

PROPOSED REGULATION OF THE COMMISSIONER OF INSURANCE

LCB File No. R027-12

NOTICE OF WORKSHOP TO SOLICIT COMMENTS ON PROPOSED REGULATIONS

The State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), (775) 687-0700, is proposing the adoption, amendment or repeal of regulations pertaining to chapters 616B, 679B, 686A and 689A of the Nevada Administrative Code (“NAC”). A workshop has been set for **10:00 a.m., on June 5, 2012**, at the Division’s office located at 1818 East College Parkway, 1st floor hearing room, Carson City, Nevada 89706. Interested parties may also participate through a simultaneous videoconference conducted at the Bradley Building, 2501 East Sahara Avenue, 2nd floor conference room, Las Vegas, Nevada 89104. The purpose of the workshop is to solicit comments from interested persons on the following general topics that may be addressed in the proposed regulations. Please submit any written comments no later than **May 29, 2012**.

LCB File No. R026-12. Amend NAC 686A.282, 686A.288 and 686A.302.

Repeal NAC 686A.292, 686A.294, 686A.296, 686A.298, 686A.300 and 689A.431.

A regulation relating to insurance; prescribing the form which must be used for the submission of certain claims; repealing certain provisions relating to the submission of certain information for an insurance claim; and providing other matters properly relating thereto.

LCB File No. R027-12. Amend NAC 686A.4775, 686A.563 and 686A.573.

A regulation relating to insurance; revising provisions governing an illustration actuary; revising the notice that must be provided with policies of life insurance and annuity contracts that replace existing policies and contracts to conform with statutory requirements; and providing other matters properly relating thereto.

LCB File No. R028-12. Confidentiality of Records During an Examination.

A regulation relating to insurance; removing obsolete references to the Advocate for Insurance Customers; and providing other matters properly relating thereto.

LCB File No. R031-12.

Financial Reporting of Associations of Self-Insured Employers.

A regulation relating to industrial insurance; revising requirements concerning financial information that must be submitted to the Commissioner of Insurance by associations of self-insured employers; and providing other matters properly relating thereto.

LCB File No. R032-12. GASB Publication Cost.

A regulation relating to insurance; revising the price for purchasing a copy of a publication with which certain governmental employers that are self-insured for purposes of workers' compensation must comply; and providing other matters properly relating thereto.

A copy of all materials relating to the proposals may be obtained at the workshop or by contacting the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, (775) 687-0700. A reasonable fee for copying may be charged.

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, posted to the agency's Internet Web site at doi.nv.gov, and was provided to or posted at the following locations:

Department of Business and Industry
Division of Insurance
1818 East College Parkway, Suite 103
Carson City, NV 89706

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
Las Vegas, NV 89104

Capitol Press Room
Capitol Building Basement
Carson City, NV 89710

Donald W. Reynolds Press Center
102 North Curry Street
Carson City, NV 89701

Legislative Counsel Bureau
401 South Carson Street
Carson City, NV 89701

Office of the Attorney General
100 North Carson Street
Carson City, NV 89701

Blasdel Building
209 East Musser Street
Carson City, NV 89701

Nevada State Library & Archives
100 North Stewart Street
Carson City, NV 89701

Office of the Governor
Capitol Building
Carson City, NV 89710

Carson City Courthouse
885 East Musser Street
Carson City, NV 89701

Carson City Library
900 North Roop Street
Carson City, NV 89701

Churchill County Library
553 South Main Street
Fallon, NV 89406

Clark County District Library
833 Las Vegas Boulevard North
Las Vegas, NV 89101

Douglas County Library
P.O. Box 337
Minden, NV 89423

Elko County Library

Esmeralda County Library

720 Court Street
Elko, NV 89801

P.O. Box 430
Goldfield, NV 89013

Eureka Branch Library
P.O. Box 293
Eureka, NV 89316

Humboldt County Library
85 East 5th Street
Winnemucca, NV 89445

Lander County Library
P.O. Box 141
Battle Mountain, NV 89820

Lincoln County Library
P.O. Box 330
Pioche, NV 89043-0330

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Mineral County Public Library
P.O. Box 1390
Hawthorne, NV 89415

Pershing County Library
P.O. Box 781
Lovelock, NV 89419

Storey County Public Library
P.O. Box 14
Virginia City, NV 89440

Tonopah Public Library
P.O. Box 449
Tonopah, NV 89049

Washoe County Library
P.O. Box 2151
Reno, NV 89505-2151

White Pine County Library
950 Campton Street
Ely, NV 89301

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 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, or by calling (775) 687-0700, no later than five (5) working days prior to the hearing.

DATED this 11th day of May, 2012.

/s/
SCOTT J. KIPPER
Commissioner of Insurance

NOTICE OF INTENT TO ACT UPON REGULATION

Notice of Hearing for the Adoption, Amendment or Repeal of Regulations of The Department of Business and Industry, Division of Insurance

The State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), (775) 687-0700, will hold a public hearing at **9:30 a.m. on June 14, 2012**, at the Division’s office located at 1818 East College Parkway, 1st floor hearing room, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted at the Bradley Building, 2501 East Sahara Avenue, 2nd floor conference room, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the amendment of regulations that pertain to **chapter 686A** of the Nevada Administrative Code (“NAC”).

The following information is provided pursuant to the requirements of Nevada Revised Statute (“NRS”) 233B.0603 and the directives of the Governor:

LCB File No. R027-12. Amend NAC 686A.4775, 686A.563 and 686A.573.

A regulation relating to insurance; revising provisions governing an illustration actuary; revising the notice that must be provided with policies of life insurance and annuity contracts that replace existing policies and contracts to conform with statutory requirements; and providing other matters properly relating thereto.

(1) Why is the regulation necessary and what is its purpose?

NAC 686A.4775: This regulation requires an illustration actuary to annually certify that the illustrations used with sales and existing policies comply with Nevada law. The regulation establishes an annual due date of March 1 for the certification. Establishing a date certain on which the annual report must be filed is useful for both the insurer and the Commissioner.

NAC 686A.563: Every life insurance policy sold as a replacement of an existing life insurance policy must contain a statement of rights for the policyholder. The producer must have the policyholder sign a notice regarding the replacement of coverage. Section 38 of AB 74 (NRS 688A.165) amended the “free look” period for life insurance policies from 10 days to 30 days. The only change in this amendment is the change to 30 days in the notice.

NAC 686A.573: Every annuity contract sold as a replacement of an existing annuity contract must contain a statement of rights for the contract holder. The producer must have the purchaser of the replacement annuity sign a notice regarding the replacement. Section 38 of AB 74 (NRS 688A.165) amended the “free look” period for an annuity contract from 10 days to 30 days. The only change in this amendment is the change to 30 days in the notice.

(2) What are the terms or substance of the proposed regulation?

NAC 686A.4775: The proposed amendment changes the timing of the required report from prospective to retrospective. The change also establishes a date certain by which the report must be filed.

NAC 686A.563: The proposed amendment will make the “free look” period in the notice consistent with the statute.

NAC 686A.573: The proposed amendment will make the “free look” period in the notice consistent with the statute.

(3) What is the anticipated impact of the regulation on the problem(s)?

NAC 686A.4775: The regulation should simplify the filing process as carriers and the Commissioner will know on what date the report is due. This will eliminate the filing of reports throughout the year with the only “overdue” date being December 31 for the reporting of the prior year’s activity.

NAC 686A.563: The notice to policyholders will be consistent with the statute and provide a “free look” period of 30 days instead of the original 10 days.

NAC 686A.573: The notice to contract holders will be consistent with the statute and provide a “free look” period of 30 days instead of the original 10 days.

(4) Do other regulations address the same problem(s)?

NAC 686A.4775, NAC 686A.563 and NAC 686A.573: No.

(5) Are alternate forms of regulation sufficient to address the problem(s)?

NAC 686A.4775, NAC 686A.563 and NAC 686A.573: No.

(6) What value does the regulation have to the public?

NAC 686A.4775: The public is assured that each carrier using illustrations for sales purposes and/or in-force policies comply with the consumer protections established in the NAIC Model Regulation.

NAC 686A.563: The purpose of the notice is to warn the public of the risks of replacing one life insurance policy with another. This “free look” period gives the policyholder a longer period of time to reconsider their decision.

NAC 686A.573: The purpose of the notice is to warn the public of the risks of replacing one annuity contract with another. This “free look” period gives the contract holder the opportunity to reconsider their decision.

(7A) What is the anticipated economic benefit of the regulation?

NAC 686A.4775:

- a. Public**
 - 1. Immediate:** No impact.
 - 2. Long Term:** No impact.

- b. Insurance Business**
 - 1. Immediate:** The establishment of a date certain allows carriers to know when the report is due to the Commissioner.
 - 2. Long Term:** The establishment of a date certain allows carriers to know when the report is due to the Commissioner.
- c. Small Businesses**
 - 1. Immediate:** No impact.
 - 2. Long Term:** No impact.
- d. Small Communities**
 - 1. Immediate:** No impact.
 - 2. Long Term:** No impact.
- e. Government Entities**
 - 1. Immediate:** The Division is able to establish a calendar of reports due on or before March 1 of each year. Reports will no longer be submitted throughout the year with difficulty determining if a report is filed “late.”
 - 2. Long Term:** The Division is able to establish a calendar of reports due on or before March 1 of each year. Reports will no longer be submitted throughout the year with difficulty determining if a report is filed “late.”

(7B) What is the anticipated economic benefit of the regulation?

NAC 686A.563:

- a. Public**
 - 1. Immediate:** Positive impact. The consumer has a longer period to reconsider their decision to replace their existing policy with another policy.
 - 2. Long Term:** Life insurance policies remain in effect until canceled or the policyholder dies. The policyholder will now have a longer period to reconsider their choice in replacing one policy with another.
- b. Insurance Business**
 - 1. Immediate:** Insurers must, by law, give the consumer a “free look” period to reconsider the replacement of a life insurance policy. Insurers must comply with the new standard.
 - 2. Long Term:** No impact.
- c. Small Businesses**
 - 1. Immediate:** No impact.
 - 2. Long Term:** No impact.
- d. Small Communities**
 - 1. Immediate:** No impact.
 - 2. Long Term:** No impact.
- e. Government Entities**

1. **Immediate:** The revised notices must be filed with the Division. Once the revised form is filed by all carriers, there will be no further impact.

2. **Long Term:** The Division should receive fewer complaints regarding carriers or producers who have possibly improperly influenced a policyholder to cancel one policy and replace it with a new one.

(7C) What is the anticipated economic benefit of the regulation?

NAC 686A.573:

a. Public

1. **Immediate:** Positive impact. The consumer has a longer period to reconsider their decision to replace their existing contract with another contract.

2. **Long Term:** Annuity contracts remain in effect until canceled or annuitized. The contract holder will now have a longer period to reconsider their choice in replacing one contract with another.

b. Insurance Business

1. **Immediate:** Insurers must, by law, give the consumer a “free look” period to reconsider the replacement of an annuity. Insurers must comply with the new standard.

2. **Long Term:** No impact.

c. Small Businesses

1. **Immediate:** No impact.

2. **Long Term:** No impact.

d. Small Communities

1. **Immediate:** No impact.

2. **Long Term:** No impact.

e. Government Entities

1. **Immediate:** The revised notices must be filed with the Division. Once the revised form is filed by all carriers, there will be no further impact.

2. **Long Term:** The Division should receive fewer complaints regarding carriers or producers who have possibly improperly influenced a contract holder to cancel one annuity and replace it with a new one.

(8) What is the anticipated adverse impact, if any?

NAC 686A.4775, NAC 686A.563 and NAC 686A.573:

a. Public

1. **Immediate:** No impact.

2. **Long Term:** No impact.

b. Insurance Business

1. **Immediate:** No adverse impact.

2. **Long Term:** No adverse impact.

c. Small Businesses

1. **Immediate:** No impact.

2. **Long Term:** No impact.

d. Small Communities

1. **Immediate:** No impact.

- 2. **Long Term:** No impact.
- e. **Government Entities**
 - 1. **Immediate:** No adverse impact.
 - 2. **Long Term:** No adverse impact.

**(9A) What is the anticipated cost of the regulation, both direct and indirect?
NAC 686A.4775:**

- a. **Enactment** – None
- b. **Enforcement** – None
- c. **Compliance** – None

**(9B) What is the anticipated cost of the regulation, both direct and indirect?
NAC 686A.563:**

- a. **Enactment** – Each life insurer must re-file the notice required by NAC 686A.563. This will be a one-time filing fee and task.
- b. **Enforcement** – Minimal.
- c. **Compliance** – Each carrier must bear the burden of re-filing its notice of replacement of a life insurance policy. Each carrier must offer a 30 day “free look” period in lieu of the previous 10 day “free look.” The cost of compliance should be minimal.

**(9C) What is the anticipated cost of the regulation, both direct and indirect?
NAC 686A.573:**

- a. **Enactment** – Each insurer must re-file the notice required by NAC 686A.573. This will be a one-time filing fee and task.
- b. **Enforcement** – Enforcement costs should be minimal.
- c. **Compliance** – Each carrier must bear the burden of re-filing its notice of replacement of an annuity contract. Each carrier must offer a 30 day “free look” period in lieu of the previous 10 day “free look.” The cost of compliance should be minimal.

**(10) Does the regulation establish a new fee or increase an existing fee?
NAC 686A.4775:** There are no fees involved with the filing of the annual report.

NAC 686A.563: Each filing requires a \$10 filing fee. This is not a new fee, but must be paid with the new filing to comply with the revised “free look” period.

NAC 686A.573: Each filing requires a \$10 filing fee. This is not a new fee, but must be paid to comply with the revised “free look” period.

(11) Provide a statement which identifies the methods used by the agency in determining the impact of the proposed regulation on a small business, prepared pursuant to subsection 3 of NRS 233B.0608.

NAC 686A.4775: The agency reviewed the report and information contained therein. The report assures consumers that the carrier is in compliance with the NAIC Model Regulation on Life Insurance Illustrations. There is no significant impact on small businesses.

NAC 686A.563: The notice is required for the replacement of life insurance policies which are generally purchased by individuals, not small businesses. If a small business purchases such a policy, this form must be signed along with the new application. This form will not cause a significant impact on small businesses.

NAC 686A.573: The notice is required for the replacement of an annuity contract which is generally purchased by individuals, not small businesses. If a small business purchases such a contract, this form must be signed along with the new application. This form will not require any undue burden on small businesses.

(12) Provide a description of any regulations of other state or local governmental agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, state the name of the regulating federal agency.

NAC 686A.4775 and NAC 686A.563: Not applicable.

NAC 686A.573: The statute requires a “free look” period for the replacement of annuities. The statute does not prescribe a form to accomplish this. NAC 686A.573 prescribes the form to be used by all carriers to comply with the notice requirements of the “free look” period as defined in NRS 688A.165.

(13) If the regulation is required pursuant to federal law, provide a citation and description of the federal law.

NAC 686A.4775, NAC 686A.563, and NAC 686A.573: Not applicable.

(14) If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, provide a summary of such provisions.

NAC 686A.4775, NAC 686A.563, and NAC 686A.573: Not applicable.

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, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. **Written submissions must be received by the Division on or before May 29, 2012.** 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, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, 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/register>. Copies of this notice and the proposed regulation 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 does not apply to a public body subject to the Open Meeting Law.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, shall 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.

This notice of hearing has been posted at or provided to the following locations:

Department of Business and Industry
Division of Insurance
1818 East College Parkway, Suite 103
Carson City, NV 89706

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Division of Insurance
2501 East Sahara Avenue, Suite 302
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Virginia City, NV 89440

Tonopah Public Library
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Washoe County Library
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Reno, NV 89505-2151

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Ely, NV 89301

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DATED this 11th day of May, 2012.

/s/
SCOTT J. KIPPER
Commissioner of Insurance