

LCB File No. R111-04

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 the failure to prosecute, or otherwise proceed with an administrative hearing, after having requested the hearing; various provisions relating to property and casualty insurance; self-insured workers' compensation; and the 2001 CSO Mortality Table for life insurance. A workshop has been set for 9:00 a.m., on June 24, 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. Dismissal of Hearings. The proposed regulation updates and amends the hearings procedures before the Nevada Division of Insurance (Division) to expedite the administrative hearing process within the Division. The proposed regulation amends chapter 679B of the Nevada Administrative Code (NAC).
2. Various Provisions Relating to Property and Casualty Insurance. The proposed regulation defines thin file credit reports and addresses how thin files shall be treated. It clarifies that adverse actions based on credit information cannot be retroactive and describes how multi-policy accounts are to be treated. It updates the list of required filings. It provides for a consent-to-rate procedure that allows for lower rates in addition to higher rates. It updates the address of the National Council on Compensation Insurance. It updates the policy limit for air trip insurance in keeping with inflation. It changes the due dates of the medical malpractice loss prevention and control program report to make them consistent with NRS 680A.290. The proposed regulation amends chapters 686A, 686B and 690B of the NRS.
3. Self-Insured Workers' Compensation:
 - (a) Associations of Public or Private Employers - The proposed regulation will establish guidelines for associations requesting a dividend; will change the reporting threshold from \$50,000 to \$100,000 for medical costs or indemnity; will change the reporting requirements on any accident resulting in the hospitalization of three or more employees to five or more employees; and will update and amend the form numbers and schedules required for annual financial reporting.
 - (b) Self-Insured Employers - The proposed regulation will allow the use of multiple letters of credit to satisfy the tangible net worth requirements and will change the reporting threshold from \$50,000 to \$100,000 for medical costs or indemnity.

4. 2001 CSO Mortality Table for Life Insurance. This regulation adds a new section to chapter 688A of the NAC. The new section provides for adoption, by reference, the *2001 CSO Mortality Table for Use In Determining Minimum Reserve Liabilities and Nonforfeiture Benefits Model Regulation*. The proposed regulation applies to all life insurers doing business in this state.

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.

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 June 24, 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 videoconference 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:

REGULATION CONCERNING VARIOUS PROVISIONS IN TITLE 57 CONCERNING PROPERTY AND CASUALTY INSURANCE

The following information is provided pursuant to the requirements of NRS 233B.0603:

1. The proposed regulation will establish procedures for insurers using credit scoring in their rate filings; amends filing requirements in accordance with statutory changes enacted; updates the address for the National Council on Compensation Insurance (NCCI); updates the existing regulation regarding air trip insurance; and corrects the due dates of the medical malpractice insurance loss prevention and control report.
2. The proposed regulation provides new definitions and instructions regarding the use of credit scoring in rate filings; corrects the address of the NCCI in an existing regulation; changes the maximum allowable limit for air trip insurance; and corrects the due date for the medical malpractice insurance report.
3. Estimated economic effect of the regulation:

On the business which it is to regulate:

The proposed regulation will require insurers using credit scoring to abide by the procedures established in this regulation. This will not be a major change, but will be in the spirit of Senate Bill (SB) 319; the other provisions will have a minimal impact.

On the public:

The proposed regulation should have minimal economic impact on the public, but will provide additional knowledge and protection to consumers.

4. There should be no additional cost to the Division.
5. We are not aware of any overlap with any federal, state or local governmental agency regulations.

6. The proposed regulation is not pursuant to federal law.
7. If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, a summary of such provisions. Not applicable.
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 June 17, 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.

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 Division of Insurance
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 Carson City, NV 89701

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LCB File No. R111-04

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

Proposed Regulation on Credit Scoring, Required Filings, Consent to Rate, Nevada Workers' Compensation Insurance Plan, Air Trip Insurance, and Loss Prevention and Control Reporting

Authority: NRS 679B.130

Section 1. Chapter 686A of the NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 3, inclusive, of this regulation.

Sec. 2. *"Thin File" means a credit report with insufficient data to calculate a complete insurance score.*

Sec. 3. 1. *A thin file applicant or policyholder shall be treated in accordance with NRS 686A.680(5).*

2. An insurer that uses information from a consumer credit report shall not take an adverse action against an applicant or a policyholder based on credit information in a policy period subsequent to the inception of that policy period.

3. Any adverse action taken at the inception of a policy period based on information from a consumer credit report must be based on a credit report issued or an insurance score calculated not more than 90 days before the inception of that policy period.

4. If a company issues more than one policy under an account under the same credit model and such policies have different effective dates, for the purpose of this regulation and NRS 686A.680(6), the 90 day time period applies to the first policy for the account. At addition or renewal of subsequent policies under the account, the credit report or insurance score used on the first policy may be used at the inception or renewal of subsequent policies under the account as long as such information is not more than 36 months old.

Sec. 4. NAC 686B.505 is hereby amended to read as follows:
Required filings.

1. Policy coverage forms, endorsements, application forms and declarations pages for all business and commercial insurance.

2. Rules, rates, policy coverage forms, endorsements, application forms and declarations pages for the following types of insurance: The commissioner will interpret subsection 2 of NRS 686B.030 as requiring the following filings:

(a) Dwelling, up to 4 units;

~~(b) Personal surety;~~

~~(c) Bail bond;~~

~~(d) Hospital comprehensive liability;~~

~~(e)~~(b) Personal inland ~~[marine;]~~ *including but not limited to personal watercraft;*

~~(f)~~(c) Vehicle mechanical breakdown; and
~~(g)~~(d) Insurance for home protection which is regulated pursuant to NRS 690B.100 to 690B.180, inclusive.

Sec. 5. NAC 686B.520 is hereby amended to read as follows:

1. An insurance company which requires a charge ~~[in excess of]~~ *different from* the rate provided by a filing otherwise applicable to a specific risk, may request the ~~[excess]~~ rate by written application to the commissioner for approval or disapproval.
2. An application must:
 - (a) Include one copy of the face of the policy.
 - (b) Show a comparison of the filed rate to the ~~[excess]~~ *requested* rate.
 - (c) Give a brief statement of steps which the insured can take to improve his insurability and qualify for a lower ~~[rate.]~~ *if the requested rate is in excess of the filed rate.*
 - (d) Provide a space for the insured or a representative to sign as evidence of consent to ~~[an excess]~~ *the requested* rate.
 - (e) Give any other information required by the commissioner.

Sec. 6. NAC 686B.830 is hereby amended to read as follows:

1. Each insurer providing industrial insurance in this state shall:
 - (a) Participate in the Nevada Workers' Compensation Insurance Plan; and
 - (b) Subscribe to the Articles of Agreement of the National Workers' Compensation Reinsurance Pool,which are hereby adopted by reference.
2. Copies of the Nevada Workers' Compensation Insurance Plan and the Articles of Agreement of the National Workers' Compensation Reinsurance Pool may be obtained, free of charge, from the National Council on Compensation Insurance, ~~[Communications, 750 Park of Commerce Drive.]~~ *Residual Market Administration, 901 Peninsula Corporate Circle*, Boca Raton, Florida 33487.

Sec. 7. NAC 686B.835 is hereby amended to read as follows:

1. The premiums paid and losses incurred by insurers for industrial insurance provided pursuant to the Nevada Workers' Compensation Insurance Plan must be:
 - (a) Ceded first to the National Workers' Compensation Reinsurance Pool; and
 - (b) Redistributed periodically based on the proportionate voluntary market share of each participant in the pool, as set forth in:
 - (1) The Articles of Agreement of the National Workers' Compensation Reinsurance Pool; or
 - (2) The Quota Share Reinsurance Agreement of the National Council on Compensation Insurance, which is hereby adopted by reference.
2. A copy of the Quota Share Reinsurance Agreement of the National Council on Compensation Insurance may be obtained, free of charge, from the National Council on Compensation Insurance, ~~[Communications, 750 Park of Commerce Drive.]~~ *Residual Market Administration, 901 Peninsula Corporate Circle*, Boca Raton, Florida 33487.

Sec. 8. NAC 690B.410 is hereby amended to read as follows:

1. The rate charged to the public in Nevada for air trip insurance must not be greater than 2.5 cents per thousand dollars of coverage.

2. No single policy of air trip insurance may be issued on the life of one person in excess of ~~[\$165,000.]~~ *\$1,000,000.*

Sec. 9. NAC 690B.570 is hereby amended to read as follows:

1. Each insurer that issues a policy of medical malpractice insurance must submit a report to the Commissioner on the loss prevention and control programs of the insurer, including, without limitation, the qualified risk management systems offered by the insurer.

2. On or before ~~[May 1]~~ *July 15* of each year, the Commissioner will provide to each insurer the form for making the report.

3. On or before ~~[July 1]~~ *September 15* of each year, the report must be returned to the Commissioner.