

LCB File No. R244-03

**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 insurer's financial reporting; investments; captive insurer's financial reporting; non-profit hospital, medical and dental service corporations' financial reporting; health maintenance organizations' financial reporting; dental care organizations' financial reporting and pre-paid limited health service organizations' financial reporting. A workshop has been set for 9:00 a.m., on January 30, 2004, 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, 2nd 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. Insurer's Financial Reporting.** The proposed regulation updates the price of the NAIC publications, adds a provision to allow home warranty insurers who are exempt from the actuarial opinion to file an attestation of its loss reserves, restores the provision granting an exemption to small domestic insurers from filing the NAIC statement with the NAIC and broadens the existing provision granting an exemption for small domestic insurers from filing the annual audited financial report. The proposed regulation amends chapter 680A of the Nevada Administrative Code (NAC).
- 2. Investments.** The proposed regulation outlines the treatment and reporting requirements of the investment securities as owned by domestic insurers and adopts the NAIC Securities Valuation Office Procedures Manual and includes the cost of the manual and the address of the Securities Valuation Office. The proposed regulation amends chapter 682A of the NAC.
- 3. Captive Insurers' Financial Reporting.** The proposed regulation updates and amends the captive insurers chapter to clarify and correct the financial reporting requirements of the domestic captive insurers. The proposed regulation amends chapter 694C of the NAC.
- 4. Non-Profit Hospital, Medical and Dental Service Corporations' Financial Reporting.** The proposed regulation adds new sections relating to the financial condition and the filing of financial reports by the non-profit health entities. The new sections are meant to clarify the requirements that the non-profit health insurer is subject to. The proposed regulation amends chapter 695B of the NAC.

5. **Health Maintenance Organizations’ Financial Reporting.** The proposed regulation updates and amends chapter 695C of the NAC to clarify and correct the financial reporting requirements of the domestic health maintenance organizations.
6. **Dental Care Organizations’ Financial Reporting.** The proposed regulation updates and amends chapter 695D of the NAC to clarify and correct the financial reporting requirements of the domestic dental care organizations.
7. **Pre-Paid Limited Health Service Organizations’ Financial Reporting.** The proposed regulation updates and amends chapter 695F of the NAC to clarify and correct the financial reporting requirements of the domestic pre-paid limited health service organizations.

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**. 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 5th 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.

DATED this _____ day of December, 2003.

By:

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

LCB File No. R244-03

**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 January 30, 2004, 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, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

REGULATIONS FOR FINANCIAL REPORTING

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

1. The proposed regulation is needed to address the financial reporting requirements of the National Association of Insurance Commissioners (NAIC) Financial Regulations Standards and Accreditation Program and with the Nevada Revised Statutes (NRS).
2. The proposed regulation amends chapter 680A of the Nevada Administrative Code (NAC) by:
 - (a) Updating reference materials and publications of the NAIC;
 - (b) Adding a provision for home warranty insurers, who are exempt from filing the actuarial opinion, to include a statement that attests to the adequacy of their loss reserves;
 - (c) Restores the provision granting an exemption for small insurers from filing their annual statement and other financial reports with the NAIC, if they meet specific criteria; and
 - (d) Adds additional descriptive terms to the existing provision granting exemptions for small insurers from filing their audited financial report.
3. Estimated economic effect of the regulation:
On the business, which is to be regulated: None
On the public: None
4. The Division will not incur any costs.

5. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.
6. The proposed regulation is not pursuant to federal law.
7. There are no federal regulations regarding these activities.
8. The proposed regulation does not require a new fee or increase of 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 January 23, 2004. 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.

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 Division of Insurance
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 Carson City, NV 89701

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 Division of Insurance
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P.O. Box 14
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1401 East Flamingo Road
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DATED this _____ day of December, 2003.

By:

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

LCB File No. R244-03

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

PROPOSED REGULATION FOR FINANCIAL REPORTING

Explanation – Matter in *italics* is new, matter in brackets with strikethrough ~~fomitted~~ is material to be omitted.

Authority: NRS 679B.130, NRS 680A.270

Section 1. NAC 680A.160 is hereby amended to read as follows:

1. As a condition of doing business in this state, each insurer must file with the commissioner an annual statement that:

(a) Conforms to the format prescribed by the National Association of Insurance Commissioners in the Annual Statement Instructions and the "Accounting Practices and Procedures Manual"; and

(b) Contains exhibits and schedules that follow the specifications developed by the National Association of Insurance Commissioners.

2. Information from the insurer's annual statement must be filed:

(a) Pursuant to the specifications adopted by the National Association of Insurance Commissioners for filing information in an electronic format;

(b) At the central office of the National Association of Insurance Commissioners, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2604; and

(c) On or before March 1 of each year.

3. If a foreign or alien insurer files a statement in an electronic format with the National Association of Insurance Commissioners, that statement will be deemed to have been filed with the commissioner if:

(a) The foreign or alien insurer submits an affidavit *or a copy of the signed Jurat page* to the commissioner indicating that the statement has been so filed; and

(b) The affidavit *or the Jurat page* is accompanied by the applicable fees set forth in NRS 680B.010.

4. The form of an annual statement required by NRS 680A.270 to be filed with the commissioner must be the most current adopted by the National Association of Insurance Commissioners for

the type of insurer reporting. The forms are hereby adopted by reference. Each insurer filing the form shall follow the *current* instructions adopted by the National Association of Insurance Commissioners for the type of annual statement to be filed. These forms may be obtained from the National Association of Insurance Commissioners, Publications Department, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2604 ~~for the following costs:~~ *at the current NAIC price.*

~~(a) For forms for an annual statement for property or casualty insurers, \$175.~~

~~(b) For forms for an annual statement for life, accident or health insurers, \$175.~~

~~(c) For forms for an annual statement for health insurers, \$125.]~~

5. If necessary to determine a foreign or an alien insurer's financial condition, fulfillment of contractual obligations and compliance with law, the commissioner will require the foreign or alien insurer to file a financial statement more frequently than annually. Such a statement must be:

(a) Filed on the most current form adopted by the National Association of Insurance Commissioners for the type of insurer reporting;

(b) Completed in accordance with the instructions accompanying that form; and

(c) Filed with the National Association of Insurance Commissioners in an electronic format.

6. Each domestic insurer shall file a quarterly statement. A quarterly statement must be:

(a) Filed on the most current form adopted by the National Association of Insurance Commissioners for the type of insurer reporting;

(b) Completed in accordance with the instructions accompanying that form; and

(c) Filed with the National Association of Insurance Commissioners in an electronic format.

7. A domestic insurer that is not licensed or authorized to do business in any state other than this state may apply for an exemption from the requirement to complete the "Statement of Actuarial Opinion" required by the Annual Statement Instructions of the National Association of Insurance Commissioners as part of the domestic insurer's annual statement. The application must:

(a) Be in writing.

(b) Be submitted by December 1 of the calendar year which will be covered in the annual statement.

(c) Include an agreement and acknowledgment from the domestic insurer that the commissioner may use the services of an independent actuary to certify losses and reserves for loss adjustment expenses in relation to any examination of the domestic insurer pursuant to NRS 679B.230.

(d) Demonstrate that no significant changes and no unusual or large claims have occurred or are expected to occur during the calendar year which will be covered in the annual statement.

8. The commissioner will grant an application for an exemption made pursuant to subsection 7 if he determines, upon review of the application, that having to file the “Statement of Actuarial Opinion” would constitute a financial or organizational hardship upon the domestic insurer or that the insurer has shown other good cause why it should not have to file the statement. A domestic insurer which has been granted an exemption pursuant to this subsection must file with its annual statement a signed affidavit given by one of its officers under oath that certifies the accuracy and adequacy of the reserves stated in its annual statement.

9. A domestic insurer licensed only to sell insurance for home protection but not licensed or authorized to do business in any state other than this state is exempt from the requirement to complete the “Statement of Actuarial Opinion” required by the Annual Statement Instructions of the National Association of Insurance Commissioners as part of the annual statement of the domestic insurer if the domestic insurer:

(a) Completes and submits with its annual statement forms provided by the commissioner for reporting information concerning claims; ~~and~~

(b) Complies with the requirements of paragraphs (c) and (d) of subsection 7~~(c)~~; *and*

(c) Submits with its annual statement an affidavit signed by an officer of the company that certifies the accuracy and adequacy of the reserves stated in its annual statement.

10. A domestic insurer that is not licensed or authorized to do business in any state other than this state is not required to file an annual statement with the National Association of Insurance Commissioners pursuant to subsection 1 for any year in which its written premium is less than \$1,000,000.

Sec. 2. NAC 680A.172 is hereby amended to read as follows:

For the purposes of NRS 680A.265, the commissioner will find that good cause exists for the exemption of an insurer from the requirements of NRS 680A.265 for the year if, at the end of the

most previous calendar year, the insurer has direct premiums written in this state in an amount which is less than \$1,000,000 and has less than 1,000 policyholders, ~~or~~ certificate holders, *enrollees, members or subscribers* of directly written policies in the United States unless:

1. The commissioner makes a specific finding that compliance by that insurer is necessary for the commissioner to carry out his statutory responsibilities; or
2. The insurer has assumed premiums pursuant to contracts or treaties of reinsurance in an amount of \$1,000,000 or more.