

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R005-03

Effective February 12, 2004

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §1, NRS 679B.130; §2, NRS 695D.100; §3, NRS 695F.300.

Section 1. NAC 695C.130 is hereby amended to read as follows:

695C.130 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] which is the greater of:~~

(a) One million five hundred thousand dollars;

(b) Two 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 ~~£:~~

~~whichever is greater.] ; or~~

(c) The amount of risk-based capital determined in the manner set forth in NRS 681B.290 and the regulations adopted pursuant thereto.

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 blanket fidelity bond 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. 2. NAC 695D.300 is hereby amended to read as follows:

695D.300 An organization shall maintain:

1. A capital account with a net worth ~~of~~ *in an amount which is the greater of:*

(a) The amount of risk-based capital determined in the manner set forth in NRS 681B.290 and the regulations adopted pursuant thereto; or

(b) The amount, according to the number of members in the organization, ~~of~~ *that is* 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 collective fidelity bond 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 either fund may be credited to the organization.

Sec. 3. Chapter 695F of NAC is hereby amended by adding thereto a new section to read as follows:

Each organization shall maintain a capital account with a net worth in an amount which is the greater of:

- 1. The amount required pursuant to NRS 695F.200; or*
- 2. The amount of risk-based capital determined in the manner set forth in NRS 681B.290 and the regulations adopted pursuant thereto.*

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R005-03

The Commissioner of Insurance adopted regulations assigned LCB File No. R005-03 which pertain to chapters 695C, 695D and 695F of the Nevada Administrative Code on January 5, 2004.

Notice date: 10/10/2003
Hearing date: 11/13/2003

Date of adoption by agency: 1/5/2004
Filing date: 2/12/2004

INFORMATIONAL STATEMENT

A hearing was held on November 13, 2003, at the offices of the Department of Business and Industry, Division of Insurance (Division), 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, with a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning health entities risk based capital reporting requirements.

Public comment was solicited by posting notice of the hearing in the following public locations: 788 Fairview Drive, Legislative Counsel Bureau, Capitol Building Lobby, Blasdel Building, Carson City Courthouse, State Library, Clark County Library, Capitol Press Room and the Division's Las Vegas Office.

In addition, the Division maintains a list of interested parties, comprised mainly of insurance companies, agencies and other persons regulated by the Division. These persons were notified of the hearing and information that copies of the regulation could be obtained from or examined at the offices of the Division in Carson City.

No written or oral testimony was received by the Division. No comments were received at the hearing. There were no revisions recommended nor made to the Proposed Regulation of the Commissioner of Insurance, LCB File No. R005-03, dated August 13, 2003. The Commissioner has issued an order adopting the regulation as a permanent regulation of the Division.

The economic impact of the regulation is as follows:

Regulated Industry: Minimal.

Public: None.

The regulation imposes no direct cost upon members of the public at large. The regulation imposes no direct cost upon the agency to enforce the regulation.

The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

IN THE MATTER OF THE

CAUSE NO. **02.266**
LCB File No. R005-03

**REGULATION RELATING TO HEALTH
ENTITIES RISK BASED CAPITAL
REPORTING REQUIREMENTS.**

**SUMMARY OF PROCEEDINGS
AND ORDER**

SUMMARY OF PROCEEDINGS

A hearing on the proposed regulation concerning health entities risk based capital reporting requirements was held before the Commissioner of Insurance (Commissioner), on November 13, 2003, at the offices of the Department of Business and Industry, Division of Insurance (Division), 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, with a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. Immediately prior to the hearing, the Commissioner held a workshop concerning this matter.

The Division did not receive any written comments. Approximately 10 individuals attended the hearing. Testimony was received at the hearing from Bob Burch, representing the Division.

Mr. Burch testified that the intent of the proposed regulation was to convert the temporary regulation regarding health entities risk based capital reporting requirements into a permanent regulation. Mr. Burch also testified that the proposed regulation requires health entities, licensed under chapters 695C, 695D and 695F of the Nevada Administrative Code (NAC), to meet certain risk based capital filing requirements and are subject to the regulatory actions based upon the level of risk based capital.

Commissioner Molasky-Arman noted that chapter 695C of NAC relates to health maintenance organizations, chapter 695D of NAC relates to prepaid dental organizations and chapter 695F of NAC relates to prepaid limited service organizations.

Commissioner Molasky-Arman asked if there were anything further. She asked the staff to prepare the informational statement letter and the order adopting this regulation.

Based upon the testimony received at the hearing, the regulation was unchanged from the proposed regulation.

ORDER OF THE COMMISSIONER

Based upon the information presented at the hearing, it is hereby ordered that the proposed regulation concerning health entities risk based capital reporting requirements, LCB File No. R005-03, be adopted as a permanent regulation of the Division.

SO ORDERED this _____ day of December, 2003.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance