

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R171-03

Effective December 16, 2003

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

AUTHORITY: §1, NRS 679B.130; §2, NRS 679B.130, 683A.08524 and 683A.0892; §3, NRS 679B.130 and 683A.08528; §4, NRS 679B.130, 680B.010 and 683A.08528.

Section 1. Chapter 683A of NAC is hereby amended by adding thereto the provisions set forth as sections 2, 3 and 4 of this regulation.

Sec. 2. *The Commissioner will consider the following to determine whether an administrator or an applicant for a certificate of registration as an administrator is financially unsound pursuant to NRS 683A.08524 or 683A.0892:*

1. The administrator or applicant:

(a) Submits a financial statement to the Commissioner, pursuant to NRS 683A.08522 or 683A.08528, reporting:

(1) The sum of its assets is less than the sum of its liabilities;

(2) A recurring operating loss;

(3) Negative cash flow from operations; or

(4) A significant decrease in assets within a fiscal year or over a period of years;

(b) Has defaulted on a loan or restructuring of debt;

(c) Has lost key personnel; or

(d) Has experienced an uninsured or underinsured catastrophe.

2. The administrator loses more than 50 percent of its contracts to act as an administrator within a fiscal year.

3. Adverse findings reported in examinations concerning the financial condition of the administrator or applicant that the Commissioner determines to be material.

4. Information and reports concerning the administrator or applicant from the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

5. Whether the portfolio of assets of the administrator or applicant, when considered in light of the current economic conditions, is of sufficient value, liquidity or diversity to ensure the ability of the administrator or applicant to meet its outstanding obligations as those obligations mature.

6. An opinion issued by an independent certified public accountant that the administrator or applicant is unable to operate as a going concern.

Sec. 3. *The financial statement of an administrator submitted pursuant to NRS 683A.08528 must include:*

- 1. A balance sheet that reports the assets, liabilities and net worth of the administrator;*
- 2. An income statement that reports the revenue and expenses of the administrator;*
- 3. A statement of cash flow; and*
- 4. Notes to the financial statement.*

Sec. 4. *An administrator who files an annual report with the Commissioner pursuant to NRS 683A.08528 must pay the filing fee required pursuant to subsection 3 of NRS 680B.010.*

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R171-03

The Commissioner of Insurance adopted regulations assigned LCB File No. R171-03 which pertain to chapter 683A of the Nevada Administrative Code on December 3, 2003.

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

Date of adoption by agency: 12/3/2003
Filing date: 12/16/2003

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 administrators.

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 that copies of the regulation could be obtained from or examined at the offices of the Division in Carson City.

December 3, 2003

The hearing was attended by 14 people. No oral or written testimony was received by the Division. No comments were received at the hearing. The regulation was unchanged from the proposed regulation. 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.

This regulation does not duplicate or overlap any other regulation.

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

IN THE MATTER OF THE

CAUSE NO. **03.726**
LCB File No. **R171-03**

**REGULATION CONCERNING
ADMINISTRATORS.**

**SUMMARY OF PROCEEDINGS
AND ORDER**

SUMMARY OF PROCEEDINGS

A hearing on the proposed regulation concerning administrators 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 14 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 establish conditions under which an administrator may be considered to financially unsound, to set forth the items a financial statement must include and require the payment of a filing fee with the annual report.

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 relating to administrators, LCB File No. R171-03, be adopted as a permanent regulation of the Division.

SO ORDERED this ____ day of _____, 2003.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

IN THE MATTER OF THE

CAUSE NO. **03.726**
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ALICE A. MOLASKY-ARMAN
Commissioner of Insurance