

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R172-03

November 7, 2003

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

AUTHORITY: §1, NRS 679B.130 and 686B.1781.

Section 1. Chapter 686B of NAC is hereby amended by adding thereto a new section to read as follows:

1. An insurer must file a written description of its plan for the payment of dividends for a policy of industrial insurance with the Commissioner at least 30 days before the effective date of the plan.

2. The plan for the payment of dividends must include:

(a) The dividend plan agreement, proposal forms and dividend payment forms used by the insurer;

(b) The conditions under which the insurer will issue dividends;

(c) The criteria used by the insurer for determining which plan is applicable for each particular kind of risk;

(d) Any formula or factor used by the insurer for calculating dividends, including, without limitation:

(1) Loss ratios;

- (2) Tax multipliers;*
 - (3) Loss conversion factors; and*
 - (4) Premiums; and*
 - (e) A pro forma projection of expected dividends.*
- 3. A dividend plan agreement must include, without limitation, disclosures including the following information:*
- (a) The insurer will not declare dividends before the expiration of the policy.*
 - (b) Only the board of directors or other governing body of the insurer may declare and distribute dividends.*
 - (c) Dividends will be paid from the policyholder surplus and not from earned premiums.*
 - (d) Payment of dividends by the insurer is not guaranteed and the actual payment of dividends may differ from the amount of expected dividends.*
 - (e) The insurer will not pay dividends if the Commissioner determines that the payment of dividends would jeopardize the solvency of the insurer or be hazardous to the interests of the general public or the creditors or the policyholders of the insurer.*
- 4. An insurer must file a written description of its plan for the payment of savings, unearned premium deposits or an equivalent abatement for premiums allowed or returned for a policy of industrial insurance with the Commissioner at least 30 days before the effective date of the plan.*