

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R025-04

Effective August 1, 2004

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

AUTHORITY: §§1-7 and 10, NRS 679B.130; §§8 and 9, NRS 679B.130 and 687B.420.

A REGULATION relating to contracts of insurance; requiring insurers and health maintenance organizations to notify client companies of cancellation of or failure to renew policies or contracts; and providing other matters properly relating thereto.

Section 1. Chapter 687B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 9, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 9, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 7, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Client company” has the meaning ascribed to it in NRS 616B.670.*

Sec. 4. *“Employee leasing company” has the meaning ascribed to it in NRS 616B.670.*

Sec. 5. *“Health maintenance organization” has the meaning ascribed to it in NRS 695C.030.*

Sec. 6. *“Insurer” has the meaning ascribed to it in NRS 679A.100.*

Sec. 7. *“Producer of insurance” has the meaning ascribed to it in NRS 679A.117.*

Sec. 8. 1. *Employee leasing companies applying for insurance coverage under chapter 688B, 689A, 689B, 689C, 695A, 695B, 695C, 695D or 695F of NRS shall submit the names and addresses of client companies to:*

(a) Insurers or health maintenance organizations with their applications; and

(b) Producers of insurance.

2. *Employee leasing companies shall update the names and addresses of client companies submitted pursuant to subsection 1 on the first business day of each month.*

3. *The information provided by employee leasing companies pursuant to subsections 1 and 2 is confidential.*

Sec. 9. 1. *An insurer or health maintenance organization shall not cancel or fail to renew a policy or contract issued to an employee leasing company pursuant to chapter 688B, 689A, 689B, 689C, 695A, 695B, 695C, 695D or 695F of NRS unless notice in writing of the termination is given to:*

(a) The employee leasing company; and

(b) The client companies included on the current client company list.

2. *As used in this section, “current client company list” means the most recent list of client companies provided by the employee leasing company pursuant to section 8 of this regulation.*

Sec. 10. This regulation becomes effective on August 1, 2004.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R025-04

The Commissioner of Insurance adopted regulations assigned LCB File No. R025-04 which pertain to chapter 687B of the Nevada Administrative Code on May 28, 2004.

Notice date: 2/19/2004
Hearing date: 3/23/2004

Date of adoption by agency: 5/28/2004
Filing date: 7/9/2004

INFORMATIONAL STATEMENT

A hearing was held on March 23, 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, 2nd Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation on employee leasing organizations.

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 19 individuals. Mr. Van Mouradian, Ms. Kimberly Everett and Don Aimar, representing the Division, provided oral testimony. Mr. Jack Kim, representing Sierra Health Services, provided oral testimony. The Division received written testimony from four individuals representing the industry and their positions were discussed during the workshop. Mr. Mouradian briefed that the regulation will require insurers and health maintenance organizations to notify the client companies of employee leasing organizations when canceling or failing to renew policies or contracts. The Hearing Officer stated that participants could review the proposed regulation and make comments thereby leaving the record open. There were seven recommendations to the Proposed Regulation, LCB File No. R025-04, dated March 17, 2004. During the hearing, the participants concurred with 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 and the comments received during the open period, the proposed regulation is revised to read as follows:

1. Section 1 is amended to read as follows:

Section 1. Chapter 687B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to ~~[8]~~ **11**, inclusive, of this regulation.

2. Section 2 is amended to read as follows:

Sec. 2. As used in sections 2 to ~~[8]~~ **11**, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to ~~[6]~~ **7**, inclusive, of this regulation have the meanings ascribed to them in those sections.

3. Add a new section 7 to read as follows:

Sec. 7. "Producer" has the meaning ascribed to it in NRS 679A.117.

4. Renumber section 7 to section 8 and amend to read as follows:

Sec. ~~[7]~~ **8**. An insurer or health maintenance organization shall not cancel or fail to renew a policy or contract issued to an employee leasing company pursuant to chapter 688B, 689A, 689B, 689C, 695A, 695B, 695C, 695D or 695F of NRS unless notice in writing of the ~~[proposal]~~ **termination** is given to:

1. The employee leasing company; and
2. ~~[The client company]~~ ***To the employee leasing company's client companies based upon the list provided pursuant to section 10.***

5. Add a new section 9 to read as follows:

Sec. 9. The insurer or health maintenance organization must give written notification of termination based upon the most current client company list.

6. Renumber section 8 to section 10 and amend to read as follows:

~~[Sec. 8]~~ ***Sec. 10.*** 1. Employee leasing companies applying for insurance coverage under chapter 688B, 689A, 689B, 689C, 695A, 695B, 695C, 695D or 695F of NRS shall submit the names and addresses of client companies with their applications. ***The employee leasing company must also submit the names and addresses of the client companies to the producer.***

2. Employee leasing companies shall update the names and addresses of client companies submitted pursuant to subsection 1 ~~[on a monthly basis.]~~ ***and submit the updated list to the producer and the health maintenance organization or insurer on the first of each month. The most recently submitted list shall be deemed to be the current client company list.***

3. The information provided by the leasing companies pursuant to subsections 1 and 2 is confidential.

7. Add a new section 11 to read as follows:

Sec. 11. This regulation will be effective August 1, 2004.

The economic impact of the regulation is as follows:

- (a) On the business it is to regulate: There will be additional costs for employee leasing companies to provide the monthly list to the insurers or health maintenance organizations and additional costs to the insurers and health maintenance organizations to maintain the monthly information received and mailing costs when cancellation or failure to renew notices are sent.
- (b) On the public: The regulation will have a negligible economic impact on the public.

The Division anticipates a nominal expense to enforce the proposed 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. **04.035**
LCB FILE NO. **R025-04**

**REGULATION FOR EMPLOYEE
LEASING COMPANY NOTIFICATION.**

**SUMMARY OF
PROCEEDINGS
AND ORDER**

SUMMARY OF PROCEEDINGS

A public workshop and hearing, as required by NRS 233B.061, on the proposed regulation relating to employee leasing company notification, was held before Cliff King, Chief Insurance Assistant, on March 23, 2004, in Carson City, Nevada, 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 at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The regulation is proposed under the authority of NRS 679B.130, 679B.138, and 686A.015.

The hearing was attended by 19 individuals. The following individuals provided testimony before the Hearing Officer: Van Mouradian, Kimberly Everett, and Don Aimar, representing the Division; and Jack Kim, representing Sierra Health Services. The Division received four written comments which were discussed during the workshop.

Mr. Mouradian testified that this regulation would require an insurer or health maintenance organization, providing health insurance coverage to an employee leasing organization, to notify the client companies of the employee leasing organization upon termination of the health insurance coverage. As a result of the workshop, hearing and open

comments period, Hearing Officer Cliff King directed staff to prepare the informational statement and the order adopting this regulation as amended.

RECOMMENDED ORDER OF THE HEARING OFFICER

Based upon the testimony received at the hearing, and the written comments received during the open period, the proposed regulation is amended as follows:

1. Section 1 is amended to read as follows:

Section 1. Chapter 687B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to ~~[8]~~ **11**, inclusive, of this regulation.

2. Section 2 is amended to read as follows:

Sec. 2. As used in section 2 to ~~[8]~~ **11**, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to ~~[6]~~ **7**, inclusive, of this regulation have the meanings ascribed to them in those sections.

3. Add a new section 7 to read as follows:

Sec. 7. "Producer" has the meaning ascribed to it in NRS 679A.117.

4. Renumber section 7 to section 8 and amend to read as follows:

Sec. ~~[7]~~ **8**. An insurer or health maintenance organization shall not cancel or fail to renew a policy or contract issued to an employee leasing company pursuant to chapter 688B, 689A, 689B, 689C, 695A, 695B, 695C, 695D or 695F of NRS unless notice in writing of the ~~[proposal]~~ **termination** is given to:

1. The employee leasing company; and
2. ~~[The client company]~~ ***To the employee leasing company's client companies based upon the list provided pursuant to section 10.***

5. Add a new section 9 to read as follows:

Sec. 9. The insurer or health maintenance organization must give written notification of termination based upon the most current client company list.

6. Renumber section 8 to section 10 and amend to read as follows:

~~[Sec.-8]~~ ***Sec. 10.*** 1. Employee leasing companies applying for insurance coverage under chapter 688B, 689A, 689B, 689C, 695A, 695B, 695C, 695D or 695F of NRS shall submit the names and addresses of client companies with their

applications. *The employee leasing company must also submit the names and addresses of the client companies to the producer.*

2. Employee leasing companies shall update the names and addresses of client companies submitted pursuant to subsection 1 ~~[on a monthly basis.]~~ *and submit the updated list to the producer and the health maintenance organization or insurer on the first of each month. The most recently submitted list shall be deemed to be the current client company list.*

3. The information provided by the leasing companies pursuant to subsections 1 and 2 is confidential.

7. Add a new section 11 to read as follows:

Sec. 11. This regulation will be effective August 1, 2004.

SO RECOMMENDED this _____ day of May, 2004.

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 employee leasing company notification, LCB File No. R025-04, be adopted, as amended, as a permanent regulation of the Division.

SO ORDERED this _____ day of May, 2004.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance