

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R081-07

Effective April 17, 2008

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

AUTHORITY: §1, NRS 679B.130 and 693A.530.

A REGULATION relating to insurance; defining certain terms relating to the conversion of a mutual insurance company or mutual insurance holding company to a domestic stock insurer; and providing other matters properly relating thereto.

Section 1. Chapter 693A of NAC is hereby amended by adding thereto a new section to read as follows:

As used in NRS 693A.400 to 693A.540, inclusive, the Commissioner will interpret:

- 1. “Domestic stock insurer” to mean a domestic stock insurance company or a stock holding company.*
- 2. “Plan of conversion” to include, without limitation, the plan of conversion and any amendments to the articles of incorporation adopted by a resolution of the board of directors of the converting mutual pursuant to subsection 1 of NRS 693A.440.*

NOTICE OF ADOPTION OF REGULATION

The Commissioner of Insurance adopted regulations assigned LCB File No. R081-07, which pertain to chapter 693A of the Nevada Administrative Code

INFORMATIONAL STATEMENT

A workshop was held on October 23, 2007, and a hearing was held on October 24, 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 simultaneous video-conferencing conducted at the Bradley Building, 2501 E. Sahara Avenue, Real Estate Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104, concerning the adoption of a permanent regulation providing certain definitions to chapter 693A of the Nevada Administrative Code (NAC).

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, 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 workshop was attended by five interested persons in Carson City and seven interested persons in Las Vegas. The hearing was attended by three interested persons in Carson City and one interested person in Las Vegas. The Division received no written comments from the public regarding this proposed regulation. Testimony in support of the proposed regulation was received from Peggy Willard-Ross, Assistant Chief of the Division's Corporate and Financial Section; John Marshall, Management Analyst of the Division's Corporate and Financial Section; and Dan Reaser of Lionel Sawyer & Collins, on behalf of EIG Holding Company. Those testifying explained that the proposed regulation seeks to make permanent an existing temporary regulation (T015-06), which became effective December 19, 2006; that the proposed regulation provides definitions of the terms "domestic stock insurer" and "plan of conversion" as used in the statutory scheme concerning conversions of a domestic mutual insurance company or a mutual insurance holding company to a domestic stock insurer or a stock insurance holding company, as the context requires, pursuant to NRS 693A.400 through 693A.540, inclusive; that the proposed regulation is needed to implement aspects of certain types of plans of conversion; and finally, that the proposed regulation facilitates certain legal requirements for an initial public offering of common stock of a converted mutual in connection with implementation of a plan of conversion approved by the Commissioner of Insurance

(Commissioner) by allowing for issuance of required legal opinions and satisfaction of requirements of the various stock exchanges on certain corporate law matters.

Chip Wallace of Nevada Mutual Insurance Company inquired as to the intent of the permanent regulation. Mr. Reaser explained that the new proposed definitions eliminate ambiguities in the interpretation of chapter 693A of the Nevada Revised Statutes (NRS), and that making the regulation permanent allows demutualizations to be more effectively and efficiently accomplished where public offerings of securities are part of the transaction.

There was no opposition to the proposed amendment.

The Commissioner has issued an order adopting the proposed regulation, LCB File No. R081-07, pursuant to the workshop and hearing, as a permanent regulation of the Division.

The economic impact of the regulation is as follows:

- (a) On the business it is to regulate: None.
- (b) On small businesses: None.
- (c) On the public: None.

The Division anticipates no additional expenses 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.