

LCB File No. R249-03

**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. R249-03

**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 AND
DENTAL CARE ORGANIZATIONS**

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 for dental care organizations.
2. The proposed regulation amends chapter 695D of the Nevada Administrative Code (NAC) by updating, correcting and clarifying the sections of this chapter relating to the financial reporting requirements of domestic dental care organizations.
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.

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

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

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State Capitol
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Fallon, NV 89406

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Minden, NV 89423

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Elko, NV 89801

Goldfield Public Library
Fourth & Cook Street
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Goldfield, NV 89013

Eureka Branch Library
10190 Monroe Street
P.O. Box 293
Eureka, NV 89316

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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

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First & A Street
P.O. Box 1390
Hawthorne, NV 89415

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Tonopah Public Library
171 Central Street
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Tonopah, NV 89049

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1125 Central Avenue
P.O. Box 781
Lovelock, NV 89419

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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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950 Campton Street
Ely, NV 89301

Clark County Library
1401 East Flamingo Road
Las Vegas, NV 89119

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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. R249-03

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

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

Authority: NRS 679B.130 and NRS 695D.100

Section 1. NAC 695D.110 is hereby amended to read as follows:

1. Any person who wishes to review or obtain a copy of an application for a certificate of authority must submit a written request to the offices of the division at ~~[1665 Hot Springs Road]~~ *788 Fairview Drive, Suite 300*, Carson City, Nevada ~~[89710]~~ *89701-5491*. If a copy is requested, a fee in an amount sufficient to cover the cost of the copy and any cost of postage must be submitted with the request.

2. Any person who wishes to be notified of a pending application must file with the division a written request to be placed on a list maintained by the division for that purpose.

Sec. 2. NAC 695D.260 is hereby amended to read as follows:

1. ~~[Except as otherwise provided in subsection 3, an]~~ *As a condition of doing business in this state, each* organization shall submit to the commissioner an annual statement ~~[in such form as he may prescribe]~~ *as required by NRS 695D.260(2), that:*

(a) Conforms to the format prescribed by the National Associations of Insurance Commissioners in the "Annual Statement Instructions" and the "Accounting Practices and Procedures Manual" as adopted in NAC 679B.033;

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

(c) Contains any other information related to the organization as required by the commissioner.

~~[2. The annual statement must be based on statutory principles of insurance accounting].~~

2. Information from the organization'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 organization 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 organization 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 to be filed with the commissioner must be the most current adopted by the National Association of Insurance Commissioners as required in NAC 680.160. Each organization filing the form shall follow the instructions for an annual statement as required by NAC 679B.033. The forms may be obtained for a fee from the National Association of Insurance Commissioners, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2604.

(a) Organizations shall use the "NAIC Annual Statement Blanks –Health."

5. ~~If deemed appropriate, the commissioner will request that an~~ If necessary to determine a foreign or an alien organization's financial condition, fulfillment of contractual obligations and compliance with law, the commissioner may require a foreign or alien organization to file a financial statement more frequently than annually. ~~If a quarterly statement is required by the commissioner, it must be filed on the form prescribed by the commissioner and be completed in accordance with the instructions accompanying that form.~~ Such a statement must be:

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

(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 organization 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,

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

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

~~3~~7. The *audited* financial statement of the organization filed pursuant to subsection 3 of NRS 695D.260 is a separate document from the annual statement required to be filed pursuant to paragraph (a) of subsection 2 of NRS 695D.260. *The audited financial statement must be prepared and submitted in accordance with the instructions as adopted by the National Association of Insurance Commissioners, which is included in the Annual Statement Instructions and adopted by reference in NAC 679B.033.* Consolidated statements for organizations that are members of an insurance holding company are not acceptable.

~~4~~8. The commissioner will, if appropriate, take disciplinary action pursuant to NRS 695D.300 against an organization which fails to file its financial statements on the prescribed forms, *in the prescribed format* or by the prescribed date.

9. The commissioner ~~will~~ *may* grant *a reasonable extension of time for filing the annual statement required by subsection 1 or the audited financial statement required by subsection 7, if the request for an extension is submitted in advance and in writing and shows good cause.* ~~for good cause and upon advance written request, an extension for filing a statement.]~~

Sec. 3. NAC 695D.300 is hereby amended to read as follows:

An organization shall maintain:

1. A capital account with a net worth, according to the number of members in the organization, of not less than the following amounts:

Number of Members	Net Worth
Less than 2,500	\$50,000
2,500 to 5,000	\$75,000
5,000 or more	\$125,000

2. Except as otherwise provided in this subsection, a surety bond or deposit of cash or securities for the protection of members of not less than the amount required by NRS 695D.170. The commissioner will allow the bond or deposit to be reduced to \$125,000 until the organization has 5,000 members.

3. ~~{A-e}~~Collective fidelity ~~{bond}~~ *coverage* issued by an authorized insurer in an amount of not less than \$1,000,000.

4. A contract of insurance providing that, in the event the organization is declared insolvent by the division or a court of competent jurisdiction, the insurer will pay all claims made by a member from the first dollar of eligible expenses for a period of not less than 60 days. If this coverage is canceled, written notice of the cancellation must be given to the division by the organization and its insurer not less than 90 days before the cancellation becomes effective. The insurer may require the organization to include in its agreements with its providers, a requirement that the provider accept any assignment made by the organization to the insurer for the continuation of benefits upon the insolvency of the organization.

5. A contract of insurance to stop the losses of the organization, in an amount acceptable to the commissioner.

6. The reserves required by NRS 695D.250 must be segregated in a trust fund located in a federally insured financial institution in this state. ~~{The reserves held for taxes on premiums must be kept in a similar trust fund.}~~ Any interest earned on ~~{either}~~ *the* fund may be credited to the organization.