

PROPOSED REGULATION OF THE COMMISSIONER OF INSURANCE

LCB File No. R079-16

NOTICE OF INTENT TO ACT UPON REGULATION AND HEARING AGENDA

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 October 11, 2016**, in the 1st Floor Hearing Room at the Division’s offices located at 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted in the 3rd floor conference room at the Division’s offices located in the Bradley Building, 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of the regulation(s) that pertain(s) to **chapter 681A** 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. R079-16. Certified Reinsurers. (NAC 681A)

A REGULATION relating to insurance; establishing provisions relating to the security of obligations assumed by certain assuming insurers; providing for the certification of an assuming insurer as a reinsurer; providing for the rating of certified reinsurers by the Commissioner of Insurance; establishing criteria for the recognition of a jurisdiction as a qualified jurisdiction by the Commissioner; authorizing the Commissioner to recognize the certification and rating of a reinsurer issued in certain jurisdictions; establishing certain provisions relating to reinsurance contracts; and providing other matters properly relating thereto.

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

The regulation is necessary in order to meet National Association of Insurance Commissioners (“NAIC”) Accreditation standards for licensing of certified reinsurers. This regulation is based on NAIC model regulation #786.

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

The reinsurance companies that are the focus of the majority of this regulation are those that are non-U.S. reinsurance companies. The regulation will facilitate the certification of these non-U.S. reinsurance companies by a state, such as Nevada. Once certified, the reinsurance company can become licensed and then “passport” into other U.S. states to do business in those states. This regulation sets requirements for certification, required security deposit types and levels, rating levels for credits for reinsurance, and the use of specific forms. The regulation also addresses modification of the certification, filing requirements, and reviews by the Commissioner of the certified reinsurers and qualified jurisdictions. It also provides references regarding appropriate letters of credit.

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

Senate Bill 67 currently allows for certified reinsurers. The regulation is needed to set forth the NAIC Accreditation standards for the process.

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

No.

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

No.

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

This may lead to lower rates by having more reinsurers in the market.

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

a. Public

1. Immediate: *Keeps Nevada as an accredited state for financial solvency regulation and allows more reinsurers for insurers to get better terms in reinsurance contracts.*

2. Long Term: *Keeps Nevada as an accredited state for financial solvency regulation and allows more reinsurers for insurers to get better terms in reinsurance contracts.*

b. Insurance Business

1. Immediate: *Keeps Nevada as an accredited state for financial solvency regulation and allows more reinsurers for insurers to get better terms in reinsurance contracts.*

2. Long Term: *Keeps Nevada as an accredited state for financial solvency regulation and allows more reinsurers for insurers to get better terms in reinsurance contracts.*

- c. Small Businesses
 - 1. Immediate: *Allows more reinsurers for smaller insurers to get better terms in reinsurance contracts.*
 - 2. Long Term: *Allows more reinsurers for smaller insurers to get better terms in reinsurance contracts.*
- d. Small Communities
 - 1. Immediate: *Allows more reinsurers for insurers to get better terms in reinsurance contracts.*
 - 2. Long Term: *Allows more reinsurers for insurers to get better terms in reinsurance contracts.*
- e. Government Entities
 - 1. Immediate: *Keeps Nevada as an accredited state for the certification and financial solvency regulation of the certified reinsurance companies. These certified reinsurers will then be able to serve all U.S. states.*
 - 2. Immediate: *Keeps Nevada as an accredited state for the certification and financial solvency regulation of the certified reinsurance companies. These certified reinsurers will then be able to serve all U.S. states.*

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

- a. Public
 - 1. Immediate: *None.*
 - 2. Long Term: *None.*
- b. Insurance Business
 - 1. Immediate: *None.*
 - 2. Long Term: *None.*
- c. Small Businesses
 - 1. Immediate: *None.*
 - 2. Long Term: *None.*
- d. Small Communities
 - 1. Immediate: *None.*
 - 2. Long Term: *None.*
- e. Government Entities
 - 1. Immediate: *Provides the Division with more entities to license.*
 - 2. Long Term: *Provides the Division with more entities to license.*

(9) What is the anticipated cost of the regulation, both direct and indirect?

- a. Enactment – *None to minimal, as the standards are currently in practice.*

b. Enforcement – *The Division has the staff and resources to enforce these regulations since they are similar to other standards the Division already enforces.*

c. Compliance – *Not enacting this regulation will cause certain Nevada domiciled insurance businesses to leave Nevada, because Nevada would no longer be an NAIC accredited state.*

(10) Does the regulation establish a new fee or increase an existing fee?

No. The fee was established in Senate Bill 67.

(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.

The certified reinsurers, which are the focus of this regulation, are large conglomerate international companies. Also, certification pursuant to this regulation may ultimately provide more insurance options for small businesses. As a result, no impact statement is necessary.

(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.

No other regulation overlaps with this regulation.

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

N/A

(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.

N/A

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 September 14, 2016.** 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 regulation will be on file at the State Library, 100 North Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours.

Additional copies of the notice and the 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://leg.state.nv.us/register/>. Copies of this notice and the proposed regulation will 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.

Notice of the hearing was provided via electronic means to all persons on the agency's e-mail list for administrative regulations, and this Notice of Intent to Act Upon Regulation was posted to the agency's Internet Web site at <http://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, Nevada 89706

Department of Business and Industry
Division of Insurance
2501 East Sahara Avenue, Suite 302
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 Main Floor
101 North Carson Street
Carson City, Nevada 89701

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

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

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

Churchill County Library
553 South Main Street
Fallon, Nevada 89406

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

Elko County Library
720 Court Street
Elko, Nevada 89801

HEARING AGENDA

The State of Nevada, Department of Business and Industry, Division of Insurance

October 11, 2016 • 9:30 a.m.

Location of Hearing:

Office of the Division of Insurance
1818 E. College Pkwy., 1st Floor Hearing Room
Carson City, NV 89706
(Division Offices located in Suite 103)

Available via Videoconference at:

Office of the Division of Insurance
2501 E. Sahara Ave., 3rd Floor Conference Room
Las Vegas, NV 89104
(Division Offices located in Suite 302)

- 1. Call to Order: R079-16.**
- 2. Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**

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- 3. Public Comment.**
- 4. Closure: R079-16.**
- 5. Adjournment.**

Supporting public material for this meeting may be requested from Susan Bell, Legal Secretary, Nevada Division of Insurance, 1818 E. College Parkway, Carson City, Nevada 89706, (775) 687-0704, or suebell@doi.nv.gov.

Note: Any agenda item may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time. The Hearing Officer, within his/her discretion, may allow for public comment on individual agenda items. Public comment may be limited to three minutes per speaker.

Members of the public are encouraged to submit written comments for the record.

We are pleased to make reasonable accommodations for attendees with disabilities. Please notify the Commissioner's secretary, in writing, no later than five (5) working days before the meeting: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or suebell@doi.nv.gov.

NOTICES FOR THIS MEETING HAVE BEEN POSTED IN ACCORDANCE WITH NRS 241 AT THE FOLLOWING LOCATIONS:

Nevada Division of Insurance, 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706

Nevada Division of Insurance, 2501 E. Sahara Avenue, Suite 302, Las Vegas, Nevada 89104

Nevada State Legislative Building, 401 S. Carson Street, Carson City, Nevada 89701

Grant Sawyer State Office Building, 555 E. Washington Avenue, Las Vegas, Nevada 89101

Blasdel State Office Building, 209 E. Musser Street, Carson City, Nevada 89701

Nevada State Capitol, 101 N. Carson Street, Carson City, Nevada 89701

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

The State of Nevada Website (www.nv.gov)

The Nevada State Legislature Website (www.leg.state.nv.us)

The Nevada Division of Insurance Website (www.doi.nv.gov)