

NEVADA LEGISLATIVE COUNSEL BUREAU
STAFF STUDY ON STATE INSURANCE
POLICIES AND PROCEDURES



Bulletin No. 124

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

NEVADA LEGISLATIVE COUNSEL BUREAU
STAFF STUDY ON STATE INSURANCE
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LEGISLATIVE COMMISSION

Carl F. Dodge
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Zelvin D. Lowman
Donald R. Mello
Roy L. Torvinen

Assembly Concurrent Resolution No. 46—Committee on Ways and Means

FILE NUMBER.....112

ASSEMBLY CONCURRENT RESOLUTION—Directing the legislative commission to conduct a study of state insurance policies and procedures and report to the next session of the legislature.

WHEREAS, A diversity of proposals has been presented to the 57th session of the Nevada legislature concerning the various state insurance policies, including group health and life, fire, casualty and liability policies, and the methods of procuring and paying for these policies, and the matter is one of such complexity as to warrant its study in depth; now, therefore, be it

Resolved by the Assembly of the State of Nevada, the Senate concurring, That the legislative commission is hereby directed to conduct a complete study of state insurance matters, including insurance of the state against tort liability and insurance of public employees, but excluding industrial insurance, and to determine the necessary areas for coverage, the appropriate procedures for obtaining policies and the best methods for paying premiums; and be it further

Resolved, That the legislative commission report the results of such study and make recommendations for proposed legislation to the 58th session of the Nevada legislature.

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REPORT OF THE LEGISLATIVE COMMISSION

This report is submitted in compliance with Assembly Concurrent Resolution No. 46 of the 57th Session of the Nevada Legislature, which directed the Legislative Commission to conduct a study of state insurance policies and procedures and report to the next session of the legislature. The Legislative Commission directed that the study would be a staff study conducted by Messrs. John F. Dolan of the office of Fiscal Analysis and Scott Heaton of the Legal Division of the Legislative Counsel Bureau.

We wish to acknowledge the cooperation of Mr. Larry Kees and Mr. Oliver Bolton of the Nevada Independent Insurance Agents, Mr. Howard E. Barrett, Mr. Dick L. Rottman and Mr. Michael L. Melner of the Insurance Placement Committee, Dr. Neil Humphrey and Mrs. Janet McDonald of the University of Nevada System, Mr. Robert Gagnier of the State of Nevada Employees' Association, and Mr. Earl T. Oliver, Mr. John R. Crossley and Mr. Michael L. Medema of the Legislative Auditor's Office. These individuals bear no responsibility for the findings of the study, but have graciously contributed their time and knowledge to discussions of the subject matter.

The report was accepted by the Legislative Commission at its October 1974 meeting.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
October 1974

STATE INSURANCE POLICIES AND PROCEDURES

I. Introduction

This study was commissioned by Assembly Concurrent Resolution No. 46 of the 1973 session of the Nevada legislature. The resolution directed the Legislative Commission to conduct a study of state insurance matters, "including insurance of the state against tort liability and insurance of public employees, but excluding industrial insurance * * *." Specifically, the resolution directed the study "to determine the necessary areas for coverage, the appropriate procedures for obtaining policies and the best methods for paying premiums." The Legislative Commission directed a staff study without a subcommittee and assigned the study to the Office of Fiscal Analysis in the Legislative Counsel Bureau.

The current study of state insurance policies and procedures was facilitated by several recent studies on related topics. Especially helpful were Legislative Counsel Bureau Bulletin No. 41 entitled "A Study of State Bonding and Insurance Problems," a 1972 study commissioned by the Department of Administration concerning an "Evaluation of Insurable Exposures, Insurance Programs and Self-Insurance Feasibility for the State of Nevada," two 1973 studies conducted for the University of Nevada called "Analysis of General Insurance Programs for the University of Nevada System" and "Analysis of Insurance Department Operations for the University of Nevada System," and, finally, a current audit of the Nevada bond trust fund by the Legislative Auditor. In addition, the various insurance policies were available for review as well as the annual insurance proposal and review offered to the State of Nevada by the Nevada Independent Insurance Agents.

The areas of exposure or insurance that this study examines include aircraft, automobiles, buildings and contents, boiler and machinery, bonds, crime, general liability, and employee group life, health and accident. The operation of the bond trust fund has not been included in this study since it is currently being examined by the Legislative Auditor. The findings of this audit, however, have been incorporated in this study.

II. Current Procedures for Obtaining Insurance Policies and Paying Premiums

There are several agencies that are involved in the operation of the insurance coverages for the state and its employees. These include the State Board of Finance, the State Board of Examiners, the Controller's Office, the Budget Division, the Insurance Division, the Committee on Group Insurance, the Nevada Independent Insurance Agents and many individual state agencies. To provide an overview of the current procedures for obtaining insurance policies and paying premiums it is useful to classify the exposures into broad groupings of property and its related liability--liability resulting from the state's waiver of sovereign immunity and employee life, accident and health benefits. Each of these groupings is discussed, in turn, below.

Insurance on Property and its Related Liability

The pertinent statutes covering this insurance include:

1. NRS 353.270, which requires the State Board of Finance (Governor, Controller, Treasurer and two other members appointed by the Governor) to place all insurance required by the State of Nevada upon its property.
2. NRS 353.273, which creates an insurance premium revolving fund for the Budget Division to accumulate agency prorata premiums and pay the insurer.
3. NRS 679B.120, which empowers the Insurance Commissioner, subject to applicable laws, to direct all insurance transactions between the state and insurers.

As cited above, NRS requires the State Board of Finance to place all insurance required by the state upon its property. The board has delegated the placing of this insurance to an Insurance Placement Committee composed of the Commissioner of Insurance as Chairman, and the Director of the Department of Commerce, the Superintendent of Banks, and Director of the Department of Administration as members. The board has directed that the Insurance Placement Committee must deal only with the Nevada Independent Insurance Agents (NIIA) as the state's

authorized insurance representative. The exposure to loss handled by this procedure includes aviation, buildings and contents, automobiles, boiler and air conditioning machinery, crime, liability and fidelity bonding of employees.

The NIIA is a nonprofit statewide association of independent insurance agents. The NIIA exists for the dual purposes of accomplishing its association objectives, and

To advise and counsel government agencies within the State of Nevada with regard to insurance programs, and to accept and service insurance written by such agencies for the purpose of removing the placement of such business from political favoritism or influence and of effecting suitable coverage at the lowest ultimate cost to taxpayers. (NIIA Articles of Incorporation.)

In its capacity as the state's insurance representative, the NIIA works with the State Insurance Placement Committee and other state agencies to design, bid and award insurance policies to insurance carriers authorized to do business in the state. The NIIA has an association five-member placement committee and a full-time Placement Administrator to assist the state in its risk management. The Placement Administrator maintains his office in Carson City and is continually available to answer insurance questions and provide insurance services to the various state agencies.

Through the efforts of the State Insurance Placement Committee and the NIIA, there has been significant improvement in the overall state insurance management compared to the situation reported by the 1960 Legislative Bulletin No. 41. Exposures are more systematically analyzed, coverages have been consolidated in several areas, professionally developed specifications are used for bidding insurance and the agencies are better informed of the insurance in force.

Blanket or portfolio policies have been negotiated for many of the areas of exposure. These generally cover all of the various state agencies under a master policy. Blanket policies are currently in effect for aviation, buildings and contents, automobile

fleets (except the Highway Department and Nevada Industrial Commission), boiler and air conditioning machinery, fidelity bonds (except UNS, NIC and employees required by law to furnish individual bonds) and excess liability (except UNS and the National Guard).

All of the above policies have been placed through the NIIA. The blanket policy premiums are prorated to the various state agencies by the Budget Division and the state agencies transfer their share of the premiums to the insurance premium revolving fund. When the total amount to meet the premium has been transferred to the insurance premium revolving fund, the Budget Division initiates a voucher payable to produce a state warrant to meet the total premium.

Special categories that are not included in the blanket policies, such as the highway automobile fleet, are billed and pay directly. The internal audit section of the UNS Chancellor's Office acts as the insurance manager for the UNS and prorates and collects premiums among the divisions of the UNS.

Liability Resulting from the State's Waiver of Sovereign Immunity

The pertinent statutes covering this exposure are contained in NRS 41.031 to NRS 41.039, inclusive. Most of these sections were added to NRS in 1965 when the legislature waived the sovereign immunity for the state and its political subdivisions from liability arising out of tort up to a limit of \$25,000 per claimant. The state is, therefore, subject to legal action in tort arising out of its actions and those of its employees and officials. To date, court tests have upheld the \$25,000 statutory limitation.

Currently, the state has a combination of self-insurance, total insurance (automobile related and all UNS operations) and excess liability insurance. Automobile accidents resulting in bodily injury and property damage are totally insured by the state. All operations of the UNS are fully insured by the university. All other operations of the state are either self-insured or covered by excess liability insurance.

The excess liability policy insures the state in those cases where multiple claims arising out of a single occurrence exceed \$100,000. The insurance thus takes effect only if there are

more than four claims for \$25,000 resulting from a single occurrence. The state excess liability policy is placed through the NIIA. The UNS places its liability insurance directly.

The state (except for auto liability and the UNS) is, therefore, self-insured for tort claims up to \$100,000.

Tort claims which fall within the self-insurance program can be satisfied either by payment from the reserve for statutory contingency fund or by legislative appropriations. Tort claims up to \$15,000 may be paid from the reserve for statutory contingency fund after review and approval by the Board of Examiners. Claims in excess of \$15,000 and up to \$100,000 can only be satisfied by legislative appropriation. The 1973 legislature appropriated a total of \$232,381 for tort settlements and judgments.

A pressing problem in the area of tort liability, which will be explored more fully later in this study, is the status of the state employee. The state has a limited tort liability of \$25,000, while its employees are fully subject to suit for any alleged negligence arising from their actions as agents of the state. In actions against the state and its agents to the extent that damages exceed the \$25,000 limit, claimants can allege that the agent is also to blame and, therefore, subject to damages in excess of the \$25,000. This situation places a burden upon state employees which private employees do not have to contemplate.

Group Insurance for State Officers and Employees

The pertinent statutes relating to group life, accident and health insurance are NRS 287.041 to 287.049, inclusive. The group insurance for the state is managed by a committee on group insurance created by NRS 297.041. The five-member committee on group insurance is composed of two members selected by the Board of Directors of the Nevada State Employees' Association, two members appointed by the Governor and the Director of the Department of Administration. The committee is provided with technical advice by the Insurance Division as specified in NRS 679B.120. The committee has the authority to design, bid and purchase policies of life, accident or health insurance and to negotiate and contract with political subdivisions which desire to participate in the state's group insurance program.

Membership in the group insurance program is voluntary and the employees, therefore, can elect not to participate. The various state agencies pay a part of the cost of the monthly premiums and the maximum monthly agency contributions are specified by statute for each year of the biennium. The agency contributions are included in the executive budget for review and approval by the legislature. For the past several bienniums, the state contribution has been designed to provide for the employee share of the premium and the employee contributes the dependent share. The individual premiums are deducted through the payroll process and the State Controller makes the aggregate monthly payment to the insurer.

III. Summary of State Insurance in Force

The following table displays a summary of the state insurance in force during 1974-75. This summary was prepared from information supplied by the Nevada Independent Insurance Agents and agency responses to a questionnaire.

STATE INSURANCE IN FORCE
1974-75

<u>Department</u>	<u>Coverage</u>	<u>Amount</u>	<u>Annual Premium or Deposit</u>
<u>Aviation Related Insurance</u>			
State of Nevada	Aircraft Hull and Liability	Various	\$ 8,261
Desert Research Institute	Aircraft Hull and Liability	\$2,500,000 BI and PD	6,225
University System	Non-owned Aircraft Liability	\$500,000 BI; \$500,000 PD	693
<u>Automobile Related Insurance</u>			
State of Nevada	Fleet Automobiles	\$500,000 BI; \$100,000 PD	108,308
Highway Department	Fleet Automobiles	\$500/\$500,000 BI; \$100,000 PD	80,477
<u>Property Related Insurance</u>			
State of Nevada	Blanket Buildings and Contents	\$154,000,000 ⁺	256,812
Computer Facility	EDP Equipment and Media	Various	6,962
University System	Library Contents	\$18,000,000 ⁺	11,619
University System	Silver Collection	\$28,255	53
University System	Art Exhibits	\$19,000	257
University System	Property Located Out of State	\$542,000	3,252
Employment Security Department	Building (including OLT liability)	\$1,167,963 Bldg. and Extra Expense; \$500,000 BI	817
Highway Department	Contractors Equipment	\$4,200,000 ⁺	13,677
Highway Department	Valuable Paper	\$15,000	35

STATE INSURANCE IN FORCE
1974-75
(Continued)

<u>Department</u>	<u>Coverage</u>	<u>Amount</u>	<u>Annual Premium or Deposit</u>
	<u>Property Related Insurance</u>		
	(Continued)		
Museum	Boat Model on Loan	\$750	\$ 8
Legislative Counsel Bureau	Valuable Papers	\$320,000	762
Legislative Counsel Bureau	Fine Arts	\$4,210	50
Fish and Game	Hull Coverage on Boats	Various	2,099
Health Division	Hull Coverage on Boats	\$1,635	47
Parks Division	Hull Coverage on Boats (including liability)	\$7,219; \$300,000 BI	394
Board of Professional Engineers	Office Contents	\$4,000	50
Board of Public Accountants	Office Contents	\$4,000	18
	<u>Boiler and Machinery Related Insurance</u>		
State of Nevada	Boilers and Air Conditioning Machinery	\$1,000,000	22,013
	<u>Faithful Performance Bonds*</u>		
State of Nevada	Blanket (except NIC and UN)	\$200,000	4,358
Fish and Game	Named Officials	Various	1,742
Insurance Division	Commissioner	\$50,000	175
Military Department	Adjutant General	\$10,000	50
Prison	Warden	\$20,000	70
Real Estate Division	Administrator	\$25,000	88

STATE INSURANCE IN FORCE
1974-75
(Continued)

<u>Department</u>	<u>Coverage</u>	<u>Amount</u>	<u>Annual Premium or Deposit</u>
<u>Crime Insurance</u>			
University System	Blanket Employee Dishonesty	\$100,000 Dishonesty; \$10,000 in; \$5,000 out	\$ 8,200
Motor Vehicles Department	Burglary on Money	\$76,000	706
Tax Commission	Money and Securities	\$5,000 in; \$2,000 out	552
Treasurer	Bank Burglary and Robbery	\$2,000,000	3,208
Treasurer	Safe Burglary and Robbery	\$20,000	520
<u>Liability Insurance</u>			
State of Nevada (except UNS)	Bodily Injury and Property Damage	\$100,000 - \$10,000,000	51,000
Fish and Game	BI and PD on Watercraft	\$1,000,000 BI; \$25,000 PD	1,012
Highway Department	OLT Liability on Right of Way Property	\$100,000 BI; \$100,000 PD	317
State Hospital	Hospital Profession Liability for Nursing Students	\$25/\$100,000	200
Museum	OLT Liability	Various	160
Board of Public Accountants	Comprehensive General	\$300,000 BI; \$5,000 PD	79
Board of Public Accountants	Umbrella	\$1,000,000	180
University System	Accidental Death - GUE Employees	\$100,000/\$300,000 BI; \$100,000 PD	375
University System	Primary Liability - 3rd Party	\$500,000 BI; \$500,000 PD	12,337
University System	Student Tours Bodily Injury	\$500,000 BI	540
University System	Umbrella Excess - 3rd Party	Various	2,750
University System	Board of Regents Indemnity	\$1,000,000	4,354

IV. Findings and Recommendations

General Findings and Recommendations

It appears that the state has generally improved its overall risk management procedures since this subject was studied by the Legislative Commission in 1960. The Insurance Placement Committee and the NIIA have worked to provide insurance where a need existed, to consolidate coverages when possible, to develop specifications and bid the insurance policies and to keep the state agencies advised of coverages provided by the insurance policies. Before 1967, the general fund supported an inequitable insurance premium on assets owned by other funds. Currently, the proration of the blanket policy premiums through the insurance premium revolving fund provides that the responsible fund sources contribute an equitable premium.

A shortcoming that currently exists in the state's risk management is the fragmentation of responsibility between the Board of Finance and the Board of Examiners. Centralization of the risk management responsibility is recommended by most authorities including the American Management Association which observes:

For any company or group of companies under one control, there should be one person with express general responsibility for risk management. Central control is essential. There may be risk managers in subsidiaries or conglomerate members, but they should function as a team with a captain. Insurance buying power can then be used to best advantage, interdependencies covered, and money for loss prevention spent where it will accomplish most. (AMA Management Handbook, p. 9.14.)

The Board of Finance has the responsibility of placing insurance on state property. It does not have the authority for insuring liability exposures. The Board of Examiners has the responsibility for receiving, investigating and settling (up to \$15,000) tort claims against the state. The Budget Director, Ex Officio Clerk of the Board of Examiners, has

the responsibility of maintaining the insurance premium revolving fund to pay insurers. The Budget Director also publishes the State Administrative Manual which informs the agencies of the insurance coverages and claims procedures. As a matter of actual practice, the state agencies contact the Budget Division for any questions they have concerning insurance. If the Budget Division cannot answer the question, the agency is referred to the NIIA. It is, therefore, recommended that NRS 353.270 be amended to centralize the responsibility for risk management on state property and liability exposures with the Board of Examiners. This recommendation is in line with a recent study by the Financial Executives Institute that indicates that insurance can best be centrally administered as part of the financial function.

To assist the Board of Examiners in the risk management responsibility, it is recommended that the state hire a professional risk manager. Risk management is a technical field and with annual state insurance premiums (exclusive of group insurance) in excess of \$600,000, the state has a significant financial interest in effective, informed risk management. This recommendation is not a criticism of the services provided by the NIIA, but rather an attempt to consolidate the current in-house insurance functions being done by the Budget Division and the UNS internal audit with a qualified professional risk manager.

A similar conclusion was reached by the UNS insurance consultants who recommended:

The University's overall insurance function be consolidated into a single Risk Management Department and combined with the State so that both might benefit from the application of Risk Management principles which they currently lack * * *.

The UNS consultants continued:

The Risk Management Department reports directly to the Director of the Department of Administration if a combined State-University department can be accomplished * * *.

It is estimated that provision for a risk manager, clerical assistance and necessary operating expenses can be funded from insurance premium savings resulting from a later recommendation for self-retention of a portion of risk on buildings and contents and automobile physical damage.

Specific Exposure Findings and Recommendations

Creation of a State Insurance Reserve Fund

Legislative Counsel Bureau Bulletin No. 41, the American Management Association and the insurance consultant to the Department of Administration have all recommended some self-retention of risk on state buildings and contents. The NIIA has recommended self-retention of risk on automobile physical damage. The state currently is self-insured for tort claims up to \$100,000. It is, therefore, recommended that the legislature create a state insurance reserve fund for the self-assumption of risk on buildings and contents, automobile physical damage and tort claims currently self-insured. The state insurance reserve fund should be directed by the Board of Examiners with daily administration by the professional risk manager.

The Legislative Auditor has recently recommended that the state bond trust fund be abolished and the fund equity transferred to the general fund. Rather than transfer this fund equity to the general fund, it is recommended that \$1,250,000 of the bond trust fund equity be "loaned" to the state insurance reserve fund to provide the initial reserves for a program of self-assumption of risk. Normal losses and expenses (including reinsurance) should be able to be met out of premiums paid into the insurance reserve fund and "profit" generated should be first used to repay the initial loan of \$1,250,000. After the initial loan is repaid, profits can be returned to the agencies, used to lower or defer premiums, or used to increase the state retentions before reinsurance is increased. Following the advice of the study prepared for the Department of Administration, it is recommended that the state insurance reserve fund be reinsured with commercial reinsurance subject to retentions and aggregate stop-loss recommended by the risk manager.

The risk manager's initial responsibility would be to develop the mechanics of the program--perils insured, loss settlement and valuation, deductibles, reinsurance, rates and inspections. The expenses of the manager could be initially met from the interest generated by the loan to the insurance reserve fund.

Tort Liability of State Employees

The combination of the state's limited waiver of sovereign immunity and self-assumption of risk for tort claims up to \$100,000 has created an awkward position for state officers and employees. The state can only be liable for tort damages of \$25,000 per claimant. Therefore, it appears that claimants may sue the employee individually for damages in excess of the \$25,000.

Since the state's insurance policy contains a deductible of \$100,000, there is no insurance protection for the employee between the \$25,000 statutory limit and the \$100,000 deductible. The \$75,000 gap appears to fall solely upon the individual employee.

The NIIA has approached several companies on primary liability coverage for the employee only and, to date, no carrier has indicated a willingness to insure the employee only. State employees, particularly those in the medical field, are becoming increasingly apprehensive about the lack of liability protection and many budget requests ask authority and funds to insure individually their employees.

Most of the legislative remedies for the employee involve legal questions concerning the further waiver of immunity by the state.

Some of the options for relief are discussed below, but it remains for the courts to determine ultimately the questions raised. The options are included for discussion and no recommendations are made.

Among the options available to the legislature is the purchase of insurance for the state and its employees for \$75,000 excess of \$25,000 per claimant. The carriers have indicated a willingness to write this coverage for an annual premium of \$15,000 to

\$17,000. As discussed, the question with this approach is the potential of insurance in excess of the state's limit constituting a further waiver of immunity. A similar option, with similar questions, is allowing the state to self-insure the employee through the state insurance reserve fund. Draft legislation to implement this procedure is included in the appendix.

Another problem facing the employee is the costs of defense in actions sounding in tort. The state can defend itself through the Office of the Attorney General and NRS 41.038 provides that the state may "insure against the expense of defending a claim against itself * * *." No such protection is afforded to the employee. It is recommended that the state provide for the defense of its employees by its legal officer, or through state supported private attorneys.

Group Insurance

Two questions concerning employee group insurance are the feasibility of self-insurance for these benefits and the impact of national health insurance on the state's group insurance.

Because of the possible impact of national health insurance, it does not seem wise to move rapidly into any self-funded plan until national health insurance is a reality. A more prudent approach would be to wait until the national program is completed and then study both its impact on private group insurance and its relationship to any self-funded employee group benefits. It is recommended that the Board of Examiners be appropriated \$10,000 from the general fund for a feasibility study on self-funded group insurance including the impact of national health insurance on employee group benefits. If the study indicates positive benefits to the state and its employees, the Board of Examiners and the Committee on Group Insurance could implement a self-funded plan.

The balance of the fund equity in the bond trust fund not loaned to the insurance reserve fund could be loaned to any self-funded plan of group life, health and accident benefits to establish the initial reserves. It is estimated that this loan would amount to approximately \$250,000.

APPENDIX

PERTINENT STATUTES

- A. Insurance and insurance funds--NRS 353.270-353.275.
- B. Liability of and actions against the state, its agencies and political subdivisions--NRS 41.031-41.039.
- C. Group Insurance for state officers and employees--NRS 287.041-287.049.

Draft Legislation

- D. AN ACT relating to state insurance; placing responsibility for state insurance with the Board of Examiners; creating the state insurance reserve fund; transferring fund equities to the state insurance reserve fund; and providing other matters properly relating thereto.
- E. AN ACT relating to actions against public officers and employees; providing for the defense of such actions; limiting the amount recoverable in an action sounding in tort; providing for the payment of tort claims; and providing other matters properly relating thereto.
- F. AN ACT relating to group life, health, and accident benefits for public employees; providing for a feasibility study to consider self-funding of such protection; creating the public employees' group insurance reserve fund; transferring fund equities to the public employees' group insurance reserve fund; making an appropriation; and providing other matters properly relating thereto.

Insurance and Insurance Funds

353.270 State board of finance to insure state buildings.

1. The state board of finance shall place all insurance required by the State of Nevada upon its property, dealing only with companies authorized to do business in the state.

2. The state board of finance is authorized to use the facilities of the office of the commissioner of insurance to carry out the provisions of this section.

[135:189:1941; A 1949, 282; 1943 NCL § 3656.135] + [136:189:1941; A 1949, 282; 1943 NCL § 3656.136]—(NRS A 1967, 1097)

353.273 Insurance premium revolving fund: Creation; receipts and expenditures.

1. There is hereby created in the state treasury an insurance premium revolving fund to be maintained for the use of the budget division of the department of administration.

2. Each state agency shall deposit in the insurance premium revolving fund an amount equal to its respective insurance premium, as determined by the budget division.

3. Expenditures from the insurance premium revolving fund shall be made by the budget division of the department of administration to the insurer for premiums of state agencies as they fall due.

(Added to NRS by 1967, 158)

353.275 Insurance recovery funds in state treasury: Creation; expenditure; reversion; deposits in state highway fund.

1. From time to time as may be necessary, insurance recovery funds may be created in the state treasury. All moneys, except as provided in subsection 4, received from insurance companies in payment of losses incurred upon buildings and other property belonging to the state shall be deposited in such funds.

2. Moneys in insurance recovery funds may be expended by the board, commission or officer having control or management of the buildings or other property injured or destroyed. Moneys in such funds may be expended only for the repair, replacement or reconstruction of buildings or other property injured or destroyed, and the moneys shall be paid out on claims as other claims against the state are paid.

3. Any unexpended portions remaining in such insurance recovery funds on a date 3 years after the creation of such funds shall revert to the general fund.

4. The provisions of this section do not apply to moneys received from insurance companies in payment of losses incurred upon buildings and other property controlled and administered by the department of highways of the State of Nevada. Such moneys shall be deposited in the state highway fund.

[1:59:1953] + [2:59:1953] + [3:59:1953]—(NRS A 1959, 574)

**Liability of and Actions Against the State,
Its Agencies and Political Subdivisions**

41.031 Waiver by state, its agencies and political subdivisions of immunity from liability and action; actions; State of Nevada as defendant; service of summons. The State of Nevada hereby waives its immunity from liability and action and hereby consents to have its liability determined in accordance with the same rules of law as are applied to civil actions against individuals and corporations, except as otherwise provided in NRS 41.032 to 41.038, inclusive, provided the claimant complies with the limitations of NRS 41.032 to 41.036, inclusive, or the limitations of NRS 41.010. The State of Nevada further waives the immunity from liability and action of all political subdivisions of the state, and their liability shall be determined in the same manner, except as otherwise provided in NRS 41.032 to 41.038, inclusive, provided the claimant complies with the limitations of NRS 41.032 to 41.036, inclusive. An action may be brought under this section against the State of Nevada, any agency of the state, or any political subdivision of the state. In an action against the state or any agency of the state, the State of Nevada shall be named as defendant, and the summons shall be served upon the secretary of state.

(Added to NRS by 1965, 1413)

41.032 Conditions and limitations on actions: Employees' acts or omissions. No action may be brought under NRS 41.031 or against the employee which is:

1. Based upon an act or omission of an employee of the state or any of its agencies or political subdivisions, exercising due care, in the execution of a statute or regulation, whether or not such statute or regulation is valid, provided such statute or regulation has not been declared invalid by a court of competent jurisdiction; or

2. Based upon the exercise or performance or the failure to exercise or perform a discretionary function or duty on the part of the state or any of its agencies or political subdivisions or of any employee of any of these, whether or not the discretion involved is abused.

(Added to NRS by 1965, 1413; A 1967, 992)

41.033 Conditions and limitations on actions: Failure to inspect, discover. No action may be brought under NRS 41.031 or against the employee which is based upon:

1. Failure to inspect any building, structure or vehicle, or to inspect the construction of any street, public highway or other public work to determine any hazards, deficiencies or other matters, whether or not there is a duty to inspect;

2. Failure to discover such hazard, deficiency or other matter, whether or not an inspection is made.

(Added to NRS by 1965, 1413; A 1967, 993)

41.0335 Conditions and limitations on actions: Acts, omissions of sheriffs' deputies, police officers.

1. No action may be brought against:

(a) Any sheriff which is based solely upon any act or omission of a deputy; or

(b) A chief of a police department which is based solely upon any act or omission of an officer of such department.

2. Nothing contained in this section shall be construed:

(a) To limit the authority of the state or a political subdivision or a public corporation of the state to bring an action on any bond or insurance policy provided pursuant to law for or on behalf of any person who may be aggrieved or wronged.

(b) To limit or abridge the jurisdiction of any court to render judgment upon any such bond or insurance policy for the benefit of any person so aggrieved or wronged.

(Added to NRS by 1969, 563)

41.035 Limitation on award for damages in action sounding in tort.

1. No award for damages in an action sounding in tort brought under NRS 41.031 may exceed the sum of \$25,000, exclusive of interest computed from the date of judgment, to or for the benefit of any claimant. No such award may include any amount as exemplary or punitive damages.

2. The limitations of subsection 1 upon the amount and nature of damages which may be awarded apply also to any action sounding in tort and arising from any recreational activity or recreational use of land or water which is brought against:

(a) Any public or quasi-municipal corporation organized under the laws of this state.

(b) Any person with respect to any land or water leased or otherwise made available by such person to any public agency.

(c) Any Indian tribe, band or community whether or not a fee is charged for such activity or use. The provisions of this paragraph shall not impair or modify any immunity from liability or action existing on February 26, 1968, or arising after February 26, 1968, in favor of any Indian tribe, band or community.

The legislature declares that the purpose of this subsection is to effectuate the public policy of the State of Nevada by encouraging the recreational use of land, lakes, reservoirs and other waters owned or controlled by any public or quasi-municipal agency or corporation of this state, wherever such land or water may be situated.

(Added to NRS by 1965, 1414; A 1968, 44; 1973, 1532)

41.036 Conditions, limitations on actions against state, counties, cities, unincorporated towns, other political subdivisions.

1. No action shall be brought under NRS 41.031 against a county without complying with the requirements of NRS 244.245 to 244.255, inclusive, or against a city without complying with the requirements of NRS 268.020, or against an unincorporated town without complying with the provisions of NRS 269.085, or against the state or any agency or other political subdivision of the state without complying with the requirements of subsection 2 or 3 of this section.

2. Every claim against the state arising out of contract shall be presented in accordance with the provisions of NRS 353.085 or 353.090, and every claim for refund in accordance with the provisions of NRS 353.110 to 353.120, inclusive. Every other claim against the state or any of its agencies shall be presented to the ex officio clerk of the state board of examiners within 6 months from the time the cause of action accrues. He shall within 10 days refer each such claim to the appropriate state agency, office or officer for investigation and report of findings to the board. No action may be brought unless the board refuses to approve or fails within 90 days to act upon the claim.

3. Every claim against any other political subdivision of the state shall be presented, within 6 months from the time the cause of action accrues, to the governing body of that political subdivision. No action may be brought unless the governing body refuses to approve or fails within 90 days to act upon the claim.

(Added to NRS by 1965, 1414; A 1969, 1117)

41.037 Administrative settlement of claims. Upon receiving the report of findings as provided in subsection 2 of NRS 41.036, the state board of examiners may allow and approve any claim against the state or any of its agencies arising under NRS 41.031 to the extent of \$15,000. Upon approval of any claim by the state board of examiners, the state controller shall draw his warrant for the payment thereof, and the state treasurer shall pay the same from the reserve for statutory contingency fund. The governing body of any political subdivision whose authority to allow and approve claims is not otherwise fixed by statute may allow and approve any claim against that subdivision arising under NRS 41.031 to the extent of \$15,000 and pay it from any funds appropriated or lawfully available for such purpose.

(Added to NRS by 1965, 1414; A 1973, 1532)

41.038 Insurance of state, political subdivisions, officers, employees against liability.

1. The state and any political subdivision may:

(a) Insure itself against any liability arising under NRS 41.031.

(b) Insure any of its officers or employees against tort liability resulting from an act or omission in the scope of his employment.

(c) Insure against the expense of defending a claim against itself whether or not liability exists on such claim.

2. Any school district may insure any peace officer, requested to attend any school function, against tort liability resulting from an act or omission in the scope of his employment while attending such function.

(Added to NRS by 1965, 1414; A 1969, 272, 564)

41.039 Filing of valid claim against political subdivision condition precedent to commencement of action against employee, officer. An action which is based on the conduct of any employee or appointed or elected officer of a political subdivision of the State of Nevada while in the course of his employment or in the performance of his official duties may not be filed against such employee or officer unless, prior to the filing of the complaint in such action, a valid claim has been filed, pursuant to NRS 41.031 to 41.038, inclusive, against the political subdivision for which such employee or officer was authorized to act.

(Added to NRS by 1968, 27)

Group Insurance for State Officers and Employees

287.041 Committee on group insurance: Creation; composition.

There is hereby created the committee on group insurance to be composed of five members as follows:

1. Two members shall be selected by the board of directors of the Nevada State Employees' Association.
 2. One member shall be the director of the department of administration.
 3. Two members shall be appointed by the governor.
- (Added to NRS by 1963, 1319; A 1967, 1580)

287.042 Committee on group insurance: Quorum; compensation of members.

1. A majority of the members of the committee on group insurance shall constitute a quorum for the transaction of business.
 2. No member may receive any compensation for his services.
- (Added to NRS by 1963, 1319)

287.043 Committee on group insurance: Powers and duties. The committee on group insurance shall:

1. Act as an advisory body on matters relating to group life, accident or health insurance, or any combination thereof, for the benefit of all such state officers and employees.
 2. Negotiate and contract with the governing body of any public agency enumerated in NRS 287.010 which is desirous of obtaining group insurance for its officers and employees by participation in the state group insurance program.
 3. Purchase policies of life, accident or health insurance, or any combination thereof, from any insurance company qualified to do business in this state for the benefit of all eligible state officers and employees who elect to participate in the state's group insurance program.
 4. Adopt such regulations and perform such other duties as may be necessary to carry out the provisions of NRS 287.041 to 287.049, inclusive.
- (Added to NRS by 1963, 1319; A 1965, 1026; 1969, 466)

287.044 Payment by state department, agency or commission, public agency of part of cost of monthly premiums of group insurance.

1. A part of the cost of the monthly premiums of such group insurance, not to exceed \$21.49 for the fiscal period beginning January 1, 1973, and ending June 30, 1974, or \$23.64 for the fiscal year 1974-1975, applied to both group life and group accident or health coverage, for each state or other participating officer or employee electing to participate in the group insurance program, may be paid by the department, agency, commission or public agency which employs the officer or employee in whose behalf such part is paid from funds appropriated to or authorized for such department, agency, commission or public agency for such purpose.

2. No department, agency, commission or public agency shall pay any part of such premiums if the group life insurance or group accident or health insurance is not approved by the committee on group insurance.
(Added to NRS by 1963, 1320; A 1965, 1026; 1967, 1580; 1969, 466; 1971, 509; 1973, 261)

287.045 Eligibility of state, public agency officers, employees to participate in state's group insurance program.

1. Every state officer or employee who is employed on a permanent and full-time basis on July 1, 1963, shall be eligible immediately to participate in the state's group insurance program.

2. Except as provided in subsection 3, every officer or employee of the state who commences his employment after July 1, 1963, shall be eligible to participate in such program upon the completion of 90 days of full-time employment.

3. Professional employees of the University of Nevada System with annual employment contracts shall be eligible to participate in such program upon the effective dates of their respective employment contracts.

4. Every officer or employee who is employed by a participating public agency on a permanent and full-time basis on the date such agency enters into an agreement to participate in the state's group insurance program, and every officer or employee who commences his employment after that date upon completion of 90 days of full-time employment, shall be eligible to participate in the state's group insurance program.

(Added to NRS by 1963, 1320; A 1965, 124, 1026; 1967, 1581; 1969, 466, 1428)

287.046 Payment of state's, public agency's share of cost of premiums; deductions from employee's compensation for premium payments. Any state or other participating officer or employee who elects to participate in the state's group insurance program shall be entitled so to participate, and the department, agency, commission or public agency which employs such officer or employee shall pay the state's share of the cost of the premiums of such group insurance from funds appropriated or authorized as provided in NRS 287.044. Employees who elect to participate in the state's group insurance program shall authorize deductions from their compensation for the payment of premiums on such insurance.

(Added to NRS by 1963, 1320; A 1965, 1026; 1969, 467)

287.047 State, public agency officer or employee may retain membership in group insurance program on termination of employment. Upon the termination of his employment, any state or other participating officer or employee may, for any purpose, elect to retain his membership in the state's group insurance program if the retention of such membership is consistent with the terms of any agreement between the state and the insurance company which issued the policies pursuant to such program, but no part of the cost of the group insurance premiums shall thereafter be paid by the department, agency, commission or public agency which employed such officer or employee.

(Added to NRS by 1963, 1320; A 1965, 1027; 1969, 467)

287.048 Membership in group insurance program not compulsory. Nothing contained in NRS 287.041 to 287.047, inclusive, shall be construed to make it compulsory upon any officer or employee of the State of Nevada or of a participating public agency to accept or join the state's group insurance program, or to assign his wages or salary to or authorize deductions from his wages or salary in payment of group insurance premiums.

(Added to NRS by 1963, 1320; A 1965, 1027; 1969, 467)

287.049 Cost of insurance premiums to be budgeted. The cost of insurance premiums as provided in NRS 287.044 shall be budgeted for as other expenditures of the state are budgeted for.

(Added to NRS by 1963, 1320; A 1967, 98; 1971, 509)

AN ACT relating to state insurance; placing responsibility for state insurance with the Board of Examiners; creating the state insurance reserve fund; transferring fund equities to the state insurance reserve fund; and providing other matters properly relating thereto.

Section 1. Chapter 353 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive, of this act.

Sec. 2. As used in sections 2 to 8, inclusive, of this act, "profit" means the total of the following amounts computed annually at the end of each fiscal year.

1. The amount by which the total premiums contributed to the state insurance reserve fund during the fiscal year exceeds expenditures during that period for insured losses, fund administration, contractual services and reinsurance upon property and liability exposures insured by such fund.

2. The amount of interest or other income earned upon the investment of the principal of the insurance reserve and all or any portion of premiums paid into such fund.

Sec. 3. There is hereby created in the state treasury a state insurance reserve fund to be used for the purposes of sections 2 to 8, inclusive, of this act.

Sec. 4. The state insurance reserve fund shall be administered

by the state board of examiners and consist of a minimum insurance reserve of \$1,250,000. If the year-end fund equity of the state insurance reserve fund is below the minimum reserve, the board of examiners shall restore the minimum reserve through increased premiums, general fund appropriations as approved by the legislature or any combination thereof. Any general fund appropriations made to the state insurance reserve fund shall be repaid to the general fund from the profit of the state insurance reserve fund.

Sec. 5. Each participating state agency shall deposit in the state insurance reserve fund the amount of its pro rata share of the total insurance premium cost, is less than the amount approved by the legislature for insurance expense, the board of examiners shall reduce such expense by the difference and the state controller shall transfer the difference back to the original source of funding.

Sec. 6. The state board of examiners shall:

1. Determine which state property and liability exposures shall receive coverage under the state insurance reserve fund and notify the appropriate state agency of its determination.

2. Adopt and enforce rules and regulations for the operation of, coverage under and all matters pertaining to the state

insurance reserve fund, including, but not limited to, the establishment of a coverage deductible and the purchase of commercial reinsurance.

3. Make payments from the state insurance reserve fund for the repair, replacement or reconstruction of insured property, for the settlement of insured tort claims subject to the limitations of NRS 41.035, the purchase of commercial reinsurance, and for the administration of the fund, including but not limited to, the employment of necessary personnel and contractual services.

4. Perform all other acts and functions necessary to effectively administer the state insurance reserve fund.

Sec. 7. The entire profit remaining in the state insurance reserve fund at the end of each fiscal year shall be paid by the state board of examiners into the state general fund until the initial \$1,250,000 transferred from the bond trust fund is fully repaid.

Sec. 8. When the repayment required by section 7 of this act is complete, further profit shall be added to the state insurance reserve fund, except for amounts thereof, if any, which the state board of examiners in its discretion may distribute to participating state agencies in proportion to the amount of their most recent premium payments.

Sec. 9. NRS 353.270 is hereby amended to read as follows:

353.270 1. The state board of [finance] examiners shall place all insurance required by the State of Nevada upon its property and liability exposures not insured pursuant to sections 2 to 8, inclusive, of this act, dealing only with companies authorized to do business in the state.

2. The state board of [finance] examiners is authorized to administer and control disbursement of money received from insurance companies in payment of losses incurred and to use the facilities of the office of the commissioners of insurance to carry out the provisions of this section.

Sec. 10. NRS 353.273 is hereby amended to read as follows:

353.273 1. There is hereby created in the state treasury an insurance premium revolving fund to be maintained for the use of the [budget division of the department of administration.] state board of examiners.

2. Each state agency shall deposit in the insurance premium revolving fund an amount equal to its respective insurance premium as determined by the [budget division.] state board of examiners.

3. Expenditures from the insurance premium revolving fund shall be made by the [budget division of the department of

administration] state board of examiners to the insurer for premiums of state agencies as they fall due.

4. This section does not apply to insurance maintained pursuant to sections 2 to 8, inclusive, of this act.

Sec. 11. NRS 353.275 is hereby repealed.

Sec. 12. NRS 356.087 is hereby amended to read as follows:

356.087 1. Except as provided in subsections 2 and 3, all interest paid on money belonging to the State of Nevada shall be deposited in the general fund.

2. At the end of each quarter of each fiscal year, the state treasurer shall:

(a) Compute the proportion of total deposits of state moneys pursuant to the provisions of this chapter which were attributable during such quarter to the state highway fund created by NRS 408.235;

(b) Apply such proportion to the total amount of interest paid during such quarter to the state treasurer on deposits of state moneys; and

(c) Credit to the state highway fund an amount equal to the amount arrived at by the computation in paragraph (b).

3. The legislator's retirement fund, the public employees' retirement fund, the state permanent school fund, the insurance

reserve fund and the fish and game fund shall have allocated to it its proportionate share of the interest earned and received, which interest shall be accounted for as income and an asset of such fund.

Sec. 13. There is hereby transferred from the June 30, 1975, fund equity of the bond trust fund in the state treasury the sum of \$1,250,000 to the state insurance reserve fund created pursuant to sections 2 to 8, inclusive, of this act.

AN ACT relating to actions against public officers and employees; providing for the defense of such actions; limiting the amount recoverable in an action sounding in tort; providing for the payment of tort claims; and providing other matters properly relating thereto.

Section 1. Chapter 41 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive, of this act.

Sec. 2. For purposes of sections 2 to 8, inclusive, of this act, "public entity" means the state and any political subdivision of the state.

Sec. 3. 1. If a present or former officer or employee of a public entity requests the public entity to defend him against any claims or action against him on an injury arising out of an act or omission occurring within the scope of his employment as an officer or employee of the public entity and such request is made in writing not less than 10 days before the day of trial, and the present or former officer or employee offers to reasonably cooperate in good faith in the defense of the claim or action, the public entity shall pay any judgment based thereon or any compromise or settlement of the claim or action which the public entity has agreed subject to the limitations of NRS 41.035.

2. Expenses for the retention of a private attorney for the defense of a state officer or employee shall be paid from the reserve for statutory contingency fund.

3. Expenses for the retention of a private attorney for officers or employees other than state officers or employees may be paid from any funds available to the governing board of the public entity for such general expenditures.

Sec. 4. If a public entity conducts the defense of a present or former officer or employee against any claim or action with his reasonable good faith and cooperation and subject to the limitations on awards fixed by NRS 41.035, and sections 2 to 8, inclusive, of this act, the public entity shall pay any judgment based thereon or any compromise or settlement of the claim or action to which the public entity has agreed; but where the public entity conducted such defense pursuant to an agreement with the officer or employee reserving the rights of the public entity not to pay the judgment compromise or settlement until it is established that the injury arose out of an act or omission occurring within the scope of his employment as an employee of the public entity, the public entity is required to pay the judgment, compromise or settlement only if it is established that

the injury arose out of a non-immune act or omission occurring within the scope of his employment as an employee of the public entity.

Sec. 5. 1. Subject to the limitations on awards fixed by NRS 41.035 and subsection 2 of this section, if a present or former officer or employee of a public entity pays any claim or judgment against him, or any portion thereof, that the public entity is required to pay under sections 2 to 8, inclusive, of this act, he shall be entitled to recover the amount of such payment from the public entity.

2. If the public entity did not conduct his defense against the action or claim, or if the public entity conducted such defense pursuant to an agreement with him reserving the rights of the public entity against him, a present or former officer or employee of a public entity may recover from the public entity under subsection 1 of this section only if he establishes that the act or omission upon which the claim or judgment is based occurred within the scope of his employment as an employee of the public and the public entity fails to establish that he acted or failed to act because of actual fraud, corruption or actual malice or that he willfully failed or refused to conduct the defense of the claim or action in good faith or to

reasonably cooperate in good faith the defense conducted by the public entity.

Sec. 6. 1. If a public entity pays any claim or judgment, or any portion thereof, either against itself or against a present or former officer or employee of the public entity for an injury arising out of a non-immune act or omission of the officer or employee, the public entity may recover from the officer or employee the amount of such payment if he acted or failed to act because of actual fraud, corruption or actual malice or if he willfully failed or refused to conduct the defense of the claim or action in good faith. Except as provided in subsections 2 and 3 of this section, a public entity may not recover any payments made upon judgment or a claim against the officer or employee if the public entity conducted his defense against the action or claim.

2. If the public entity pays any claim or judgment, or any portion thereof, against a present or former officer or employee of the public entity for an injury arising out of his act or omission, and if the public entity conducted his defense pursuant to an agreement with him reserving the right of the public entity against him, the public entity may recover the amount of such payment from him unless he establishes that the act or

omission upon which the claim or judgment is based occurred within the scope of his employment as an employee of the public entity and the public entity fails to establish that he acted or failed to act because of actual fraud, corruption or actual malice or that he willfully failed or refused to reasonably cooperate in good faith in defense conducted by the public entity.

3. If a public entity pays any claim or judgment, or any portion thereof, against a present officer or employee of the public entity for an injury arising out of his act or omission, and if the public entity conducted his defense against the claim or action in the absence of agreement with him reserving the rights of the public entity against him, the public entity may recover the amount of such payment from him if he willfully failed or refused to reasonably cooperate in good faith in defense conducted by the public entity.

Sec. 7. Every claim against a public entity arising out of an allegation of injury proximately caused by a tortious act or omission of a present or former officer or employee occurring within the scope of his employment with such public entity shall be presented in accordance with NRS 41.036.

Sec. 8. 1. The payment of any claims, compromises, settlements, or judgments by the state for itself or a present or former officer or employee arising from NRS 41.031 to 41.039, inclusive, and sections 2 to 8, inclusive, of this act, may be paid from the state insurance reserve fund after review and approval by the state board of examiners.

2. The payment of any claims, compromises, settlements, or judgments by a public entity other than the state for itself or a present or former officer or employee arising from NRS 41.031 to 41.039, inclusive, and sections 2 to 8, inclusive, of this act, may be paid from any funds appropriated or lawfully available for such purpose after review and approval by the governing board of the public entity.

Sec. 9. NRS 41.037 is hereby repealed.

Sec. 10. NRS 353.264 is hereby amended to read as follows:

353.264 1. There is hereby created in the state treasury the reserve for statutory contingency fund.

2. The reserve for statutory contingency fund shall be administered by the state board of examiners, and the moneys in such fund shall be expended only for:

(a) The payment of claims which are obligations of the state

under [NRS 41.037,] subsection 2 of section 3 of this act,
176.485, 179.310, 212.040, 212.050, 212.070, 214.040, 353.120
and 353.262; and

(b) The payment of claims which are obligations of the
state under NRS 7.260, 176.215, 177.345, 179.225 and 213.153,
but the use of moneys from the reserve for statutory contin-
gency fund shall be approved for the respective purposes
listed in this paragraph only when the moneys otherwise
appropriated for such purposes have been exhausted.

AN ACT relating to group life, health and accident benefits for public employees; providing for a feasibility study to consider self-funding of such protection; creating the public employees' group insurance reserve fund; transferring fund equities to the public employees' group insurance reserve fund; making an appropriation; and providing other matters properly relating thereto.

Section 1. Chapter 287 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 6, inclusive, of this act.

Sec. 2. As used in sections 2 to 6, inclusive, of this act, "profit" means the total of the following amounts computed annually at the end of each fiscal year:

1. The amount by which the total premiums contributed to the public employees' group insurance reserve fund during the fiscal year exceeds expenditures during that period for insured losses and fund administration.

2. The amount of interest or other income earned upon the investment of the principal of the fund and all or any portion of premiums paid into such fund.

Sec. 3. There is hereby created in the state treasury the public employees' group insurance reserve fund to be used for the purposes of NRS 287.041 to 287.049, inclusive, and sections 2 to 6, inclusive, of this act.

Sec. 4. 1. The public employees' group insurance reserve fund shall be administered by the state board of examiners and consist of a minimum reserve of \$250,000. If the year-end fund equity of the public employees' group insurance reserve fund is below the minimum reserve, the board of examiners shall restore the minimum reserve through increased premiums, general fund appropriations as approved by the legislature or any combination, thereof. Any general fund appropriations made to the public employees' group insurance reserve fund shall be repaid to the general fund from the profit of the state public employees' group insurance reserve fund.

2. Premiums paid and collected under NRS 287.041 to 287.049, inclusive, and sections 2 to 6, inclusive, of this act shall be deposited to the public employees' group insurance reserve fund.

3. Moneys in the fund may be expended by the state board of examiners at such times and in such amounts as may be necessary for the purpose of the paying of group life, accident, or health benefits under a self-funded insurance program, and the administration of the fund, including, but not limited to the employment of necessary personnel and contractual services.

Sec. 5. The entire profit remaining in the public employees' group insurance reserve fund at the end of each fiscal year

shall be paid by the state board of examiners into the state general fund until the initial amount transferred from the bond trust fund is fully repaid.

Sec. 6. When the repayment required by section 5 of this act is complete, further profit shall be added to the public employees' group insurance reserve fund, except for amounts thereof, if any, which the state board of examiners in its discretion may distribute to participating agencies and employees.

Sec. 7. NRS 287.043 is hereby amended to read as follows:

287.043 The committee on group insurance shall:

1. Act as an advisory body to the state board of examiners on matters relating to group life, accident or health [insurance,] benefits, or any combination thereof, whether provided by self-funding or through the purchase of contracts of insurance for the benefit of all such state officers and employees.

2. [Negotiate] If directed by the state board of examiners negotiate and contract with the governing body of any public agency enumerated in NRS 287.010 which is desirous of obtaining group insurance for its officers and employees by participation in the state group insurance program [.] including any self-funded plan which the state board of examiners may approve.

3. [Purchase] When directed by the state board of examiners, purchase policies of life, accident or health insurance, or any combination thereof, from any insurance company qualified to do business in this state for the benefit of all eligible state officers and employees who elect to participate in the state's group insurance program.

4. [Adopt such regulations and perform such other duties as may be necessary to carry out provisions of NRS 287.041 to 287.049, inclusive.] With approval of the state board of examiners and if the committee deems it to be in the best interest of the state and its officers and employees adopt, implement and administer a self-funded insurance program through which group life, accident or health benefits, or any combination thereof, shall be provided.

5. With approval of the state board of examiners adopt such regulations and perform such other duties as may be necessary to carry out the provisions of NRS 287.041 to 287.049, inclusive, and sections 2 to 6, inclusive, of this act.

Sec. 8. NRS 287.044 is hereby amended to read as follows:

287.044 1. A part of the cost of the monthly premiums of such group insurance, not to exceed \$21.49 for the fiscal period beginning January 1, 1973, and ending June 30, 1974,

or \$23.64 for the fiscal year 1974-1975, applied to both group life and group accident or health coverage, for each state or other participating officer or employee electing to participate in the group insurance program, may be paid by the department, agency, commission or public agency which employs the officer or employee in whose behalf such part is paid from funds appropriated to or authorized for such department, agency, commission or public agency for such purpose.

2. No department, agency, commission or public agency shall pay any part of such premiums if the group life insurance or group accident or health insurance is not approved by the [committee on group insurance.] state board of examiners.

Sec. 9. NRS 287.048 is hereby amended to read as follows:

287.048 Nothing contained in NRS 287.041 to 287.047, inclusive, and sections 2 to 6, inclusive, of this act, shall be construed to make it compulsory upon any officer or employee of the State of Nevada or of a participating public agency to accept or join the state's group insurance program, or to assign his wages or salary to or authorize deductions from his wages or salary in payment of group insurance premiums.

Sec. 10. 1. There is hereby transferred from the June 30, 1975, fund equity of the bond trust fund in the state treasury

to the public employees group insurance reserve fund created pursuant to section 3 of this act, the fund equity not transferred to the state insurance reserve fund.

2. The fund equity hereby transferred and any profit generated shall revert to the general fund in the state treasury if a self-funded insurance program has not been established by the state board of examiners, pursuant to NRS 287.041 to 287.049, inclusive, and sections 2 to 6, inclusive, of this act, prior to January 1, 1977.

Sec. 11. 1. There is hereby appropriated from the general fund in the state treasury the sum of \$10,000 to the state board of examiners.

2. The moneys hereby appropriated in subsection 1 shall be used by the state board of examiners to conduct a feasibility study concerning a self-funded insurance program for group life, accident or health benefits.

3. The provisions of sections 2 to 6, inclusive, of this act shall not become operative until the feasibility study is complete and a self-funded insurance program approved by the board of examiners and adopted by the committee on group insurance.

4. Unencumbered balances of the appropriation made in subsection 1 of this section shall not be committed for expenditure

after June 30, 1977, and shall revert to the general fund in the state treasury.