

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R169-03

Effective February 12, 2004

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

AUTHORITY: §§1 and 2, NRS 679B.130, 681A.130, 681A.210 and 681A.230; §3, NRS 679B.130 and 681A.130.

Section 1. Chapter 681A of NAC is hereby amended by adding thereto a new section to read as follows:

Credit will not be granted, or an asset or reduction from liability allowed, to a ceding insurer for reinsurance transacted with assuming insurers that meet the requirements of NRS 681A.140 to 681A.240, inclusive, and NAC 681A.250 to 681A.380, inclusive, and section 1 of this regulation, unless the reinsurance agreement includes:

- 1. A proper insolvency clause pursuant to NRS 681A.230; and*
- 2. If the assuming insurer is an unauthorized assuming insurer, a provision in accordance with NRS 681A.210 whereby the assuming insurer has:*
 - (a) Agreed to submit to the jurisdiction of an alternative dispute panel or court of competent jurisdiction within the United States;*
 - (b) Agreed to comply with all requirements necessary to give the court or panel jurisdiction;*
 - (c) Designated an agent upon whom all legal process may be served; and*
 - (d) Agreed to abide by the final decision of the court or panel.*

Sec. 2. NAC 681A.190 is hereby amended to read as follows:

681A.190 1. No reinsurance agreement or amendment thereto may be used to reduce any liability or to establish any asset in any financial statement filed with the Division, unless the agreement, amendment or a binding letter of intent has been duly executed by both parties no later than the last day covered by the financial statement.

2. A letter of intent, a reinsurance agreement or an amendment thereto must be executed within a reasonable time, not to exceed 90 days after the date of execution of the letter of intent for credit to be granted for the reinsurance ceded.

3. A reinsurance agreement must provide that:

(a) The agreement constitutes the entire agreement between the parties with respect to the business being reinsured thereunder and that there are no understandings between the parties other than as expressed in the agreement; and

(b) Any change or modification to the agreement is void unless it is made by written amendment to the agreement and signed by both parties.

~~[4. Credit will not be granted, or an asset or a reduction from liability allowed, to a ceding insurer for reinsurance transacted with assuming insurers that meet the requirements of NRS 681A.140 to 681A.240, inclusive, and NAC 681A.150 to 681A.190, inclusive, unless the reinsurance agreement includes:~~

~~—(a) A proper insolvency clause pursuant to NRS 681A.230; and~~

~~—(b) If the assuming insurer is an unauthorized assuming insurer, a provision in accordance with NRS 681A.210 whereby the assuming insurer has:~~

~~——(1) Agreed to submit to the jurisdiction of an alternative dispute panel or court of competent jurisdiction within the United States;~~

~~—— (2) Agreed to comply with all requirements necessary to give the court or panel jurisdiction;~~

~~—— (3) Designated an agent upon whom all legal process may be served; and~~

~~—— (4) Agreed to abide by the final decision of the court or panel.]~~

Sec. 3. NAC 681A.250 is hereby amended to read as follows:

681A.250 As used in NAC 681A.250 to 681A.380, inclusive, *and section 1 of this regulation*, unless the context otherwise requires, the words and terms defined in NAC 681A.260 to 681A.280, inclusive, have the meanings ascribed to them in those sections.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R169-03

The Commissioner of Insurance adopted regulations assigned LCB File No. R169-03 which pertain to chapter 681A of the Nevada Administrative Code on January 6, 2004.

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

Date of adoption by agency: 1/6/2004
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 reinsurance.

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. R169-03, dated November 6, 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. **03.724**
LCB File No. R169-03

**REGULATION RELATING
TO REINSURANCE.**

**SUMMARY OF PROCEEDINGS
AND ORDER**

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SUMMARY OF PROCEEDINGS

A hearing on the proposed regulation concerning reinsurance 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 require certain language to be included in reinsurance agreements in order for credit against reserves to be taken. Mr. Burch testified that the proposed regulation deleted existing language from NAC 681A.190(4) and amended the language in NAC 681A.250 to make reference to the new language. Mr. Burch also testified that the proposed regulation change was to require all reinsurance agreements to contain the new language as the previously adopted regulation only pertained to life and health reinsurance agreements.

Commissioner Molasky-Arman asked whether the Reinsurance Association of America (Reinsurance Association) had been provided the Legislative Counsel Bureau (LCB) version of the proposed regulation as its version was somewhat different than the Division's version which had been provided to the Reinsurance Association.

Mr. Burch stated that the wording had been provided to the Reinsurance Association and the organization was satisfied with LCB's version.

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 reinsurance, LCB File No. R169-03, be adopted as a permanent regulation of the Division.

SO ORDERED this 6th day of January, 2004.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance