 – Captive Materiality

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) 694C.

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

NAC 694C.270 currently requires prior approval of material changes in a captive insurer’s business plan. The current definition of “material change” in the code defines most business plan changes as material, while most changes made by Nevada domiciled captives have an immaterial impact on the captive’s financial position.

Most Nevada captives make changes to their coverages, deductibles and pooling arrangements each year. The vast majority of Nevada captives have December 31<sup>st</sup> year ends, which causes the Division of Insurance (“DOI”) (“Division”) to often receive over 50 business plan change requests during the last two weeks of December, with January 1<sup>st</sup> effective dates.

This regulation change will allow for carriers to move forward with changes that minimally impact the premiums of their policies, while still being required to submit their proposed business plan changes to the DOI within 60 days of the effective date of the change. This regulation allows the Division to still review and determine the appropriateness of all business plan changes, while providing a more user-friendly timeline for Nevada’s domiciled captives.

Further, the Division only has one staff position serving as a captive analyst, and this change allows for a much more efficient and realistic use of DOI staff time. This regulation change will also allow the DOI to regulate captive insurance in a similar fashion to the majority of other states that regulate captive insurers.

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) A description of how public comment was solicited:

The Division’s Captive Insurance Section staff discussed the regulation and the possible impacts it could have on Nevada small businesses. The Division also sent out the proposed regulation and discussed the proposed regulation with the board of directors of the Nevada Captive Insurance Council (“NCIC”) during a meeting held on May 24, 2024. The board is made up of captive managers, actuaries, CPAs, third-party administrators and captive owners. The Division’s captive staff and the board members of the NCIC could not determine any impact this regulation would have on Nevada small business owners.

Public comment was also solicited by emailing the proposed regulation, notice of workshop, notice 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/>, the website of the Nevada Legislature, <http://www.leg.state.nv.us>, and the Nevada Public Notice website, <http://www.notice.nv.gov>. The documents were also emailed, or mailed where no email address was available, to the main library for each county in Nevada.

Public comment was also solicited at the workshop held on January 17, 2025, and at the hearing held on January 31, 2025. The public workshop and hearing took place virtually via Webex and in person at the Division's offices located at 1818 E. College Pkwy, Carson City, Nevada 89706 and 3300 W. Sahara Ave., Las Vegas, Nevada 89102.

(b) A summary of the public response:

There were no written public comments provided to the Division regarding R156-24. During the Workshop held on January 17, 2025, Renae Louis, CEO of Sotera Global Management, provided public comment on the proposed regulation and was supportive of it as written. No further public comments were provided at the Workshop or Hearing.

(c) An explanation of how other interested persons may obtain a copy of the summary:

The summary in part 2(b) above reflects the public comments and testimony that transpired with regard to regulation R156-24. A copy of said summary may be obtained by contacting [regs@doi.nv.gov](mailto:regs@doi.nv.gov).

3. The number of persons who:

- (a) Attended the hearing: 14
- (b) Testified at the hearing: 1
- (c) Submitted to the agency written statements: 0

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 part 3(b) and (c), as provided to the agency:

**Testified at the hearing:**

Name	Entity/Organization Represented	Business Address	Telephone No./ Business Telephone No.	E-Mail Address
Nick Stosic	Nevada Division of Insurance	1818 E. College Pkwy., Ste. 103, Carson City, NV 89706	(775) 687-0758	nstosic@doi.nv.gov

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

(a) A description of how comments were solicited from affected businesses:

Comments were solicited from affected businesses in the same manner as they were solicited from the public. Please see the description provided above in response to part 2(a).

- (b) A summary of the responses from affected businesses:

No written comments were received, and one favorable public comment was provided at the January 17, 2025 Workshop.

- (c) An explanation of how other interested persons may obtain a copy of the summary:

The summary in part 5(b) above reflects the public comments and testimony that transpired with regard to regulation R156-24. A copy of said summary may be obtained by email request to [regs@doi.nv.gov](mailto:regs@doi.nv.gov).

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

As there were no public comments received by the Division in opposition, no changes to the regulation were made or necessary.

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

- (1) Both adverse and beneficial effects:

- i. Beneficial: This will allow captive insurers to spread out the reporting of changes in the nature of their business, which may help limit payroll and actuarial analysis costs.
- ii. Adverse: None

- (2) Both immediate and long-term effects:

- i. Immediate: This will allow captive insurers to spread out the reporting of changes in the nature of their business, which may help limit payroll and actuarial analysis costs.
- ii. Long-Term: This will allow captive insurers to spread out the reporting of changes in the nature of their business, which may help limit payroll and actuarial analysis costs.

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

- (1) Both adverse and beneficial effects:

- i. Beneficial: None, as captive insurers are private insurers created to insure risks of the parent company. No impact on the public.
- ii. Adverse: None, as captive insurers are private insurers created to insure risks of the parent company. No impact on the public.

- (2) Both immediate and long-term effects:

- i. Immediate: None, as captive insurers are private insurers created to insure risks of the parent company. No impact on the public.
- ii. Long-Term: None, as captive insurers are private insurers created to insure risks of the parent company. No impact on the public.

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

This regulation will reduce the cost for enforcement, as there will be a longer period for staff to review business plan changes.

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.

This regulation will not overlap or duplicate regulations of any other state or government agencies

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

N/A

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.

This regulation will not establish a new fee or increase an existing fee.