

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R069-07

Effective December 4, 2007

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

AUTHORITY: §§1-4, NRS 679B.130 and 694C.170.

A REGULATION relating to insurance; establishing the expenses that may be incurred in certain examinations of captive insurers conducted by the Commissioner of Insurance; revising provisions relating to certain publications adopted by the Commissioner by reference; and providing other matters properly relating thereto.

Section 1. Chapter 694C of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this regulation.

Sec. 2. *Reasonable and proper expenses incurred in an examination conducted pursuant to NRS 694C.410 may include, without limitation:*

1. For a financial examiner or market conduct examiner, a daily salary as defined in the Examiners Handbook, which is adopted by reference in NAC 679B.033.

2. For expert assistants, a daily salary based upon the rate established in the contract approved by the State Board of Examiners.

3. The maximum per diem rate for the location of the examination established by the Administrator of General Services in the Federal Trade Regulation System, of the General Services Administration, 41 C.F.R. Chapters 300 to 304, inclusive, and set forth in Domestic Per Diem Rates, which is adopted by reference in NAC 694C.090.

4. *Expenses for transportation, including, without limitation, the cost of airfare, rail fare, taxicab fare and automobile rental and the reimbursement of any personal automobile expenses necessary to reach the location of the examination. The calculation of expenses for transportation may include expenses for transportation incurred by virtue of the length of time necessary to complete the examination.*

5. *Upon approval of the Commissioner, miscellaneous expenses incurred by the examiner and assistants while performing an examination. Miscellaneous expenses may include, without limitation, expenses for telephone calls, facsimile transmissions and postal charges relating to the examination.*

6. *An administrative charge, expressed as a percentage of the daily salary of the examiner or assistant, as provided in subsections 1 and 2 and as provided in the division budget approved by the Nevada Legislature.*

Sec. 3. *The Commissioner will periodically review:*

1. *The Property/Casualty Insurance Annual Statement Blanks (ASB-PU) and the Annual Statement Instructions for the Property/Casualty Manual (ASI-PU), as adopted by reference in subsection 1 of NAC 694C.090;*

2. *The AICPA Professional Standards, as adopted by reference in subsection 2 of NAC 694C.090;*

3. *The Original Pronouncements As Amended, and the Current Text, as adopted by reference in subsection 3 of NAC 694C.090; and*

4. *The Domestic Per Diem Rates, as adopted by reference in subsection 4 of NAC 694C.090,*

↪ *and determine within 30 days after the review whether any change made to a publication listed in subsections 1 to 4, inclusive, is appropriate for application in this State. If the Commissioner does not disapprove a change to an adopted publication within 30 days after the review, the change is deemed to be approved by the Commissioner.*

Sec. 4. NAC 694C.090 is hereby amended to read as follows:

694C.090 The Commissioner hereby adopts the following publications by reference:

1. The *Property/Casualty Insurance Annual Statement Blanks (ASB-PU)* and the *Annual Statement Instructions for the Property/Casualty Manual (ASI-PU)*, published by the National Association of Insurance Commissioners. A copy of these publications may be purchased from NAIC Insurance Products and Services Division, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662, by telephone at (816) 783-8300, by fax at (816) 460-7593 or by electronic mail at prodserv@naic.org, at a cost of \$200 for *ASB-PU* and \$225 for *ASI-PU*.
2. The *AICPA Professional Standards, 2007 edition*, published by the American Institute of Certified Public Accountants. A copy of this publication may be obtained from the American Institute of Certified Public Accountants, Order Department, P.O. Box 2209, Jersey City, New Jersey 07303-2209, by telephone at (888) 777-7077, by fax at (800) 362-5066 or at the Internet address <https://www.cpa2biz.com/default.htm>, at a cost of ~~[\$103.50]~~ **\$119** for members of the AICPA or ~~[\$129.38]~~ **\$148.75** for nonmembers.
3. *Original Pronouncements As Amended, 2007-2008 edition*, and *Current Text, 2007-2008 edition*, published by the Financial Accounting Standards Board. A copy of each of these publications may be obtained at the Internet address <http://www.fasb.org> or by telephone at (800) 748-0659. The cost of:
 - (a) The *Original Pronouncements As Amended* is ~~[\$125.]~~ **\$140**.

(b) The *Current Text* is ~~[\$110.]~~ \$125.

(c) Both publications purchased as a set is ~~[\$215.]~~ \$240.

4. *The Domestic Per Diem Rates, published by the General Services Administration. A copy of this publication may be obtained, free of charge, from the General Services Administration at the Internet address <http://www.gsa.gov/perdiem>.*

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R069-07

The Commissioner of Insurance adopted regulations assigned LCB File No. R069-07 which pertain to chapter 694C of the Nevada Administrative Code.

INFORMATIONAL STATEMENT

A workshop was held on November 27, 2007, followed by a hearing held on November 28, 2007, 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 of both the workshop and the hearing conducted at the Bradley Building, 2501 E. Sahara Avenue, Real Estate Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The workshop and hearing concerned the administrative costs associated with financial examinations of captive insurance companies. The November 27, 2007, workshop was a continuation of an earlier workshop held on September 18, 2007. Deputy Commissioner Pamela Mackay was the Hearing Officer for the September 18, 2007, workshop.

Public comment was solicited by posting notice of the hearing in the following public locations: the Division’s Carson City and Las Vegas offices, Carson City Courthouse, Office of the Attorney General, the Donald W. Reynolds Press Center, Capitol Building Lobby, Capitol Building Press Room, Blasdel Building, Legislative Counsel Bureau, Nevada State Library, Carson City Library, Churchill County Library, Clark County District Library, Douglas County Library, Elko County Library, Esmeralda County Library, Eureka Branch Library, Humboldt County Library, Lander County Library, Lincoln County Library, Lyon County Library, Mineral County Library, Pershing County Library, Storey County Library, Tonopah Public Library, Washoe County Library, and White Pine County Library.

The Division maintains a general list of interested parties, comprised mainly of insurance companies, agencies and other persons regulated by the Division. These persons were also 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 nine interested parties in Carson City and two interested parties in Las Vegas. There was one written comment received from Mr. Robert Vogel of Pro Group Captive Management Services. Mr. Gary Cooper, Deputy Commissioner of the Nevada Captive Insurance Program, provided testimony regarding the purpose of the proposed regulation. Mr. Bob Feldman of Nevada General Insurance Company testified in support of Mr. Vogel’s written comment.

Mr. Cooper testified that the purpose of the regulation is to clarify the authority of the Commissioner of Insurance (“Commissioner”) to set administrative financial examination expenses specifically for captive insurance companies. The regulation mirrors language already used for the examination of traditional insurance companies. This regulation allows the Division

to charge reasonable and proper expenses incurred during the examination process, and assessed upon the captive insurer.

This regulation was recommended by the Legislative Counsel Bureau (“LCB”) to be added to the captive chapter of regulations, and allows the Division to continue to charge administrative expenses for financial examinations. The proposed regulation does not impose a new or additional fee or expense to any captive company. These administrative charges have been assessed from the inception of the captive program. These charges are for the costs incurred by the Legal Section, the Corporate and Finance Section, the Property and Casualty Section, and the Captive Section of the Division for the administration of the captive financial examination process. These expenses are necessary to protect the entire Nevada captive program, to assure captives will remain solvent in compliance with Nevada statutes and regulations and to maintain the accreditation of the Division by the National Association of Insurance Commissioners.

Nevada is one of the fastest growing captive domiciles in the country and there has been no evidence that these administrative charges have had a negative effect on Nevada’s captive program.

This regulation will not and does not change any current financial reporting requirement but only clarifies that the administrative charges incurred by the Division for the administration of captive financial examinations shall be assessed to the captive insurance company.

The Commissioner has issued an order adopting the proposed regulation, LCB File No. R069-07, as a permanent regulation of the Division.

The Division anticipates no additional expenses to enforce this proposed regulation. The Division is not aware of any overlap or duplication of the regulation with any state, local, or federal regulation. The Division does not foresee a negative impact on the captive industry or on the general public from this regulation.