

LCB File No. R250-03

**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. R250-03

**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 PRE-PAID
LIMITED HEALTH SERVICE 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 pre-paid limited health service organizations.
2. The proposed regulation amends chapter 695F of the Nevada Administrative Code (NAC) by updating, correcting and clarifying the sections of this chapter relating to the financial reporting requirements of domestic pre-paid limited health service 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. This regulation is not pursuant to federal law.
7. There are no federal regulations regarding these activities.

8. This 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

Blasdel Building
Capitol Complex
Carson City, NV 89710

State Capitol
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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

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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
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. R250-03

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

**PROPOSED REGULATION FOR FINANCIAL REPORTING AND
PREPAID LIMITED HEALTH SERVICE ORGANIZATIONS**

Explanation – Matter *italicized* is new, matter in brackets ~~[matters omitted]~~ is material to be omitted.

Authority: NRS 679B.130 and NRS 695F.300

Section 1. Chapter 695F of NAC is hereby amended by adding thereto a new section set forth as section 1 of this regulation. (Suggested as NAC 695F.230 between 220 and 250)

Reports to commissioner. Pursuant to NRS 695F.310, an organization shall:

1. File with the commissioner, an annual statement pursuant to NRS 695F.320 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. Include information from the organization's annual statement that is 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. Submit the form of the annual statement to be filed with the commissioner that is the most current adopted by the National Association of Insurance Commissioners for the type of organization reporting. Each organization filing the form shall follow the 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; or online at www.naic.org; or by telephone at (816) 783-8300 at the current NAIC price.

4. If a domestic organization, file with the commissioner, a quarterly statement that is:

(a) The most 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.

5. If a foreign or alien organization, be deemed to have filed the statements with the commissioner if the foreign or alien organization files the statements in an electronic format with the National Association of Insurance Commissioners and:

(a) The foreign or alien organization submits an affidavit or 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 695F.340.

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

The proposed plan of operation required by NAC 695F.100 must include:

1. A projection of income and expected costs allocated to:

(a) Services rendered outside of the organization's specified geographic area of service;

(b) Per capita payments to providers pursuant to NAC 695F.310;

(c) Other fees to providers;

(d) A contract of stop loss insurance *pursuant to NAC 695F.210*;

(e) Expenses of administration; and

(f) Amortization of necessary costs for the establishment of the organization.

2. Procedures to be used by administrators and other agents of the organization for:

(a) The handling of underwriting claims; and

(b) The servicing of clients and claims.

3. The organization's plans for the recruitment, training, licensing and supervision of agents.

4. An evaluation of the demand for the organization's products and services in this state.

5. The number of persons expected to be employed by the organization in this state.

6. Any other information the commissioner deems necessary.

Sec. 3. NAC 695F.130 is amended to read as follows:

1. Any person wishing to review an application for issuance of a certificate of authority for an organization shall submit a request to the commissioner in writing. A copy of the application may be reviewed at or, at the expense of the person making the request, obtained from the offices of the commissioner at ~~[1665 Hot Springs Road, Suite 152, Carson City, Nevada 89710]~~ **788 Fairview Drive, Suite 300, Carson City, Nevada 89701-5491.**

2. If any person wishes to be notified of a pending application or hearing concerning the denial of such a certificate of authority, he must request in writing that he be placed on a list maintained by the division for that purpose.

Sec. 4. NAC 695F.200 is amended to read as follows:

1. An organization shall:

(a) Maintain the reserve required to be set aside pursuant to NRS 695F.190(1). ***The reserve shall be based on the premiums collected for the prior calendar year, as reported on the annual report to the commissioner and shall be separately identified under the capital and surplus section of the annual and quarterly statement as a restriction of surplus.***

(b) Maintain a reserve in an amount equal to the taxes on premiums owed pursuant to chapter 680B of NRS. Payments of those taxes may be made from the account maintained for that reserve. ***The reserve on taxes due on premiums shall be accrued as a liability.***

(c) After the first year of operation, set aside a reserve for incurred but unreported claims in an amount equal to 5 percent of its earned premiums ***for the prior calendar year, as reported on the annual report to the commissioner,*** or \$250,000, whichever is greater. ***The reserve for incurred but unreported claims shall be included with the Claims Unpaid and the Unpaid Claims Adjustment Expenses.***

2. No organization may reduce the reserve for incurred but unreported claims unless it notifies the commissioner in writing and receives his written approval of the reduction. Any unauthorized reduction in this reserve creates a presumption that the organization is in an unsound financial condition.

3. The reserve for incurred but unreported claims must be deposited in a trust account in a

federally insured financial institution located in this state. The income earned on money in the account must be paid to the organization and used for its operations.

Sec. 5. NAC 695F.210 is amended to read as follows:

1. Except as otherwise provided in subsection 2 *and subsection 5*, each organization shall obtain a contract of insurance for the cost of providing limited health services which exceed in the aggregate, for an organization that has a free surplus of:

- (a) Not more than \$1,000,000, \$30,000 per enrollee per year.
- (b) More than \$1,000,000 but not more than \$2,000,000, \$50,000 per enrollee per year.
- (c) More than \$2,000,000, \$100,000 per enrollee per year.

2. *Upon written application by the organization, ~~FF~~the commissioner may authorize an organization to obtain a contract of insurance for the cost of providing limited health services which exceed in the aggregate per enrollee an amount which is less than the amount required pursuant to subsection 1 if the maximum benefit payable per enrollee **as of the most previous calendar year, as reported on the annual report to the commissioner**, is less than the amount required pursuant to subsection 1. **No organization may reduce the aggregate per enrollee amount unless it has requested the reduction of the amount from the commissioner in writing and the commissioner has given his written approval of the reduction. Any unauthorized reduction in the aggregate amount creates a presumption that the organization is in an unsound financial condition.***

3. The contract of insurance may have an aggregate limit of \$5,000,000. Subject to that limit, the contract must:

(a) Include a provision that, in case of the insolvency of the organization, the insurer will pay all claims made by an enrollee for the period for which a premium has been paid to the organization.

(b) Specifically provide for:

(1) The continuation of benefits to enrollees for the period for which the subscribers have made prepayments to the organization;

(2) The continuation of benefits for enrollees confined in a medical facility or facility for the dependent at the time of the insolvency of the organization until the enrollee is discharged from the facility; and

(3) The payment of a provider who is not affiliated with the organization and who provided medically necessary services, as described in the evidence of coverage, to an enrollee for the time the subscriber made payments to the organization.

4. A contract of insurance obtained by an organization pursuant to this section may not be canceled unless the organization and insurer provide the commissioner with 90 days' prior written notice of the cancellation.

5. The commissioner may find, upon written application from an organization pursuant to this section, that good cause exists for the exemption from subsection 1 for the year if, at the end of the most previous calendar year, the organization

(a) Fully capitated all the services provided by the organization pursuant to this chapter; and

(b) The capitation agreement contains similar provisions under subsection 3 and 4 whereby the provider would take place of the insurer.