

**LCB File No. R171-03**

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

**NOTICE OF WORKSHOPS 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 NAC 683A.273 is being repealed because NRS 683A.261 was amended to include the renewal and penalty language that was contained in this regulation.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. R171-03**

**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 ADMINISTRATORS**

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

1. 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.
2. The regulation amends chapter 683A of the Nevada Administrative Code (NAC) by establishing a definition of "financially unsound", by clarifying the information required to be included in an administrator's financial statement and by referencing the filing fee to be paid along with the submission of the financial statement.
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.

This notice of hearing has been posted at the following locations:

Department of Business and Industry  
 Division of Insurance  
 788 Fairview Drive, Suite 300  
 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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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

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Ely, NV 89301

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

**REGULATIONS FOR ADMINISTRATORS**

Explanation – Matter *italicized* is new, matter in ~~brackets~~ is material to be omitted.

Authority: NRS 679B.130

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

**Sec. 2.** *An administrator may be considered “financially unsound” if any one or a combination of the following exists:*

*(a) The administrator’s balance sheet at any time reflects total liabilities in excess of the total assets;*

*(b) Adverse findings reported in examinations concerning the administrator’s financial condition which the commissioner determines to be material;*

*(c) Information and reports concerning the administrator from the Insurance Regulatory Information System of the National Association of Insurance Commissioners;*

*(d) Whether the administrator’s portfolio of assets, when considered in light of the current economic conditions, is of sufficient value, liquidity or diversity to ensure the administrator’s ability to meet its outstanding obligations as those obligations mature;*

*(e) Administrator’s default on a loan or restructuring of debt;*

*(f) An opinion issued by an independent certified public accountant which refers to the administrator’s inability to operate as a going concern;*

*(g) The administrator’s income statement reports recurring operating losses;*

*(h) The administrator’s cash flow statement reflects negative cash flows from operations;*

*(i) The administrator’s loss of key personnel;*

*(j) The administrator’s loss of more than 50% of its service agreements within a fiscal year;*

*(k) An occurrence of an uninsured or underinsured catastrophe; or*

*(l) A significant decrease of the administrator’s assets within a fiscal year or over a period of years.*

**Sec. 3.** *An administrator’s financial statement shall include a balance sheet reflecting assets, liabilities and equity, an income statement reflecting revenue and expenses, a cash flow statement and notes to the financial statement.*

**Sec. 4.** *Pursuant to subsection 4 of section 21 of Assembly Bill 453 of the 72nd Session of the Nevada Legislature, the filing fee shall be the amount pursuant to NRS 680B.010(3).*