

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R250-03

January 29, 2004

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

AUTHORITY: §§1-5, NRS 679B.130 and 695F.300.

Section 1. Chapter 695F of NAC is hereby amended by adding thereto a new section to read as follows:

1. Each organization must file with the Commissioner an annual report required by NRS 695F.320 that:

(a) Conforms to the format prescribed by the National Association of Insurance Commissioners in the Annual Statement Instructions for the organization filing the report 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 report 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 report in an electronic format with the National Association of Insurance Commissioners, that report 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 report 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 report required by NRS 695F.320 to be filed with the Commissioner by an organization must be on the current form adopted by the National Association of Insurance Commissioners for the type of organization reporting. Each organization shall, in preparing the report, follow the Annual Statement Instructions adopted by the National Association of Insurance Commissioners for the type of organization reporting. These forms 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 \$200 each or by ordering via telephone at 888.275.7585 or the Internet at [≤http://www.ncqa.org/publications≥](http://www.ncqa.org/publications)

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 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.

7. The audited financial statement of the organization filed pursuant to subsection 3 of NRS 695F.320 is a separate document from the annual report required to be filed pursuant to subsection 1 of NRS 695F.320. The audited financial statement must cover the most recent fiscal year of the organization and must be filed with the Commissioner within 120 days after the end of that fiscal year. Consolidated statements for organizations that are members of an insurance holding company are not acceptable.

8. The Commissioner may grant a reasonable extension of time for filing the annual report or the audited financial statement required by NRS 695F.320 if the request for an extension is submitted in writing and in advance and shows good cause.

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

695F.110 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 hereby amended to read as follows:

695F.130 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,]~~ **788 Fairview Drive, Suite 300**, Carson City, Nevada ~~[89710.]~~ **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 hereby amended to read as follows:

695F.200 1. An organization shall:

(a) Maintain the reserve required to be set aside pursuant to **subsection 1 of** NRS 695F.190.

The reserve must be:

(1) Based on the premiums collected for the immediately preceding calendar year, as reported on the annual report of the organization filed with the Commissioner; and

(2) Separately identified as a restriction of surplus on the annual and quarterly statements under the section designated “capital and 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 must 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 immediately preceding calendar year, as reported on the annual report of the organization filed with the Commissioner***, or \$250,000, whichever is greater. ***The reserve for incurred but unreported claims must 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 hereby amended to read as follows:

695F.210 1. Except as otherwise provided in ~~subsection 2,~~ *subsections 2 and 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. ~~The~~ *Upon written application by the organization, 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 *for the immediately preceding calendar year, as reported on the annual report of the organization filed with the Commissioner*, is less than the amount required pursuant to subsection 1. *An organization may not reduce the amount of the aggregate per enrollee unless it has requested the reduction of the amount from the Commissioner in writing and the Commissioner has given written approval of the reduction. Any unauthorized reduction in the amount of the aggregate 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 cancelled unless the organization and insurer provide the Commissioner with 90 days' prior written notice of the cancellation.

5. Upon written application from an organization pursuant to this section, the Commissioner may find that good cause exists for an exemption of the amounts listed in subsection 1 for the year if, at the end of the immediately preceding calendar year, the organization:

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

(b) The capitation agreement contains provisions similar to the provisions set forth in subsections 3 and 4 in which the provider would take the place of the insurer.