

LCB File No. R011-02

**PROPOSED REGULATION OF THE DIVISION OF INSURANCE
OF THE DEPARTMENT OF BUSINESS AND INDUSTRY**

**NOTICE OF WORKSHOPS TO SOLICIT COMMENTS
ON PROPOSED REGULATIONS**

January 17, 2002

The Department of Business and Industry, Division of Insurance (Division) is proposing new regulations pertaining to group health insurance; health maintenance organizations, nonprofit corporations for hospital, medical and dental service, plans for dental care, and prepaid limited health organizations; the Public Employees Benefit Plan; and pharmacy identification cards. A workshop has been set for 10:00 a.m., on February 20, 2002, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested parties may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the workshop is to solicit comments from interested persons on the following general topics addressed in the proposed regulations.

- 1. Group Health Insurance. The proposed regulation limits rate changes to not more frequently than every 6 months; requires disclosure of changes in premiums; establishes procedures for small employer carriers to change their status as a risk assuming or reinsuring carrier; addresses actively-at-work provisions; and establishes requirements for grace period premiums.**
- 2. HMOs, Nonprofit Medical Service Corporations, Dental Plans, Prepaid Limited Health Service Organizations. The proposed regulation amends and updates existing financial reporting requirements, and establishes new financial reporting requirements that are uniform and consistent among the various health entities.**
- 3. Public Employees Benefit Plan. The proposed regulation establishes requirements for the reporting of complaints by the benefit plan.**
- 4. Pharmacy Identification Cards. The proposed regulation requires identification cards to be filed with the Commissioner for approval and prohibits the delay or denial of a claim solely because a provider does not have a number assigned by the Drug Enforcement Administration.**

Members of the insurance industry, business community, and the public are also invited to comment on any impact the proposed regulations may have on small businesses. The Division has reviewed the proposed regulations and determined that the regulations do not impose a direct or significant impact on a small business, or directly restrict the formation, operation, or expansion of a small business.

A copy of this notice and the proposed regulations will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulations will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulations are also available in the **State of Nevada Register of Administrative Regulations** which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at **www.leg.state.nv.us**. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

This Notice of Workshop to Solicit Comments on Proposed Regulations has been sent to all persons on the agency's mailing list for administrative regulations and posted at the following locations:

Department of Business and Industry
Division of Insurance
788 Fairview Drive, Suite 300
Carson City, NV 89701

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

Legislative Counsel Bureau
Capitol Complex
Carson City, NV 89710

Blasdel Building
Capitol Complex
Carson City, NV 89710

State Capitol
Capitol Complex
Carson City, NV 89710

Capitol Press Room
State Capitol Basement
Carson City, NV 89710

County Clerk
Courthouse
Carson City, NV 89710

Nevada State Library & Archives
Capitol Complex
Carson City, NV 89710

Carson City Library
900 North Roop Street
Carson City, NV 89701

Churchill County Library
553 South Maine Street
Fallon, NV 89406

Las Vegas Library
833 Las Vegas Blvd. North
Las Vegas, NV 89101

Douglas County Library
1625 Library Lane
P.O. Box 337
Minden, NV 89423

Elko County Library

Goldfield Public Library

720 Court Street
Elko, NV 89801

Fourth & Cook Street
P.O. Box 430
Goldfield, NV 89013

Eureka Branch Library
10190 Monroe Street
P.O. Box 293
Eureka, NV 89316

Humboldt County Library
85 East 5th Street
Winnemucca, NV 89445

Battle Mountain Branch Library
P.O. Box 141
Battle Mountain, NV 89820

Lincoln County Library
93 Main Street
P.O. Box 330
Pioche, NV 89043

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Mineral County Library
First & A Street
P.O. Box 1390
Hawthorne, NV 89415

Tonopah Public Library
171 Central Street
P.O. Box 449
Tonopah, NV 89049

Pershing County Library
1125 Central Avenue
P.O. Box 781
Lovelock, NV 89419

Storey County Library
95 South R Street
P.O. Box 14
Virginia City, NV 89440

Washoe County Library
301 South Center Street
P.O. Box 2151
Reno, NV 89505

White Pine County Library
950 Campton Street
Ely, NV 89301

Clark County Library
1401 East Flamingo Road
Las Vegas, NV 89119

Members of the public who are disabled and require special accommodations or assistance at the hearing are requested to notify the Commissioner's secretary in writing at 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, or by calling no later than 5 working days prior to the hearing, (702) 687-4270, extension 260.

DATED this _____ day of January, 2002.

By: _____
ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

NOTICE OF INTENT TO ACT UPON REGULATIONS

Notice of Hearing for the Adoption of Regulations
of the Department of Business and Industry, Division of Insurance

The Department of Business and Industry, Division of Insurance (Division) will hold a public hearing at 10:00 a.m., on February 20, 2002, immediately following a public workshop, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested persons may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

REGULATIONS CONCERNING HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT CORPORATIONS FOR HOSPITAL, MEDICAL AND DENTAL SERVICE, PLANS FOR DENTAL CARE, AND PREPAID LIMITED HEALTH ORGANIZATIONS

The following information is provided pursuant to the requirements of NRS 233B.060:

1. The proposed regulation is needed to establish uniform and consistent reporting requirements for the various health entities and to update existing regulations to conform to the reporting requirements of the NAIC.
2. The proposed regulation adopts by reference the current manuals and handbooks of the NAIC; and establishes requirements for an application for a certificate of authority, retention of records, trust accounts, investment standards, financial reporting, admitted assets, minimum net worth, stop loss insurance, contracts for services, and disciplinary action.
3. Estimated economic effect of the regulation:
On the business which it is to regulate:
The proposed regulation may have both an immediate and long-term impact on the industry if health entities must amend their procedures for financial reporting or satisfy additional reserve requirements.
On the public:
The proposed regulations should have no economic impact on the public.
4. The Division may incur some additional expense to enforce the proposed regulation that cannot be measured at this time.
5. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.
6. The proposed regulation does not establish any new fees or increase an existing fee.

Persons wishing to comment upon the proposed action of the Division may appear at the

scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Written submissions must be received by the Division on or before February 15, 2002. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the proposed regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulation will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the **State of Nevada Register of Administrative Regulations** which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at <http://www.leg.state.nv.us>. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

This notice of hearing has been posted at the following locations:

Department of Business and Industry
Division of Insurance
788 Fairview Drive, Suite 300
Carson City, NV 89701

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

Legislative Counsel Bureau
Capitol Complex
Carson City, NV 89710

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Fallon, NV 89406

Las Vegas Library
833 Las Vegas Blvd. North

Douglas County Library
1625 Library Lane

Las Vegas, NV 89101

P.O. Box 337
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Elko County Library
720 Court Street
Elko, NV 89801

Goldfield Public Library
Fourth & Cook Street
P.O. Box 430
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10190 Monroe Street
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85 East 5th Street
Winnemucca, NV 89445

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93 Main Street
P.O. Box 330
Pioche, NV 89043

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DATED this _____ day of January, 2002.

By: _____
ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

**PROPOSED REGULATION OF THE DIVISION OF INSURANCE
OF THE DEPARTMENT OF BUSINESS AND INDUSTRY**

**REGULATIONS FOR:
NON-PROFIT HOSPITAL, MEDICAL AND DENTAL SERVICE CORPORATIONS,
HEALTH MAINTENANCE ORGANIZATIONS,
DENTAL CARE ORGANIZATIONS AND
PREPAID HEALTH SERVICE ORGANIZATIONS**

Explanation – Matter *italicized* is new, matter in brackets **[]** is material to be omitted.

**Authority: NRS 679B.130, NRS 680A.270, NRS 681B.290, NRS 695B.310,
NRS 695C.275, NRS 695D.100 and NRS 695F.300**

Section 1. NAC 679B.033 is hereby amended to read as follows:

1. The *National Association of Insurance Commissioners’ Examiners Handbook*, which contains the “Financial Condition Examiners Handbook,” *and* the “Model Market Conduct Examiners Handbook,” ~~[the “Rating and Statistical Organization Examination Handbook” and the “Health Maintenance Organization Examination Handbook,”]~~ is hereby adopted by reference. The *Accounting Practices and Procedures Manual* ~~[for Property and Casualty Insurance Companies, the Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies and the Accounting Practices and Procedures Manual for Health Maintenance Organizations are]~~ *is* hereby adopted by reference. The *Annual Statement Instructions Manual for Life and Accident and Health*, the *Annual Statement Instructions Manual for Property and Casualty* and the *Annual Statement Instructions Manual for Health* ~~[Maintenance Organizations]~~ of the National Association of Insurance Commissioners are hereby adopted by reference.

2. The publications listed in subsection 1 apply to the:

(a) Conduct and report of an examination made pursuant to NRS 679B.230 to 679B.300, inclusive, 695C.310 and 695D.270; and

(b) Evaluation of the financial condition of an insurer or organization based on an examination or its annual statement. As used in this paragraph, “organization” includes:

- (1) A health maintenance organization, as that term is defined in NRS 695C.030; and
- (2) An organization for dental care, as that term is defined in NRS 695D.060.

3. If any publication listed in subsection 1 is revised, the commissioner will review the revision to

determine its suitability for this state. If the commissioner determines that the revision is not suitable for this state, he will give notice within 30 days after the effective date of the revision. If the commissioner does not give notice within 30 days, the revision becomes part of the publication adopted by reference pursuant to subsection 1. If a revision becomes part of a publication pursuant to this subsection and a person objects to and is aggrieved by the revision, that person may request a hearing before the commissioner pursuant to NRS 679B.310 to 679B.370, inclusive.

4. The *Model Market Conduct Examiners Handbook* will be used in the examination of the records of an administrator.

5. A copy of the *National Association of Insurance Commissioners' Examiners Handbook* may be obtained from the National Association of Insurance Commissioners, ***Publications Department, [120 West 12th Street, Suite 1100] 2301 McGee Street, Suite 800***, Kansas City, Missouri ***[64105] 64108-2604. [at a price of \$175].***

6. A copy of:

(a) The *Accounting Practices and Procedures Manual [for Property and Casualty Insurance Companies, at a price of \$150;]*

~~[(b) The *Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies, at a price of \$150;]*~~

~~[(c) The *Accounting Practices and Procedures Manual for Health Maintenance Organizations, at a price of \$50;]*~~

~~[(d) (b) The *Annual Statement Instructions Manual for Life and Accident and Health, [at a price of \$150];*~~

~~[(e) (c) The *Annual Statement Instructions Manual for Property and Casualty, [at a price of \$150];* and~~

~~[(f) (d) The *Annual Statement Instructions Manual for Health [Maintenance Organizations], [at a price of \$150;]*~~

may be obtained from the National Association of Insurance Commissioners, ***Publications Department, [120 West 12th Street, Suite 1100,] 2301 McGee Street, Suite 800***, Kansas City, Missouri ***[64105] 64108-2604. Please contact NAIC for the current price of the publications.***

Sec. 2. NAC 680A.160 is hereby amended to read as follows:

1. As a condition of doing business in this state, each insurer must file with the commissioner an

annual statement that:

(a) Conforms to the format prescribed by the National Association of Insurance Commissioners in the Annual Statement Instructions; and

(b) Contains exhibits and schedules that follow the specifications developed by the National Association of Insurance Commissioners.

2. Except as otherwise provided in subsection 7, information from the insurer's annual statement must be filed:

(a) Pursuant to the specifications adopted by the National Association of Insurance Commissioners for filing information on diskette;

(b) At the central office of the National Association of Insurance Commissioners, ~~[120 West 12th Street, Suite 1100]~~ *2301 McGee Street, Suite 800*, Kansas City, Missouri ~~[64105]~~ *64108-2604*; and

(c) On or before March 1 of each year.

3. The form of an annual statement required by NRS 680A.270 to be filed with the commissioner must be the most current adopted by the National Association of Insurance Commissioners for the type of insurer reporting. The forms are hereby adopted by reference. Each insurer filing the form shall follow the instructions for an annual statement. ~~[A copy of the form for fire and casualty insurers, or a copy of the form for life, accident and health insurers, may be obtained at a cost of \$75. A copy of the form for health maintenance organizations may be obtained at a cost of \$50.]~~ These forms may be obtained from the National Association of Insurance Commissioners, ~~[120 West 12th Street]~~ *2301 McGee Street, Suite 800*, Kansas City, Missouri ~~[64105]~~ *64108-2604*. *Please contact NAIC for the current price of the publications.*

4. ~~[If necessary to determine an insurer's financial condition, fulfillment of contractual obligations and compliance with law,]~~ ~~[t]~~*The commissioner [will] may* require the insurer to file a financial statement more frequently than annually. If a quarterly statement is required by the commissioner, it must be:

(a) Filed on the most current form adopted by the National Association of Insurance Commissioners for the type of insurer reporting; and

(b) Completed in accordance with the instructions accompanying that form.

5. A domestic insurer that is not licensed or authorized to do business in any state other than this state may apply for an exemption from the requirement to complete the "Statement of Actuarial Opinion" required by the Annual Statement Instructions of the National Association of Insurance

Commissioners as part of the domestic insurer's annual statement. The application must:

(a) Be in writing.

(b) Be submitted by December 1 of the calendar year which will be covered in the annual statement.

(c) Include an agreement and acknowledgment from the domestic insurer that the commissioner may use the services of an independent actuary to certify losses and reserves for loss adjustment expenses in relation to any examination of the domestic insurer pursuant to NRS 679B.230.

(d) Demonstrate that no significant changes and no unusual or large claims have occurred or are expected to occur during the calendar year which will be covered in the annual statement.

6. The commissioner will grant an application for an exemption made pursuant to subsection 5 if he determines, upon review of the application, that having to file the "Statement of Actuarial Opinion" would constitute a financial or organizational hardship upon the domestic insurer or that the insurer has shown other good cause why it should not have to file the statement. A domestic insurer which has been granted an exemption pursuant to this subsection must file with its annual statement a signed affidavit given by one of its officers under oath that certifies the accuracy and adequacy of the reserves stated in its annual statement.

7. A domestic insurer licensed only to sell Insurance for Home Protection and not licensed or authorized to do business in any state other than this state is exempt from the requirement to complete the "Statement of Actuarial Opinion" required by the Annual Statement Instructions of the National Association of Insurance Commissioners as part of the domestic insurer's annual statement provided:

(a) Claims information reporting forms provided by the commissioner are completed and submitted with the annual statement, and

(b) Complies with the requirements of NAC 680A.160 5 (c) and (d).

~~7.1~~ 8. A domestic insurer that is not licensed or authorized to do business in any state other than this state is not required to file an annual statement with the National Association of Insurance Commissioners pursuant to subsection 2 for any year in which its written premium is less than \$1,000,000.

Sec. 3. NAC 680A.198 is hereby amended as follows:

1. A certified public accountant of an insurer required to furnish an annual audited financial report

shall report to the board of directors or audit committee of the insurer each determination by the accountant that the insurer:

(a) Has materially misstated its financial condition as reported to the commissioner as of the date of the balance sheet currently under examination; or

(b) Does not, as of that date, meet the minimum requirements for capital and surplus as set forth in chapter 680A of NRS.

The report must be in writing and provided to the insurer not later than 5 business days after the accountant makes such a determination.

2. An insurer who receives a report from its certified public accountant pursuant to this section shall, not later than 5 business days after the date on which it receives the report from the accountant:

(a) Forward a copy of the report to the commissioner; and

(b) Provide the certified public accountant who made the report with evidence that the insurer has forwarded a copy of the report to the commissioner. If the certified public accountant does not, within the 5-business day period, receive evidence from the insurer that the insurer has forwarded a copy of the report to the commissioner in accordance with this section, the certified public accountant shall file with the commissioner a copy of its report within the next 5 business days.

3. A certified public accountant is not liable in any manner to any person for any statement made in connection with this section if the statement is made in good faith in compliance with this section.

4. If the certified public accountant, after the annual audited financial report reviewed by the accountant has been filed pursuant to NRS 680A.265 and NAC 680A.172 to 680A.204, inclusive, becomes aware of any facts which affect his report, the accountant shall take such action as prescribed in Volume 1, Section AU 561 of the Professional Standards of the American Institute of Certified Public Accountants, which is hereby adopted by reference. A copy of the Professional Standards may be obtained from the American Institute of Certified Public Accountants (*AICPA*). *Contact AICPA at 1-888-777-7077 or by mail at CPA2Biz*, Order Department, P.O. Box 2209, Jersey City, New Jersey 07303-2209 ~~[, at a cost of \$94.25]~~ *or at www.cpa2biz.com. Please contact AICPA for the current price of the publication.*

Sec. 4. NAC 681B.430 is hereby amended as follows:

“Instructions relating to risk-based capital” defined. (NRS 679B.130, 681B.290) “Instructions

relating to risk-based capital” means the instructions for reporting risk-based capital adopted by the National Association of Insurance Commissioners~~[, as those instructions existed on January 1, 1997]~~.

Sec. 5. Chapter 695B of NAC is hereby amended by adding thereto the provisions set forth as sections 6 to 28, inclusive, of this regulation.

Sec. 6. *1. A non-profit corporation that applies for a certificate of authority must submit to the commissioner an original and two copies of its application.*

2. The original and each copy of the application must be submitted in a binder having three rings. The original application, the original of the completed forms supplied by the division and the originals or certified copies of any supporting documents must all be contained in a single binder.

3. Each binder must contain a table of contents and dividers that separate the various sections of the application and indicate the subject of each section.

4. If an applicant submits any new pages to supplement or amend its application, the date of submission must be noted on the bottom of each page, and each page must be prepared so that it may be placed in the binder with the other materials.

Sec. 7. *1. In addition to the information required to be submitted pursuant to NRS 695B.130, an applicant for a certificate of authority shall include in its application:*

(a) A list of its actual and prospective providers, including hospitals, physicians and dentists;

(b) A clear description of the geographic area it proposes to serve;

(c) A statement of facts demonstrating, with particular reference to the location of its providers and any provision made by them for emergencies, that the services of providers will be reasonably available to subscribers;

(d) A description of the measures to be taken to increase the number of its providers as the number of subscribers increases; and

(e) If the applicant is affiliated with an insurer:

(1) A description of its relationship with the insurer; and

(2) The information required by chapter 692C of NRS for filings by an insurance holding

company system.

2. Financial statements and projections submitted as part of an application must be prepared in accordance with Statements of Statutory Accounting Principles.

Sec. 8. Any applicant licensed as a non-profit corporation in another state, or having an affiliate or subsidiary that is so licensed, shall include in its application:

1. A copy of the license; and

2. If it is available, a certificate from the agency of the state responsible for regulating the non-profit corporation, stating that the non-profit corporation is licensed in good standing.

Sec. 9. 1. Any incomplete application, with respect to which there is no activity by the applicant for 60 days or more, shall be deemed to have been withdrawn by the applicant.

2. If an application is deemed withdrawn, the division will give written notice to the applicant of the status of the application. A new application, together with the fee required by NRS 680B.010, must be submitted before the division takes any further action.

Sec. 10. 1. Any person who wishes to review or obtain a copy of an application for a certificate of authority must submit a written request to the offices of the division at 788 Fairview Drive, Suite 300, Carson City, Nevada 89701-5491. If a copy is requested, a fee in an amount sufficient to cover the cost of the copy and any cost of postage must be submitted with the request.

2. Any person who wishes to be notified of a pending application must file with the division a written request to be placed on a list maintained by the division for that purpose.

Sec. 11. 1. Except as otherwise provided in subsection 2, every domestic non-profit corporation must maintain its principal office and place of business in this state.

2. The commissioner, for good cause shown, may permit a non-profit corporation to maintain its principal office or place of business in another state if it is:

(a) In the best interests of the non-profit corporation and its subscribers; and

(b) Reasonably convenient to the commissioner in his supervision of the insurer.

3. Permission granted pursuant to this subsection is subject to such reasonable terms and conditions as the commissioner establishes in his order granting permission.

4. For the purposes of this section, “domestic non-profit corporation” means a non-profit corporation formed under the laws of this state.

Sec. 12. 1. A non-profit corporation shall retain permanently, on microfilm or by other suitable means, the minutes of each meeting of its governing body and any advisory panel on subscribers’ satisfaction.

2. A non-profit corporation shall retain for 3 years, or until the division has completed an examination of the non-profit corporation, a copy of all published material used to market the non-profit corporation and scripts used for advertising on radio or television.

3. The records of a non-profit corporation must be segregated from the records of any subsidiary or related corporation and must be treated as separate corporate documents.

4. All records of the non-profit corporation must be kept in this state and retained for examination by the division for 3 years or until the next examination is completed by the division. Each non-profit corporation shall comply with the provisions of NRS 693A.050, 693A.060 and 693A.070.

Sec. 13. Each person responsible for operating a non-profit corporation must possess adequate knowledge concerning the operation of such a non-profit corporation and insurance laws and procedures that apply to the non-profit corporation.

Sec. 14. 1. Subject to the approval of the commissioner as provided in subsections 2 and 3, the powers of a non-profit corporation include the power to:

(a) Purchase, lease, construct, renovate, operate or maintain any hospital, medical or dental facility, ancillary equipment or other property reasonably required for its principal office or any other purpose related to the business of the non-profit corporation.

(b) Make any loan in furtherance of its program to provide services to its subscribers:

(1) To a hospital, or physician or medical group, or dentist or dental group under contract with the non-profit corporation; or

(2) To a corporation under its control.

(c) Furnish services through providers under contract with the non-profit corporation or employed by it.

(d) Contract with any person for the performance of services related to marketing, enrollment and administration.

(e) Contract with any insurance company that is licensed in this state or is authorized to do business in this state for the provision of insurance for, indemnity against, or reimbursement of the cost of services provided by the non-profit corporation.

2. The exercise of any power specified in subsection 1 must be approved in advance by the commissioner. A written request to exercise any such power must be submitted to the commissioner, accompanied by such supporting information as the commissioner deems necessary to review the request. The commissioner may deny the request if he determines that the exercise of the power would:

(a) Have a substantial adverse effect upon the financial soundness of the non-profit corporation; and

(b) Impair the ability of the non-profit corporation to meet its obligations.

3. If the commissioner does not deny a request within 60 days after it is submitted, it shall be deemed approved.

Sec. 15. All reserves maintained by a non-profit corporation pursuant to NRS 695B.140:

1. Must be deposited in a trust account in a federally insured financial institution located in this state. All income earned by the account belongs to the non-profit corporation and may be credited and paid to the non-profit corporation and used for its operations.

2. Are in addition to those reserves established by the non-profit corporation according to good business and accounting practices to cover claims that have been incurred but not reported and other similar claims.

Sec. 16. 1. A non-profit corporation may invest its money only in cash, cash equivalents or the securities described in NRS 682A.060 and 682A.190.

2. Any investment made by a non-profit corporation:

(a) Must be authorized or ratified by its board of directors or by a committee charged with the supervision of such investments;

(b) Must be interest-bearing, interest-accruing, entitled to dividends or otherwise produce income;

- (c) Must not be in default in any respect;*
- (d) Must not be purchased at a price above its fair or market value; and*
- (e) Must comply with the provisions of NRS 682A.050, to the extent those provisions are applicable.*

3. A non-profit corporation may receive for its use and benefit the interest or other income accruing on its investments.

Sec. 17. *1. Except as otherwise provided in subsection 3, a non-profit corporation shall submit to the commissioner an annual statement in such form as he may prescribe.*

2. The annual statement must be based on Statements of Statutory Accounting Principles as included in the National Association of Insurance Commissioners - Accounting Practices and Procedures Manual. The form of an annual statement required to be filed with the commissioner must be the most current adopted by the National Association of Insurance Commissioners (NAIC) for the type of insurer reporting. The forms are hereby adopted by reference. Each insurer filing the form shall follow the instructions for an annual statement. These forms may be obtained from the National Association of Insurance Commissioners, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2604.

3. The report must include:

(a) A financial statement of the non-profit corporation, including its balance sheet and receipts and disbursements for the preceding calendar year.

(b) Any material changes in the information given in the previous report.

(c) The number of subscribers enrolled in that year, the number of subscribers whose coverage has been terminated in that year and the total number of subscribers at the end of the year.

(d) The costs of all goods, services and care provided that year.

(e) Any other information relating to the plan for care requested by the commissioner.

4. Every non-profit corporation shall file with the commissioner annually an audited financial statement prepared by an independent certified public accountant. The statement must cover the most recent fiscal year of the non-profit corporation and must be filed with the commissioner within 120 days after the end of that fiscal year.

5. If a non-profit corporation fails to file timely the report or financial statement required by this section, it shall pay an administrative penalty of \$100 per day until the report or statement is

filed, except that the total penalty must not exceed \$3,000. The attorney general shall recover the penalty in the name of the State of Nevada.

6. The commissioner may grant a reasonable extension of time for filing the report or financial statement required by this section, if the request for an extension is submitted in advance and in writing and shows good cause.

7. The non-profit corporation shall pay the department of taxation the annual tax, any penalty for nonpayment or delinquent payment of the tax imposed in chapter 680B of NRS, and a filing fee of \$25 to the commissioner, at the time the annual report is filed.

8. The financial statement of the non-profit corporation filed pursuant to subsection 4 is a separate document from the annual statement required to be filed pursuant to paragraph (a) of subsection 1 of NRS 695B.160. Consolidated statements for non-profit corporations that are members of an insurance holding company are not acceptable.

9. The commissioner will, if appropriate, take disciplinary action pursuant to subsection 5 against a non-profit corporation, which fails to file its reports or financial statements on the prescribed forms, or by the prescribed date.

10. If deemed appropriate, the commissioner will request that a non-profit corporation file a financial statement more frequently than annually. If the commissioner requires a quarterly statement, it must be filed on the form prescribed by the commissioner and be completed in accordance with the instructions accompanying that form.

Sec. 18. *The division will consider the following assets owned by a non-profit corporation in determining its financial condition:*

1. Cash in the possession of the non-profit corporation or in transit under its control, including the true balance of any deposit in a solvent bank, trust company or savings and loan association.

2. Any investment or security acquired or held as provided in NAC 695B.400.

3. Any asset acquired through the exercise of its powers contained in paragraphs (a) and (b) of subsection 1 of NAC 695B.380 and approved pursuant to subsections 2 and 3 of that section.

4. Any interest due or accrued on:

(a) Any bond that is not in default and is not valued on a basis that includes accrued interest.

(b) Cash deposited in a solvent bank, trust company or savings and loan association.

5. The un-accrued portion of any tax paid before the date it is due.

6. Any premium in collection, less any commission payable on the premium. Except for a premium payable directly or indirectly by the Federal Government or by any of its instrumentalities, a premium in collection will not be considered for the purposes of this section if it is more than 60 days past due.

7. The full amount of reinsurance recoverable by a non-profit corporation from a solvent reinsurer.

8. The cost of any machine and related equipment used for a data processing, record keeping or accounting system, if:

(a) That cost is not less than \$5,000 per system;

(b) The cost is amortized in full over a period of not more than 5 years; and

(c) The aggregate amount invested in all such systems does not exceed 5 percent of the assets of the non-profit corporation.

9. Any property acquired through the exercise of its powers contained in NAC 695B.380.

10. To the extent consistent with the provisions of this chapter and at such value as the commissioner may determine, any other asset deemed by the commissioner to be available for the payment of claims.

Sec. 19. The division will not consider the following assets owned by a non-profit corporation in determining its financial condition:

1. Any goodwill, trade name or similar intangible.

2. Any advance to an officer of the non-profit corporation, whether secured or unsecured, and any advance made on personal security only.

3. Stock of the non-profit corporation, owned by the non-profit corporation, or any equity therein or loans secured thereby, or any proportionate interest in stock acquired or held through the ownership by the non-profit corporation in another firm, corporation or business.

4. Except as otherwise provided in NAC 695B.420, any furniture, fixture, furnishing, safe, vehicle, library, stationery, literature or supplies.

5. The amount, if any, by which the aggregate book value of investments carried in the ledger assets of the non-profit corporation exceeds the aggregate value thereof.

Sec. 20. *In determining the financial condition of a non-profit corporation, the division will charge against its assets:*

1. The amount of its outstanding capital stock.

2. The amount necessary to pay any unpaid claims against the non-profit corporation that are incurred on or before the date of its financial statement, whether the claims are reported or unreported, plus the expenses of adjusting those claims.

3. Unless a larger amount is required by NRS 695B.140, the amount of the unearned premium reserves of the non-profit corporation, computed as provided in NRS 681B.080.

4. All taxes, expenses and other obligations of the non-profit corporation that are due or accrued as of the date of its financial statement.

Sec. 21. *A non-profit corporation shall maintain:*

1. Except as otherwise provided in this section, a non-profit corporation which receives a certificate of authority shall maintain and report on its financial statement filed with the commissioner pursuant to NRS 695B.130 a minimum net worth in an amount:

(a) Equal to \$1,500,000; or

(b) Equal to 2 percent of the first \$150,000,000 earned as revenue from premiums collected in the preceding 12-month period, plus 1 percent of the amount in excess of \$150,000,000 earned as revenue from premiums collected in the preceding 12-month period; or

(c) Report and maintain Risk Based Capital as required by NRS 681B.290 and the applicable regulations;

whichever is greater.

2. In addition to the requirements set forth in subsection 1, a non-profit corporation which receives a certificate of authority shall maintain:

(a) A surety bond or deposit of cash or securities for the protection of subscribers of not less than \$250,000.

(b) The insolvency reserves required by NRS 695B.140 for new non-profit corporations.

(c) The operating reserves for new non-profit corporations according to good business and accounting practices for incurred but not reported claims and other similar claims.

(d) A contract of insurance to stop the losses of the organization, in an amount acceptable to the commissioner.

3. *Collective fidelity coverage issued by an authorized insurer in an amount of:*

(a) *the greater of \$1,000,000 or*

(b) *the minimum amount calculated using the National Association of Insurance Commissioners' Examiners Handbook – Volume 1, “Financial Condition Examiners Handbook,” Exhibit I,*

in the aggregate to cover every director, officer, partner and employee of the non-profit corporation who may receive, collect, disburse or invest funds in connection with the activities of the non-profit corporation. Coverage may include a deductible not to exceed \$10,000.

4. *A contract of insurance providing that, in the event the non-profit corporation is declared insolvent by the division or a court of competent jurisdiction, the insurer will pay all claims made by a member from the first dollar of eligible expenses for a period of not less than 60 days. If this coverage is canceled, the non-profit corporation and its insurer must give written notice of the cancellation to the division not less than 90 days before the cancellation becomes effective. The insurer may require the non-profit corporation to include in its agreements with its providers, a requirement that the provider accept any assignment made by the non-profit corporation to the insurer for the continuation of benefits upon the insolvency of the non-profit corporation.*

5. *Except as otherwise provided in subsection 6, each non-profit corporation shall obtain a contract of insurance for the cost of providing basic hospital, medical or dental services which, exceed in the aggregate:*

(a) *For a non-profit corporation in operation for 2 years or less, \$25,000 per subscriber per year;*

(b) *For a non-profit corporation in operation for more than 2 years which has a free surplus of \$2,000,000 or less, \$35,000 per subscriber per year;*

(c) *For a non-profit corporation in operation for more than 2 years which has a free surplus of more than \$2,000,000, \$75,000 per subscriber per year;*

(d) *For a non-profit corporation in operation for more than 3 years which has a free surplus of more than \$4,000,000, \$100,000 per subscriber per year; and*

(e) *For a non-profit corporation in operation for more than 5 years which has a free surplus of more than \$8,000,000, \$150,000 per subscriber per year.*

6. *The commissioner may authorize a non-profit corporation to obtain a contract of insurance for the cost of providing hospital, medical or dental services which exceed in the aggregate per*

subscriber an amount which is less than the amount required pursuant to subsection 5, if the maximum benefit payable per subscriber is less than the amount required pursuant to subsection

5. No non-profit corporation may reduce the aggregate per subscriber amount unless it has requested the reduction of the amount from the commissioner in writing and the commissioner has given his written approval of the reduction. Any unauthorized reduction in the aggregate amount creates a presumption that the non-profit corporation is in an unsound financial condition.

7. The contract of insurance must include a provision that, in the case of the insolvency of the non-profit corporation, the insurer will pay all claims made by a subscriber for the period for which a premium has been paid to the non-profit corporation. The contract shall have an aggregate limit of;

- (a) \$2,000,000 lifetime per member; or*
- (b) the greater of \$5,000,000 or*
- (c) 10 percent of prior years written premium.*

The contract of insurance will provide no less than 80% (percent) benefit to the non-profit corporation. The contract of insurance must specifically provide for the:

- (a) Continuation of benefits to subscribers for the period for which the subscribers have made prepayments to the non-profit corporation;*
- (b) Continuation of benefits for those subscribers confined in a medical facility or facility for the dependent at the time of the insolvency of the non-profit corporation until the subscriber is discharged from the facility; and*
- (c) Payment of a provider not affiliated with the non-profit corporation who provided medically necessary services, as described in the evidence of coverage, to a subscriber.*

8. Any contract of insurance obtained by a non-profit corporation under this section may be canceled only after 90 days' written notice of the cancellation is given to the division by the non-profit corporation and its insurer.

9. As used in this section:

(a) "Basic hospital, medical or dental services" includes hospitalization but excludes any benefits under an optional plan for dental, vision or pharmaceutical benefits.

(b) "Free surplus" means the ~~[sum held by the non-profit corporation in assets and investments authorized by chapter 695B of NAC as its surplus and for its uncovered expenditures]~~ total capital

and surplus less any restricted funds, as reported on the most recent National Association of Insurance Commissioners Annual Statement.

10. The reserves required by NRS 695B.140 must be segregated in a trust fund located in a federally insured financial institution in this state. Any interest earned on the fund may be credited to the non-profit corporation.

Sec. 22. *A non-profit corporation that:*

1. Receives a license as a non-profit corporation in another state; or
2. Whose affiliate or subsidiary receives such a license,
shall furnish a copy of the license to the commissioner within 30 days after it is received.

Sec. 23. *1. If a non-profit corporation authorized to operate in this state is also licensed in a contiguous state and wishes to contract with providers in that state for services for subscribers in this state, the non-profit corporation shall submit to the division, for its review and approval:*

(a) Two copies of the plan of the non-profit corporation for operation in the contiguous state;
(b) A copy of the evidence of coverage to be issued, if it has not previously been filed with the division;
(c) Its list of providers in the contiguous state and a copy of its agreement with each provider;
and
(d) Such other material concerning the administration of the plan as the division deems necessary for its review.

2. The division will consider such a plan to be a material modification of the operations of the non-profit corporation in this state.

3. The division, before it approves the plan, will consider whether the contiguous state will approve the plan.

Sec. 24. *A non-profit corporation authorized to operate in this state that is licensed in another state shall:*

1. Notify the division of any disciplinary action taken against it by the other state; and
2. File with the division copies of all documents relating to that action within 10 days after it receives those documents.

Sec. 25. *Any information provided by a non-profit corporation to demonstrate its compliance with the provisions of NRS 686B.125, limiting rates for coverage for dental care, must be certified by an actuary.*

Sec. 26. *1. If a non-profit corporation enters into a contract for the performance of marketing, enrollment or administrative services, it shall submit a copy of the contract to the division for its review and approval.*

2. A person who enters into such a contract with a non-profit corporation shall be deemed to have:

(a) Submitted himself to the jurisdiction of the division for the purposes of the review; and

(b) Authorized the division to examine him concerning:

(1) His duties under the contract; and

(2) The payment and handling of money pursuant to the contract.

Sec. 27. *1. The commissioner may suspend or revoke any certificate of authority issued to a non-profit corporation or impose a fine of not more than \$2,500 for each violation if he finds that:*

(a) The non-profit corporation is operating contrary to the information it submitted to him for its certificate of authority;

(b) The non-profit corporation issued a policy to a subscriber, which was not approved by the commissioner;

(c) The plan for care does not provide basic services appropriate for such a plan;

(d) The non-profit corporation can no longer meet its obligations to subscribers or prospective subscribers;

(e) The non-profit corporation or any person on its behalf has advertised its plan in an untrue, misleading, deceptive or unfair manner; or

(f) The non-profit corporation has failed to comply substantially with this chapter or the regulations of the commissioner.

2. If the certificate of authority of a non-profit corporation is suspended, the non-profit corporation shall not, during the period of the suspension, accept any new subscribers and shall not advertise for or solicit any new subscribers.

3. If the certificate of authority of a non-profit corporation is revoked, the non-profit corporation shall proceed, immediately following the order, to terminate its affairs and shall conduct no other business. The commissioner, by written order, may approve the continued operation of the non-profit corporation for a specified time if the commissioner finds that the subscribers need that time to obtain coverage from another non-profit corporation or insurer.

4. If the commissioner believes that grounds for denying a certificate of authority or for suspending or revoking a certificate exist, he shall notify the non-profit corporation in writing, specifying the grounds for the denial, suspension or revocation and fix a time for a hearing on the matter within 30 days after the notice.

5. After the hearing or upon the failure of the non-profit corporation to appear at the hearing, the commissioner shall enter a written order of his decision, which must be mailed by certified mail to the non-profit corporation.

6. Any person who is not otherwise entitled to a hearing pursuant to subsection 4 and who is aggrieved by an action of the commissioner relating to the approval, denial, suspension or revocation of a certificate of authority may request a hearing on the matter as provided in NRS 679B.310.

7. Any person who wishes to:

(a) Be notified of a pending hearing must file with the division a written request to be placed on a list maintained by the division for that purpose.

(b) Intervene in any proceeding held pursuant to NAC 695B.xxx may request leave to intervene as provided in NAC 679B.460, 679B.470 and 679B.480.

3. Except as otherwise provided in this chapter and chapter 695B of NRS, any administrative proceeding relating to a non-profit corporation must be held as provided in NAC 679B.161 to 679B.480, inclusive.

Sec. 28. Each examination of a non-profit corporation, including one made pursuant to NRS 695B.160(2), must be conducted pursuant to the requirements found in the handbooks and manuals adopted by reference in NAC 679B.033 and the provisions of NRS 679B.250 to 679B.300, inclusive.

Sec. 29. NAC 695C.120 is hereby amended as follows:

An application for a certificate of authority must be accompanied by all forms specifically required by chapter 695C of NRS and provided by the division and by:

1. All documents describing the financing and ownership of the organization, including financial statements and copies of any contracts made or to be made between any member of the governing board or committee, the officers of the corporation or partners of a partnership or association, or providers, and the proposed organization. The financial statements must depict a net worth of not less than \$1,500,000 for a health maintenance organization. All financial statements must be certified by an independent certified public accountant.

2. For a health maintenance organization, a surety bond or deposit of cash or securities to secure the debts of the health maintenance organization and for the protection of the enrollees in the amount of \$250,000 or more which is deposited with the commissioner. The bond must include a provision preventing cancellation except after written notice to the commissioner of not less than 90 days. A health maintenance organization which has made a deposit of securities pursuant to this subsection may withdraw them if it makes an equivalent deposit of cash, securities or a combination of cash and securities acceptable to the commissioner.

3. For a health maintenance organization, **[a]** blanket fidelity **[bond]** *coverage* in an amount of: **[not less than]** *(a) the greater of \$1,000,000 or (b) the minimum amount calculated using the National Association of Insurance Commissioners' Examiners Handbook – Volume 1, "Financial Condition Examiners Handbook," Exhibit I, in the aggregate to cover every director, officer, partner and employee of the health maintenance organization who may receive, collect, disburse or invest funds in connection with the activities of the health maintenance organization. *Coverage may include a deductible not to exceed \$10,000.**

4. A proposed plan of operation for the first 3 years of operation based on projected total income and projected total expenses. The amounts stated for the cost of medical services and the use of them in the proposed plan must be certified by a qualified actuary. The plan must project income and expected costs allocated to:

- (a) Coverage for emergencies or medically necessary services rendered outside of the specified geographic area of service of the organization;
- (b) Per capita payments to primary physicians;
- (c) Fees to other providers of health care;
- (d) Supplemental benefits;

- (e) A contract of stop-loss insurance;
- (f) Expenses of administration; and
- (g) Amortization of necessary costs for the establishment of the organization.

Sec. 30. NAC 695C.124 is amended as follows:

1. Any person wishing to review an application for issuance of a certificate of authority for an organization shall submit a request to the division in writing. The application may be reviewed at the offices of the division at ~~[1665 Hot Springs Road]~~ *788 Fairview Drive, Suite 300*, Carson City, Nevada, or a copy of the application may be requested. If a copy of the application is requested, money to reimburse the division for the cost of postage and of preparing the copy must be submitted with the request.

2. If any person wishes to be notified of a pending application or hearing concerning the denial of a certificate of authority, he must request in writing that he be placed on a list maintained by the division for this purpose.

Sec. 31. NAC 695C.130 is amended as follows:

1. Except as otherwise provided in this section, a health maintenance organization which receives a certificate of authority shall maintain and report on its financial statement filed with the commissioner pursuant to NRS 695C.210 a minimum net worth in an amount:

(a) Equal to \$1,500,000; or

(b) Equal to 2 percent of the first \$150,000,000 earned as revenue from premiums collected in the preceding 12-month period, plus 1 percent of the amount in excess of \$150,000,000 earned as revenue from premiums collected in the preceding 12-month period~~];~~ *or*

(c) Report and maintain Risk Based Capital as required by NRS 681B.290 and the applicable regulations,

whichever is greater.

2. In addition to the requirements set forth in subsection 1, a health maintenance organization which receives a certificate of authority shall maintain:

(a) A surety bond or deposit of cash or securities for the protection of enrollees of not less than \$250,000.

(b) A contract of stop-loss insurance as required by NAC 695C.135 for new health maintenance

organizations.

(c) ~~[A-b]~~Blanket fidelity ~~[bond]~~ *coverage* as required by NAC 695C.120 for new health maintenance organizations.

(d) The operating~~[-premium tax]~~ and insolvency reserves required for new health maintenance organizations.

3. If the commissioner determines that the financial condition of a health maintenance organization fails to comply with the conditions set forth in NRS 695C.090, he may require the organization to:

(a) Maintain a net worth that is greater than the amount required by subsection 1;

(b) Obtain a written guarantee from a business which has sufficient surplus and an adequate history of generating net income to guarantee the maintenance of the minimum net worth of the health maintenance organization required by subsection 1 and obtain approval of the written guarantee and guarantor from the commissioner; or

(c) Comply with paragraphs (a) and (b).

4. If a health maintenance organization proposes to make a material modification to its approved plan of operations, it shall submit a copy of its proposed modification to the commissioner. The commissioner may, as a condition of approval for the proposed modification by the health maintenance organization, require the health maintenance organization to increase the amount of reserves, deposits, bonds or minimum net worth it is required to maintain. The commissioner may, in making such a determination, consider the conditions set forth in NRS 695C.090.

Sec. 32. NAC 695C.135 is amended as follows:

1. Each health maintenance organization shall obtain a contract of insurance for the cost of providing basic health care services which exceed in the aggregate:

(a) For a health maintenance organization in operation for 2 years or less, ~~[\$30,000]~~ *\$25,000* per enrollee per year;

(b) For a health maintenance organization in operation for more than 2 years which has a free surplus of \$2,000,000 or less, ~~[\$50,000]~~ *\$35,000* per enrollee per year;

(c) For a health maintenance organization in operation for more than 2 years which has a free surplus of more than \$2,000,000, ~~[\$100,000]~~ *\$75,000* per enrollee per year;

(d) For a health maintenance organization in operation for more than 3 years which has a free surplus of more than \$4,000,000, ~~[\$150,000]~~ *\$100,000* per enrollee per year; and

(e) For a health maintenance organization in operation for more than 5 years which has a free surplus of more than \$8,000,000, ~~[\$200,000]~~ *\$150,000* per enrollee per year.

2. The contract of insurance must include a provision that, in the case of the insolvency of the health maintenance organization, the insurer will pay all claims made by an enrollee for the period for which a premium has been paid to the health maintenance organization. The contract ~~[may]~~ *shall* have an aggregate limit of *(a) \$2,000,000 lifetime per member; or (b) the greater of \$5,000,000 or 10 percent of prior years written premium. The contract of insurance will provide no less than 80% (percent) benefit to the health maintenance organization.* ~~[but]~~ *The contract of insurance* must specifically provide for the:

(a) Continuation of benefits to enrollees for the period for which the subscribers have made prepayments to the health maintenance organization;

(b) Continuation of benefits for those enrollees confined in a medical facility or facility for the dependent at the time of the insolvency of the health maintenance organization until the enrollee is discharged from the facility; and

(c) Payment of a provider not affiliated with the health maintenance organization who provided medically necessary services, as described in the evidence of coverage, to an enrollee.

3. Any contract of insurance obtained by a health maintenance organization under this section may be canceled only after 90 days' written notice of the cancellation is given to the division by the health maintenance organization and its insurer.

4. As used in this section:

(a) "Basic health care services" includes hospitalization but excludes any benefits under an optional plan for dental, vision or pharmaceutical benefits.

(b) "Free surplus" means the ~~[sum held by the health maintenance organization in assets and investments authorized by chapter 695C of NRS as its surplus and for its uncovered expenditures]~~ *total capital and surplus less any restricted funds, as reported on the most recent National Association of Insurance Commissioners Annual Statement.*

Sec. 33. NAC 695C.217 is amended as follows:

1. Any organization contracting with a third party for services for marketing, enrollment,

administration or health care services shall submit a copy of the contract to the division for its review and approval.

2. The division will consider the contract to be an agreement by the third party contracting with the organization to:

- (a) Submit to the jurisdiction of the division for its review of the contract; ~~and~~
- (b) *The health maintenance organization will perform due diligence annually; and*
- (c) Authorize the division to examine that person concerning his duties under the contract to the organization and the payment and handling of money pursuant to the contract.

Sec. 34. NAC 695C.270 is amended as follows:

1. Each organization shall file its annual report ~~[on the form designated “Health Maintenance Organizations, Association Edition,” by the National Association of Insurance Commissioners, as it existed on August 1, 1990. That form, which is hereby adopted by reference, may be obtained at a cost of \$18 from Global Financial Press, 1845 Walnut Street, Philadelphia, Pennsylvania 19103, telephone: (215) 977-7458. The organization shall follow the instructions accompanying that form.]~~ *on the most current form for annual statements for an organization adopted by the National Association of Insurance Commissioners; and which is hereby adopted by reference. The annual report must be completed in accordance with the instructions accompanying that form.*

2. Each organization shall include in its annual report the number and amount of claims of malpractice initiated against it during that year. The report must include claims made with or without legal process and the disposition, if any, of each claim.

3. Each organization shall furnish a copy of any annual report it distributes to its enrollees to the division 30 days before that distribution with a notice of its intent to distribute it.

4. If an organization is required by federal law to submit quarterly reports to the ~~[Office of Health Maintenance Organizations]~~ *Health Care Finance Administration*, it shall submit copies of those reports to the division.

5. ~~[If deemed appropriate, t]~~The commissioner ~~[will]~~ *may* require that a financial statement be submitted to him more frequently than annually. If a quarterly statement is required, it must be:

- (a) Filed on the most current form for quarterly statements for an organization adopted by the National Association of Insurance Commissioners; and
- (b) Completed in accordance with the instructions accompanying that form.

6. For a health maintenance organization, the financial statement of the organization filed pursuant to subsection 3 of NRS 695C.210 is a separate document from the annual statement required to be filed pursuant to paragraph (a) of subsection 2 of NRS 695C.210. For a provider-sponsored organization, the financial statement of the organization filed pursuant to subsection 3 of NAC 695C.360 is a separate document from the annual statement required to be filed pursuant to paragraph (a) of subsection 2 of NAC 695C.360. The financial statement filed pursuant to subsection 3 of NRS 695C.210 or subsection 3 of NAC 695C.360 must be filed for each individual organization not later than ~~[90 days]~~ **120 days** after the end of its fiscal year. Consolidated statements for organizations that are members of an insurance holding company are not acceptable.

(a) Except where this section is in conflict with chapter 695C, all organizations will comply with NAC 680A.172 thru 204 inclusive.

7. The commissioner will, if appropriate, take disciplinary action pursuant to NRS 695C.340 or 695C.350 or NAC 695C.1286 or 695C.1288 against an organization which fails to file its financial statements on the prescribed forms, ***in the prescribed format***, or by the prescribed date. The commissioner will grant, for good cause and upon advance written request, an extension for filing a statement.

Sec. 35. NAC 695C.275 is amended as follows:

1. Each health maintenance organization which receives a certificate of authority shall include in its annual report submitted to the commissioner pursuant to NRS 695C.210 the quality and performance indicators selected for each calendar year by the state board of health. The board will select the indicators from the reporting set data domains set forth in *Technical Specifications, Health Plan Employer Data and Information Set (HEDIS)*, volume 2, in the form most recently published by the National Committee for Quality Assurance (***NCQA***), unless the board gives notice that the most recent revision is not suitable for this state pursuant to subsection 2. Volume 2 of HEDIS may be obtained from the National Committee for Quality Assurance ***at 1-888-275-7585 or by mail from [Publications Center, P.O. Box 533, Annapolis Junction, Maryland 20701-0533] NCQA, Attention: EPS, 2000 L Street, NW, Suite 500, Washington, DC 20036 or at www.ncqa.org.[-, for the price of \$245, plus \$14 for shipping and handling.] Please contact NCQA for the current price of the publication.***

2. The state board of health shall review each revision of the reporting set data domains adopted

by reference pursuant to subsection 1 to ensure their suitability for this state. If the board determines that a revision is not suitable for this state, it will hold a public hearing to review its determination and give notice of that hearing within 6 months after the date of the publication of the revision. If, after the hearing, the board does not revise its determination, the board will, within 30 days after the hearing, give notice that the revision is not suitable for this state. If the board does not give such notice, the revision becomes part of the reporting set data domains adopted by reference pursuant to subsection 1.

Sec. 36. NAC 695D.110 is hereby amended to read as follows:

1. Any person who wishes to review or obtain a copy of an application for a certificate of authority must submit a written request to the offices of the division at ~~1665 Hot Springs Road~~ **788 Fairview Drive, Suite 300**, Carson City, Nevada ~~89710~~ **89701-5491**. If a copy is requested, a fee in an amount sufficient to cover the cost of the copy and any cost of postage must be submitted with the request.

2. Any person who wishes to be notified of a pending application must file with the division a written request to be placed on a list maintained by the division for that purpose.

Sec. 37. NAC 695D.260 is hereby amended to read as follows:

1. Except as otherwise provided in subsection 3, an organization shall submit to the commissioner an annual statement in such form as he may prescribe.

2. The annual statement must be based on ~~Statements of [s]Statutory [principles of insurance]~~ ~~[a]Accounting~~ ***Principles, as included in the National Association of Insurance Commissioners - Accounting Practices and Procedures Manual. The form of an annual statement required to be filed with the commissioner must be the most current adopted by the National Association of Insurance Commissioners (NAIC) for the type of insurer reporting. The forms are hereby adopted by reference. Each insurer filing the form shall follow the instructions for an annual statement. These forms may be obtained from the National Association of Insurance Commissioners, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2604.***

3. The financial statement of the organization filed pursuant to subsection 3 of NRS 695D.260 is a separate document from the annual statement required to be filed pursuant to paragraph (a) of subsection 2 of NRS 695D.260. Consolidated statements for organizations that are members of an

insurance holding company are not acceptable.

4. The commissioner will, if appropriate, take disciplinary action pursuant to NRS 695D.300 against an organization which fails to file its financial statements on the prescribed forms, or by the prescribed date. The commissioner will grant, for good cause and upon advance written request, an extension for filing a statement.

5. If deemed appropriate, the commissioner will request that an organization file a financial statement more frequently than annually. If a quarterly statement is required by the commissioner, it must be filed on the form prescribed by the commissioner and be completed in accordance with the instructions accompanying that form.

Sec. 38. NAC 695D.300 is hereby amended to read as follows:

An organization shall maintain:

1. A capital account with a net worth, according to the number of members in the organization, of not less than the following amounts:

Number of Members Net Worth

Less than 2,500 \$50,000

2,500 to 5,000 \$75,000

5,000 or more \$125,000

2. Except as otherwise provided in this subsection, a surety bond or deposit of cash or securities for the protection of members of not less than the amount required by NRS 695D.170. The commissioner will allow the bond or deposit to be reduced to \$125,000 until the organization has 5,000 members.

3. ~~[A-e]~~ Collective fidelity ~~[bond]~~ *coverage* issued by an authorized insurer in an amount of not less than \$1,000,000.

4. A contract of insurance providing that, in the event the organization is declared insolvent by the division or a court of competent jurisdiction, the insurer will pay all claims made by a member from the first dollar of eligible expenses for a period of not less than 60 days. If this coverage is canceled, written notice of the cancellation must be given to the division by the organization and its insurer not less than 90 days before the cancellation becomes effective. The insurer may require the organization to include in its agreements with its providers, a requirement that the provider accept any assignment made by the organization to the insurer for the continuation of benefits upon the

insolvency of the organization.

5. A contract of insurance to stop the losses of the organization, in an amount acceptable to the commissioner.

6. The reserves required by NRS 695D.250 must be segregated in a trust fund located in a federally insured financial institution in this state. ~~[The reserves held for taxes on premiums must be kept in a similar trust fund.]~~ Any interest earned on ~~[e]the[r]~~ fund may be credited to the organization.

Sec. 39. Chapter 695F of NAC is hereby amended by adding thereto the provisions set forth as sections 40 and 41 of this regulation.

Sec. 40. For a limited health service organization, blanket fidelity coverage in an amount of;

(a) the greater of \$1,000,000 or

(b) the minimum amount calculated using the National Association of Insurance Commissioners' Examiners Handbook – Volume 1, "Financial Condition Examiners Handbook," Exhibit I,

in the aggregate to cover every director, officer, partner and employee of the limited health service organization who may receive, collect, disburse or invest funds in connection with the activities of the limited health service organization. Coverage may include a deductible not to exceed \$10,000.

Sec. 41. *Any information provided by a limited health service organization offering dental care to demonstrate its compliance with the provisions of NRS 686B.125, limiting rates for coverage for dental care, must be certified by an actuary.*

Sec. 42. NAC 695F.130 is amended to read as follows:

1. Any person wishing to review an application for issuance of a certificate of authority for an organization shall submit a request to the commissioner in writing. A copy of the application may be reviewed at or, at the expense of the person making the request, obtained from the offices of the commissioner at ~~[1665 Hot Springs Road, Suite 152, Carson City, Nevada 89710]~~ **788 Fairview Drive, Suite 300, Carson City, Nevada 89701-5491.**

2. If any person wishes to be notified of a pending application or hearing concerning the denial of

such a certificate of authority, he must request in writing that he be placed on a list maintained by the division for that purpose.

Sec. 43. NAC 695F.200 is amended to read as follows:

1. An organization shall:

(a) Maintain the reserve required to be set aside pursuant to NRS 695F.190.

~~[(b) Maintain a reserve in an amount equal to the taxes on premiums owed pursuant to chapter 680B of NRS. Payments of those taxes may be made from the account maintained for that reserve.]~~

~~[(e)b)~~ After the first year of operation, set aside a reserve for incurred but unreported claims in an amount equal to 5 percent of its earned premiums *for the prior calendar year, as reported on the annual report to the commissioner* or \$250,000, whichever is greater.

2. No organization may reduce the reserve for incurred but unreported claims unless it notifies the commissioner in writing and receives his written approval of the reduction. Any unauthorized reduction in this reserve creates a presumption that the organization is in an unsound financial condition.

3. The reserve for incurred but unreported claims must be deposited in a trust account in a federally insured financial institution located in this state. The income earned on money in the account must be paid to the organization and used for its operations.

Sec. 44. NAC 695F.210 is amended to read as follows:

1. Except as otherwise provided in subsection 2 each organization shall obtain a contract of insurance for the cost of providing limited health services, which exceed in the aggregate, ~~for an organization that has a free surplus of:~~

~~—(a) Not more than \$1,000,000, \$30,000 per enrollee per year.~~

~~—(b) More than \$1,000,000 but not more than \$2,000,000, \$50,000 per enrollee per year.~~

~~—(c) More than \$2,000,000, \$100,000 per enrollee per year.]~~

(a) For a limited health service organization in operation for 2 years or less, \$25,000 per enrollee per year;

(b) For a limited health service organization in operation for more than 2 years which has a free surplus of \$2,000,000 or less, \$35,000 per enrollee per year;

(c) For a limited health service organization in operation for more than 2 years which has a

free surplus of more than \$2,000,000, \$75,000 per enrollee per year;

(d) For a limited health service organization in operation for more than 3 years which has a free surplus of more than \$4,000,000, \$100,000 per enrollee per year; and

(e) For a limited health service organization in operation for more than 5 years which has a free surplus of more than \$8,000,000, \$150,000 per enrollee per year.

2. The commissioner may authorize an organization to obtain a contract of insurance for the cost of providing limited health services which exceed in the aggregate per enrollee an amount which is less than the amount required pursuant to subsection 1 if the maximum benefit payable per enrollee is less than the amount required pursuant to subsection 1. *No organization may reduce the aggregate per enrollee amount unless it has requested the reduction of the amount from the commissioner in writing and the commissioner has given his written approval of the reduction. Any unauthorized reduction in the aggregate amount creates a presumption that the non-profit corporation is in an unsound financial condition.*

3. The contract of insurance ~~{may}~~ *shall* have an aggregate limit of;

(a) \$2,000,000 lifetime per member; or

(b) the greater of \$5,000,000 or

(c) 10 percent of prior years written premium.

The contract of insurance will provide no less than 80% (percent) benefit to the limited health service organization.

Subject to ~~{that}~~ limits *in subsection 1*, the contract must:

(a) Include a provision that, in case of the insolvency of the organization, the insurer will pay all claims made by an enrollee for the period for which a premium has been paid to the organization.

(b) Specifically provide for:

(1) The continuation of benefits to enrollees for the period for which the subscribers have made prepayments to the organization;

(2) The continuation of benefits for enrollees confined in a medical facility or facility for the dependent at the time of the insolvency of the organization until the enrollee is discharged from the facility; and

(3) The payment of a provider who is not affiliated with the organization and who provided medically necessary services, as described in the evidence of coverage, to an enrollee for the time the subscriber made payments to the organization.

4. A contract of insurance obtained by an organization pursuant to this section may not be canceled unless the organization and insurer provide the commissioner with 90 days' prior written notice of the cancellation.

5. As used in this section, "Free surplus" means the total capital and surplus less any restricted funds, as reported on the most recent National Association of Insurance Commissioners Annual Statement.

Sec. 45. NAC 695F.450 is amended to read as follows:

An organization shall:

1. File its annual report on the form ~~[designated as form number HRSA-905 and approved by the Office of Health Maintenance Organizations on January 1, 1985. That form, which is hereby adopted by reference, may be obtained at a cost of \$6.15 plus the cost of mailing from Brandon Insurance Service Company, P.O. Box 22238, Nashville, Tennessee 37202-2238.]~~ *on the most current form for annual statements for an organization adopted by the National Association of Insurance Commissioners; and which is hereby adopted by reference. The annual report must be completed in accordance with the instructions accompanying that form.*

2. Include in its annual report the number and amount of claims of malpractice initiated against it during that year. The report must include claims made with or without legal process and the disposition, if any, of each claim.

3. Furnish a copy of any annual report it distributes to its enrollees to the commissioner 30 days before that distribution with a notice of its intent to distribute it.

4. The commissioner may require that a financial statement be submitted to him more frequently than annually. If a quarterly statement is required, it must be:

(a) Filed on the most current form for quarterly statements for an organization adopted by the National Association of Insurance Commissioners; and

(b) Completed in accordance with the instructions accompanying that form.

6. For a limited health service organization, the financial statement of the organization filed pursuant to subsection 3 of NRS 695F.320 is a separate document from the annual statement required to be filed pursuant to paragraph (a) of subsection 2 of NRS 695F.320.. The financial statement filed pursuant to subsection 3 of NRS 695F.320 must be filed for each individual organization not later than 120 days after the end of its fiscal year. Consolidated statements for

organizations that are members of an insurance holding company are not acceptable.

(a) Except where this section is in conflict with chapter 695F, all organizations will comply with NAC 680A.172 thru 204 inclusive.

7. The commissioner will, if appropriate, take disciplinary action pursuant to NRS 695F.320 or 695F.350 or 695F.360 against an organization, which fails to file its financial statements on the prescribed forms, in the prescribed format, or by the prescribed date. The commissioner will grant, for good cause and upon advance written request, an extension for filing a statement.

8. Each examination of an organization, including one made pursuant to NRS 695F.310 must be conducted in accordance with the requirements found in the handbooks and manuals adopted by reference in NAC 679B.033 and the provisions of NRS 679B.250 to 679B.300, inclusive.