

**ADOPTED REGULATION OF THE  
COMMISSIONER OF INSURANCE**

**LCB File No. R064-16**

Effective July 1, 2016

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

AUTHORITY: §§1 and 2, NRS 679B.130 and 681B.300.

A REGULATION relating to insurance; adopting by reference the *Valuation Manual* adopted by the National Association of Insurance Commissioners; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

Certain provisions of existing law relating to certain policies and contracts for life insurance, accident and health insurance and deposit-type contracts are applicable to only such policies and contracts issued on or after the operative date of the *Valuation Manual* adopted by the National Association of Insurance Commissioners. (NRS 681B.300-681B.330) Existing law further provides that the *Valuation Manual* is not operative until, among other things, it has been adopted by the Commissioner of Insurance, by regulation. (NRS 681B.300) This regulation adopts the *Valuation Manual* by reference.

**Section 1.** Chapter 681B of NAC is hereby amended by adding thereto a new section to read as follows:

- 1. The Valuation Manual, in the form most recently adopted by the National Association of Insurance Commissioners, is hereby adopted by reference. The publication may be obtained by mail from the National Association of Insurance Commissioners, Publications Department, 1100 Walnut Street, Suite 1500, Kansas City, Missouri 64106-2197, or by ordering via telephone at (816) 783-8300 or on the Internet at <http://www.naic.org>, at the price of \$250.*
- 2. If the Valuation Manual is revised, the Commissioner will review the revision to determine its suitability for this State. If the Commissioner determines that the revision is not*

*suitable for this State, he or she will give notice within 30 days after the effective date of the revision. If the Commissioner does not give notice within 30 days, the revision becomes part of the Valuation Manual as adopted by reference. If a revision becomes part of the Valuation Manual and a person objects to and is aggrieved by the revision, that person may request a hearing before the Commissioner pursuant to NRS 679B.310 to 679B.370, inclusive.*

**Sec. 2.** This regulation becomes effective on July 1, 2016.

**LEGISLATIVE REVIEW OF ADOPTED REGULATIONS  
INFORMATIONAL STATEMENT AS REQUIRED BY NRS 233B.066**

LCB FILE NO. R064-16

The following statement is submitted by the State of Nevada, Department of Business and Industry, Division of Insurance (“Division”) for adopted amendments to Nevada Administrative Code (“NAC”) Chapter 681B.

**1. A clear and concise explanation of the need for the adopted regulation.**

This regulation is required in order to adopt the National Association of Insurance Commissioners’ (NAIC) Valuation Manual, in accordance with changes to the standard valuation law applicable to certain life, life and accident and health and fraternal insurers and pursuant to Senate Bill No. 67 (2015). Certain of those changes are applicable only to policies and contracts issued on or after the operative date of the Valuation Manual adopted by the NAIC. Sections 33.3, 33.7 and 33.9 of Senate Bill No. 67, chapter 522, Statutes of Nevada 2015, at pages 3392-96 (NRS 681B.300, 681B.320 and 681B.330). Senate Bill No. 67 further provides that the Valuation Manual is not operative until, among other things, it has been adopted by the Commissioner of Insurance, by regulation. Section 33.7 of Senate Bill No. 67, chapter 522, Statutes of Nevada 2015, at page 3394 (NRS 681B.300). This regulation adopts by reference the Valuation Manual.

The Valuation Manual sets forth the minimum reserve requirements, including the calculation and reporting of reserves as well as experience reporting and corporate governance requirements, applicable to certain insurance contracts and policies issued by certain insurance companies doing business in Nevada. R064-16 is based on NAIC Model Law #820 and the provisions of 2015 SB 67. This permanent regulation is needed to fully implement the 2015 revisions to Nevada’s standard valuation law which address the determination of appropriate reserves held by certain insurance companies.

**2. A description of how public comment was solicited, a summary of public response, and an explanation of how other interested persons may obtain a copy of the summary.**

**(a) A description of how public comment was solicited:**

Public comment was solicited by e-mailing the proposed regulation, notice(s) of workshop, notice(s) of intent to act upon the regulation, and small business impact statement to persons on the Division’s mailing list requesting notification of proposed regulations. The documents were also made available on the website of the Division, <http://doi.nv.gov/>, mailed to the main library for each county in Nevada for posting, and posted at the following locations:

Department of Business and Industry  
Division of Insurance  
1818 East College Parkway, Suite 103

Department of Business and Industry  
Division of Insurance  
2501 East Sahara Avenue, Suite 302

Carson City, Nevada 89706

Las Vegas, Nevada 89104

Legislative Building  
401 South Carson Street  
Carson City, Nevada 89701

Grant Sawyer Building  
555 East Washington Avenue  
Las Vegas, Nevada 89101

Blasdel Building  
209 East Musser Street  
Carson City, Nevada 89701

Capitol Building  
101 North Carson Street  
Carson City, Nevada 89701

Nevada Department of Employment,  
Training and Rehabilitation  
2800 E. Saint Louis Avenue  
Las Vegas, Nevada 89104

Public comment was also solicited at the workshop held on June 9, 2016, and at the hearing held on June 21, 2016. The public meetings took place at the offices of the Division, 1818 East College Parkway, Carson City, Nevada 89706, with simultaneous videoconferencing to the Bradley Building, 2501 East Sahara Avenue, Las Vegas, Nevada 89104.

**(b) A summary of the public response:**

The workshop was attended by James Wadhams, Esq. in Las Vegas. There were no members of the public attending the workshop in Carson City. At the workshop, the proposed regulation was presented by Annette James, Lead Actuary, on behalf of the Division. During the workshop, Mr. Wadhams suggested that the small business impact statement, which was attached to the notice of the workshop and hearing, should be clarified to reflect the potential impact on small businesses which may be purchasers of insurance products. In response, Ms. James provided this clarification and explained that the changes to the standard valuation law affect the reserves held by insurance companies and do not directly impact the pricing of insurance products and therefore R064-16 has no direct significant or burdensome impact on a purchaser of the insurance product, including small businesses.

No members of the public attended the hearing. At the hearing, the proposed regulation was again presented by Annette James, Lead Actuary, on behalf of the Division.

The Division received no written comments regarding the proposed regulation.

**(c) An explanation of how other interested persons may obtain a copy of the summary:**

The summary in part 2(b) above reflects the comments and testimony that transpired with regard to regulation R064-16. A copy of said summary may be obtained by contacting Annette James, at (775) 687-0732 or [ajames@doi.nv.gov](mailto:ajames@doi.nv.gov). This summary will also be made available by e-mail request to [insinfo@doi.nv.gov](mailto:insinfo@doi.nv.gov).

**3. The number of persons who:**

- (a) **Attended workshop:** 5 (Division); 1 (Public)  
**Attended hearing:** 4 (Division); 0 (Public)
- (b) **Testified at workshop:** 1 (Division); 1 (Public)  
**Testified at hearing:** 1 (Division); 0 (Public)
- (c) **Submitted to the agency written statements:** 0

**4. A list of names and contact information, including telephone number, business address, business telephone number, electronic mail address, and name of entity or organization represented, for each person identified above in #3 (b) and (c), as provided to the agency:**

Name	Entity/Organization Represented	Business Address	Telephone No./ Business Telephone No.	E-Mail Address
Annette James	Nevada Division of Insurance	1818 E. College Pkwy. Ste. 103 Carson City, NV 89706	(775) 687-0732	<a href="mailto:ajames@doi.nv.gov">ajames@doi.nv.gov</a>
James Wadhams	Fennemore Craig	300 S. Fourth Street, Suite 1400 Las Vegas, Nevada 89101	(702) 692-8039	<a href="mailto:jwadhams@fclaw.com">jwadhams@fclaw.com</a>

**5. A description of how comment was solicited from affected businesses, a summary of their responses, and an explanation of how other interested persons may obtain a copy of the summary.**

Comments were solicited from affected businesses in the same manner as they were solicited from the public. Please see the description, summary and explanation provided above in response to question #2.

**6. If after consideration of public comment the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.**

The public comments received were focused on the clarity of the statements made regarding the impact of the regulation on small businesses and did not suggest that any specific provisions of the regulation needed to be modified. Therefore, the regulation was adopted without changing any part of the proposed regulation other than the required addition of the price of the Valuation Manual.

**7. (a) The estimated economic effect of the adopted regulation on the business which it is to regulate:**

**(1) Both adverse and beneficial effects:**

This proposed regulation adopts the Valuation Manual which sets forth consistent national standards for the establishment and maintenance of appropriate reserves for applicable companies. The implementation of the proposed regulation may result in a decrease or increase in the level of reserves required to be held by an affected insurance company, depending on several factors, including the mix of products offered by the insurer. The “right-sizing” of reserves ensures that insurance companies hold appropriate reserves which reflect the specific attributes, including the riskiness, of the products sold.

**(2) Both immediate and long-term effects:**

This regulation is not expected to have a significant immediate impact on the business which it is to regulate for the following reasons:

- a. If this regulation becomes effective on July 1, 2016 as proposed, the operative date of the Valuation Manual will be January 1, 2017. Therefore, no changes to the reserving methodology will occur until January 1, 2017 at the earliest.
- b. The changes will only impact certain policies and contracts issued on or after the operative date of the Valuation Manual. Therefore, the reserves of all policies and contracts in-force as of January 1, 2017 will be unaffected by this regulation.
- c. Affected companies are allowed to unilaterally delay implementation of the new reserving methodology for up to three years in order to make the changes to their systems, procedures and staffing that will be necessary to implement the required changes to their reserving methodology. For companies that decide to delay implementation of the new reserving methodology, there will be no immediate or short-term impact.

The long term effects of the regulation on a specific company’s reserves will depend on several factors, including the mix of products offered and the volume of affected business issued after the implementation date compared to the volume of business in-force on that date.

**(b) The estimated economic effect of the adopted regulation on the public:**

**(1) Both adverse and beneficial effects:**

The public may be directly impacted by regulations affecting insurance companies if the regulations affect the premiums that members of the public pay for insurance products. This regulation directly impacts the reserves held by insurance companies and does not directly impact the pricing of the product. Insurance companies may eventually adjust the price of their products to reflect many factors, including changes in actuarial assumptions and methodologies, as well as reserves. However, there is no direct cause and effect relationship between reserves and pricing, which means that this regulation has no direct or significant impact on any member of the public purchasing insurance.

**(2) Both immediate and long-term effects:**

This regulation is not expected to have any immediate impact on the public since it relates to the reserves held by insurance companies and has no direct impact on premiums paid by members of the public.

In the long term, the establishment and maintenance of appropriate reserves will be in the public's best interest. Since the impact on premiums is indirect at best, the long-term impact of this regulation on premiums paid by members of the public is difficult to assess.

**8. The estimated cost to the agency for enforcement of the adopted regulation.**

The Division will not incur additional expenses to enforce this regulation.

**9. A description of any regulations of other state or government 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, the name of the regulating federal agency.**

The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.

**10. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of those provisions.**

N/A

**11. If the regulation establishes a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.**

N/A