

**PROPOSED REGULATION OF THE  
COMMISSIONER OF INSURANCE**

**LCB File No. R005-03**

August 13, 2003

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.*