

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R249-03

January 29, 2004

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

AUTHORITY: §1, NRS 679B.130; §§2 and 3, NRS 679B.130 and 695D.100; §4, NRS 679B.130, 695D.100 and 695D.250.

Section 1. NAC 679B.033 is hereby amended to read as follows:

679B.033 1. The following publications of the National Association of Insurance Commissioners are hereby adopted by reference and may be obtained from the National Association of Insurance Commissioners, Publications Department, 2301 McGee Street, Suite 800, Kansas City, Missouri ~~[64108-2604,]~~ *64108-1662*, at the respective prices indicated:

(a) The *Examiners Handbook*, which consists of ~~[Volume One,]~~ :

(1) *The Financial Condition Examiners Handbook*, which may be obtained at the domestic price of \$250 and the international price of \$270; and ~~[Volume Two, Model]~~

(2) *The Market Conduct Examiners Handbook* ~~[, and]~~, which may be obtained at the domestic price of ~~[\$125 for Volume One and \$125 for Volume Two.]~~ *\$250 and the international price of \$270.*

(b) The *Accounting Practices and Procedures Manual*, which may be obtained at the domestic price of ~~[\$225.]~~ *\$395 and the international price of \$435.*

(c) *The Annual Statement Blanks for Life and Accident and Health*, which may be obtained at the domestic price of \$200 and the international price of \$220.

(d) *The Annual Statement Blanks for Health, which may be obtained at the domestic price of \$200 and the international price of \$220.*

(e) The *Annual Statement Instructions Manual for Life and Accident and Health*, which may be obtained at the *domestic* price of \$225 ~~[-]~~ *and the international price of \$250*. These instructions must be used by an insurer that, under its certificate of authority, transacts health insurance or life insurance, as those terms are defined in NRS 681A.030 and 681A.040, respectively.

~~[(d)]~~ (f) The *Annual Statement Instructions Manual for Property and Casualty*, which may be obtained at the *domestic* price of \$225 ~~[-]~~ *and the international price of \$250*. These instructions must be used by an insurer that, under its certificate of authority, transacts casualty insurance or property insurance, as those terms are defined in NRS 681A.020 and 681A.060, respectively.

~~[(e)]~~ (g) The *Annual Statement Instructions Manual for Health*, which may be obtained at the *domestic* price of ~~[\$175.]~~ *\$225 and the international price of \$250*. These instructions must be used by an insurer whose certificate of authority is issued in accordance with NRS 695B.110, 695C.090, 695D.110 or 695F.100.

2. The publications listed in subsection 1 apply to the:

(a) Conduct and report of an examination made pursuant to NRS 679B.230 to 679B.300, inclusive, 695C.310 and 695D.270; and

(b) Evaluation of the financial condition of an insurer or organization based on an examination or its annual statement. As used in this paragraph, “organization” includes:

- (1) A health maintenance organization, as that term is defined in NRS 695C.030; and
- (2) An organization for dental care, as that term is defined in NRS 695D.060.

3. If any publication listed in subsection 1 is revised, the Commissioner will review the revision to determine its suitability for this state. If the Commissioner determines that the revision is not suitable for this state, he will give notice within 30 days after the effective date of the revision. If the Commissioner does not give notice within 30 days, the revision becomes part of the publication adopted by reference pursuant to subsection 1. If a revision becomes part of a publication pursuant to this subsection and a person objects to and is aggrieved by the revision, that person may request a hearing before the Commissioner pursuant to NRS 679B.310 to 679B.370, inclusive.

4. The ~~[Model]~~ *Market Conduct Examiners Handbook* will be used in the examination of the records of an administrator.

5. All persons, including, without limitation, insurers and health maintenance organizations, required to file financial statements with the Commissioner shall prepare those statements in accordance with the appropriate publications adopted by reference in this section.

Sec. 2. NAC 695D.110 is hereby amended to read as follows:

695D.110 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. 3. NAC 695D.260 is hereby amended to read as follows:

695D.260 1. ~~[Except as otherwise provided in subsection 3, an organization shall]~~ *As a condition of doing business in this state, each organization must* submit to the Commissioner an annual ~~[statement in such form as he may prescribe.~~

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

~~—3.] report required by NRS 695D.260 that:~~

(a) Conforms to the format prescribed by the National Association of Insurance Commissioners in the Annual Statement Instructions for the organization filing the statement and the Accounting Practices and Procedures Manual, which have been adopted by reference 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 relating to the organization required by the Commissioner.

2. Information from the annual statement of the organization 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 64108-2662; 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 a jurat executed by a notarial officer pursuant to NRS 240.1655 and 240.167 to the Commissioner indicating that the statement has been so filed; and

(b) The affidavit or copy of the jurat is accompanied by the applicable fees set forth in NRS 680B.010.

4. An annual statement required by NRS 695D.260 to be filed with the Commissioner by an organization must be on the current version of the Annual Statement Blanks adopted by the National Association of Insurance Commissioners, which has been adopted by reference in NAC 679B.033. Each organization shall, in preparing the statement, follow the Annual Statement Instructions adopted by the National Association of Insurance Commissioners, which accompanies the Annual Statement Blanks.

5. If necessary to determine the financial condition, fulfillment of contractual obligations or compliance with law of a foreign or alien organization, the Commissioner may require the foreign or alien organization to file a financial statement more frequently than annually. Such a statement must be:

(a) Filed on the current form adopted by the National Association of Insurance Commissioners for the type of organization filing;

(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 with the Commissioner. A quarterly statement must be:

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

Commissioners for the type of organization 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. 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. *Each organization filing the audited financial statement shall follow the Annual Statement Instructions adopted by the National Association of Insurance Commissioners.* 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 grant, for good cause and upon advance written request, an]~~ *may grant a reasonable extension of time* for filing ~~[a statement].~~

~~—5.— If deemed appropriate, the Commissioner will request that an organization 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.]~~ *the annual report or the audited financial statement required by NRS 695D.260 if the request for an extension is submitted in writing and in advance and shows good cause.*

10. As used in this section, “jurat” means a declaration by a notarial officer that the signer of a document signed the document in the presence of the notarial officer and swore to or affirmed that the statements in the document are true.

Sec. 4. NAC 695D.300 is hereby amended to read as follows:

695D.300 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 collective fidelity bond]~~ *Collective fidelity 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 cancelled, 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.