

**LCB File No. R005-03**

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

**NOTICE OF WORKSHOP TO SOLICIT COMMENTS ON  
PROPOSED REGULATION**

The Department of Business and Industry, Division of Insurance (Division), is proposing new regulations pertaining to risk based capital reporting; reinsurance; criminal history report, repeal of NAC 683A.273 and continuing education; administrators; the Workers' Compensation Appeals Panel; and payment of dividends, savings, unearned premium deposits or an equivalent abatement of premiums allowed or returned for a policy of industrial insurance. A workshop has been set for 9:00 a.m., on November 13, 2003, 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 East Sahara Avenue, Manufactured Housing Division Conference Room, 2<sup>nd</sup> 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. Risk Based Capital Reporting. The proposed regulation provides for health entities to meet certain risk based capital reporting requirements.
2. Reinsurance. The proposed regulation adds the provision that outlines the requirements which must be met before reinsurance credit can be taken by the ceding insurer.
3. Criminal History Report, Repeal of NAC 683A.273 and Continuing Education. NRS 683A.251 requires resident producers to provide a criminal history report with their licensing application. NAC 683A.272 is being amended to comply with the procedures adopted by the Nevada Highway Patrol Division and the Federal Bureau of Investigations. NAC 683A.273 is being repealed because NRS 683A.261 was amended to include the renewal and penalty language that was contained in this regulation. NAC 683A.335 is being amended to allow the Commissioner to contract with an independent vendor for administering parts of the continuing education program.
4. Administrators. The proposed regulation sets forth the conditions whereby an administrator may be considered financially unsound, identifies the items included in an administrator's financial statement and identifies the filing fee for submission of the financial statement.
5. Workers' Compensation Appeals Panel. The proposed regulation will replace a temporary regulation adopted March 24, 2003 which provides due process standards for appeals made to the Workers' Compensation Appeals Panel.

6. Payment of Dividends, Savings, Unearned Premium Deposits or an Equivalent Abatement of Premiums Allowed or Returned for a Policy of Industrial Insurance. The proposed regulation will establish the procedures for the filing of dividends, savings, unearned premium deposits or an equivalent abatement for premiums allowed or returned for a policy of industrial insurance.

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](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.

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  
720 Court Street  
Elko, NV 89801

Goldfield Public Library  
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 5<sup>th</sup> 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  
ATTN: Reference  
P.O. Box 2151  
Reno, NV 89505-2151

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, (775) 687-4270, extension 260.

**LCB File No. R005-03**

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

**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 9:00 a.m., on November 13, 2003, 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 East Sahara Avenue, Manufactured Housing Division Conference Room, 2<sup>nd</sup> Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

**REGULATION CONCERNING RISK BASED CAPITAL REPORTING  
REQUIREMENTS FOR CERTAIN HEALTH ENTITIES**

The following information is provided pursuant to the requirements of NRS 233B.0603:

1. The proposed regulation provides for certain health entities to meet certain risk based capital filing requirements.
2. The regulation amends chapters 695D, 695E and 695F of the Nevada Administrative Code (NAC) by requiring these types of licensed companies to meet certain risk based capital filing requirements.
3. Estimated economic effect of the regulation:  
On the business which it is to regulate:  
The proposed regulation should not have either an immediate or long-term impact on the insurers, other than the nominal expense of filing a report with the Commissioner in the event such reporting is required under the regulation.  
On the public:  
The proposed regulation 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. This regulation is not pursuant to federal law.
7. There are no federal regulations regarding these activities.
8. 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 November 6, 2003. 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.

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 Division of Insurance  
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 Carson City, NV 89701

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 Division of Insurance  
 2501 East Sahara Avenue, Suite 302  
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Legislative Counsel Bureau  
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171 Central Street  
P.O. Box 449  
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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  
ATTN: Reference  
P.O. Box 2151  
Reno, NV 89505-2151

White Pine County Library  
950 Campton Street  
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1401 East Flamingo Road  
Las Vegas, NV 89119

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**LCB File No. R005-03**

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

(This proposed regulation was previously adopted as LCB File No. T004-02)

**REGULATIONS FOR HEALTH ENTITIES  
RISK BASED CAPITAL REPORTING REQUIREMENTS**

Explanation-Matter *bold/italics* is new, matter in ~~[brackets/strikethrough]~~ is material to be omitted.

**Authority:** NRS 679B.130

**Section 1.** 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 *which is the greater of:*

(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 ~~[, whichever is greater.];~~ or

*(c) The Risk Based Capital amount as calculated by the organization in the Risk Based Capital Report as required by NRS 681B.290 and NAC 681B. For purposes of this section, the provisions of NRS 681B.290 which are applicable to an insurer shall apply to a health maintenance organization.*



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.

**Section 2.** NAC 695D.300 is hereby amended to read as follows:

An organization *for dental care* shall maintain:

1. *The greater of:*

(a) 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;      or

*(b) A capital account with a net worth equal to the Risk Based Capital amount as calculated by the organization in the Risk Based Capital Report as required by NRS 681B.290 and NAC 681B. For purposes of this section, the provisions of NRS 681B.290 which are applicable to an insurer shall apply to an organization for dental care.*

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.

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

*Each prepaid limited health service organization shall maintain the greater of:*

- 1. A capital account with a net worth as required by NRS 695F.200; or*
- 2. A capital account with a net worth equal to the Risk Based Capital amount as calculated by the organization in the Risk Based Capital Report as required by NRS 681B.290 and NAC 681B. For purposes of this section, the provisions of NRS 681B.290 which are applicable to an insurer shall apply to a prepaid limited health service organization.*