

**ADOPTED REGULATION OF THE  
COMMISSIONER OF INSURANCE**

**LCB File No. R245-03**

Effective July 26, 2004

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

AUTHORITY: §§1-3, NRS 679B.130.

A REGULATION relating to insurance; adopting the *Purposes and Procedures Manual* by reference; establishing rules for investments held by domestic insurers and certain health organizations; and providing other matters properly relating thereto.

**Section 1.** Chapter 682A of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this regulation.

**Sec. 2.** *The Purposes and Procedures Manual of the National Association of Insurance Commissioners, Securities Valuation Office, is hereby adopted by reference. A copy of the publication may be obtained from the National Association of Insurance Commissioners, Publications Department, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662, for the price of \$65.*

**Sec. 3. 1.** *Except as otherwise provided in subsection 4, a domestic insurer or health organization that is regulated pursuant to title 57 of NRS shall file with and have its applicable investments rated by the Securities Valuation Office of the National Association of Insurance Commissioners, 1411 Broadway, 9th Floor, New York, New York 10018-3402.*

*2. Each applicable investment must be reported to the Securities Valuation Office within 120 days after the investment is acquired.*

*3. The Division of Insurance of the Department of Business and Industry may consider an applicable investment as a nonadmitted asset if it is rated by the Securities Valuation*

*Office:*

*(a) With a designation of NR.*

*(b) With a designation of Z on any date that is more than 240 days after the date of the acquisition of the investment.*

*4. A domestic insurer or health organization is exempt from filing its applicable investments with the Securities Valuation Office if the investments qualify for the provisionally exempt provisions of the Purposes and Procedures Manual of the National Association of Insurance Commissioners, Securities Valuation Office.*

**NOTICE OF ADOPTION OF PROPOSED REGULATION**  
**LCB File No. R245-03**

The Commissioner of Insurance adopted regulations assigned LCB File No. R245-03 which pertain to chapter 682A of the Nevada Administrative Code on June 18, 2004

**Notice date:** 12/30/2003  
**Hearing date:** 1/30/2004

**Date of adoption by agency:** 6/18/2004  
**Filing date:** 7/26/2004

**INFORMATIONAL STATEMENT**

A hearing was held on January 30, 2004, 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, 2<sup>nd</sup> Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning investments.

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.

The hearing was attended by 13 individuals. Bob Burch, representing the Division, provided testimony. There were no other participants to speak. The Division received no written testimony. Mr. Burch stated that the regulation updated the location and the cost of the *Purposes and Procedures Manual* of the Securities Valuation Office of the National Association of Insurance Commissioners and added a provision regarding the investments of domestic insurers and health organizations. During the workshop, the participants concurred with the Division on the changes to the proposed regulation. A revised version of the regulation is attached. The revision amends the proposed regulation for clarification. The Commissioner has issued an order adopting the regulation, as revised, pursuant to the workshop and hearing, as a permanent regulation of the Division.

Based upon the testimony received at the hearing, the proposed regulation is revised to read as follows:

1. Subsection 3 of section 3 is amended to read as follows:

3. An applicable investment ~~[must]~~ *may* not be considered by the Division of Insurance of the Department of Business and Industry to be an admitted asset if it is rated by the Securities Valuation Office:

The economic impact of the regulation is as follows:

- (a) On the business it is to regulate: None.
- (b) On the Public: None.

The regulation imposes no additional cost 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

CAUSE NO. **03.779**  
LCB FILE NO. **R245-03**

**REGULATION FOR INVESTMENTS.**

**SUMMARY OF PROCEEDINGS  
AND ORDER**

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**SUMMARY OF PROCEEDINGS**

A public workshop, as required by NRS 233B.061, on the proposed regulation relating to investments, was held before Cliff King, Chief Insurance Assistant, on January 30, 2004, in Carson City, Nevada, and video-conferenced to the Bradley Building in Las Vegas, Nevada. A public hearing on the proposed regulation was also held before Cliff King, Chief Insurance Assistant, on January 30, 2004, in Carson City, Nevada, and video-conferenced to the Bradley Building in Las Vegas, Nevada. The regulation is proposed pursuant to the authority of NRS 679B.130.

The hearing was attended by 13 individuals. Testimony was received at the hearing from Bob Burch, representing the Department of Business and Industry, Division of Insurance (Division). No written comments were received by the Division.

Bob Burch testified that the intent of the regulation was to add two provisions. One provision which added, by reference, was where the *Purposes and Procedures Manual* of the Securities Valuation Office (SVO) of the National Association of Insurance Commissioners may be obtained and the cost of the manual. The second provision added a requirement for all domestic insurers and health organizations to file with and have its applicable investments

rated by the SVO, to require such investments to be reported to the SVO within 120 days of acquisition, and to allow for an investment rated by the SVO with a designation of “NR” not to be admitted, to allow for an investment rated by the SVO with a designation of “Z” for a period greater than 240 days from the date of acquisition not to be admitted, and to allow for an investment to be exempt from filing with the SVO, if the investment qualifies as provisionally exempt.

Mr. Burch testified that the Legislative Counsel Bureau (LCB) changed the terminology in subsection 3 of section 3 from the Division’s proposed regulation by substituting “must” for “may.” Mr. Burch explained that the Division was requesting that the wording be reinstated to “may” as originally stated in the Division’s proposed regulation. Mr. King questioned the importance of “may” versus “must.” Mr. Burch stated that “must” does not allow choice, whereas “may” does allow choice in the context of this subsection allowing for an investment to be either admitted or not admitted. Mr. King questioned whether the Division needed the flexibility to make that decision. Mr. Burch stated that he believed the Division needed the flexibility.

### **RECOMMENDED ORDER OF THE HEARING OFFICER**

Based upon the testimony received at the hearing, it is recommended that the proposed regulation be revised to read as follows:

1. Subsection 3 of section 3 is been amended to read as follows:
  3. An applicable investment ~~[must]~~ *may* not be considered by the Division of Insurance of the Department of Business and Industry to be an admitted asset if it is rated by the Securities Valuation Office:

SO RECOMMENDED this \_\_\_\_\_ day of June, 2004.

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CLIFF KING, CPCU  
Chief Insurance Assistant and Hearing Officer

**ORDER OF THE COMMISSIONER**

Having reviewed the record in this matter, it is hereby ordered that the proposed regulation concerning investments, LCB File No. R245-03, be adopted, as amended, as a permanent regulation of the Division.

SO ORDERED this \_\_\_\_\_ day of June, 2004.

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ALICE A. MOLASKY-ARMAN  
Commissioner of Insurance