

**PROPOSED REGULATION OF THE  
COMMISSIONER OF INSURANCE**

**LCB File No. R080-16**

**NOTICE OF WORKSHOP  
TO SOLICIT COMMENTS ON PROPOSED REGULATIONS  
AND WORKSHOP AGENDA**

The State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), is proposing the adoption, amendment or repeal of regulations pertaining to **chapter(s) 694C** of the Nevada Administrative Code (“NAC”). A workshop has been set for **9:30 a.m. on August 24, 2016**, at the following location:

**Nevada Division of Insurance, 1<sup>st</sup> Floor Hearing Room  
1818 E. College Parkway, Suite 103  
Carson City, Nevada 89706**

Interested persons may also participate through a simultaneous videoconference conducted at:

**Nevada Division of Insurance, 3<sup>rd</sup> Floor Conference Room  
Bradley Building  
2501 E. Sahara Avenue, Suite 302  
Las Vegas, Nevada 89104**

The purpose of the workshop is to solicit comments from interested persons on the following general topic(s) that may be addressed in the proposed regulation; and to assist in determining whether the proposed regulation is likely to impose a direct and significant burden upon a small business or directly restricts the formation, operation or expansion of a small business. Please submit any written comments no later than **August 17, 2016**.

**LCB File No. R080-16. Captive Insurers. (NAC 694C)**

A REGULATION relating to captive insurers; updating certain publications and forms that have been adopted by reference; revising certain financial report and audit requirements; revising provisions relating to service provider and reinsurance contracts; revising the requirements for the disclosure of conflicts of interest by persons holding certain positions with a captive insurer; revising provisions related to reimbursable expenses for examinations by the Commissioner of Insurance; and providing other matters properly relating thereto.

A copy of all materials relating to the proposal(s) may be obtained at the workshop or by visiting the Division’s Internet Web site at <http://doi.nv.gov/> or by contacting the Division, 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, (775) 687-0700. A reasonable fee for copying may be charged. Members of the public who would like additional information about the

proposed regulation may contact Mike Lynch, Deputy Commissioner, at (775) 687-0758, or via e-mail to [mlynch@doi.nv.gov](mailto:mlynch@doi.nv.gov).

Notice of the workshop was provided via electronic means to all persons on the agency's e-mail list for noticing of administrative regulations. This *Notice of Workshop to Solicit Comments on Proposed Regulations* was posted to the agency's Internet Web site at <http://doi.nv.gov/>, the Nevada Legislature's Internet Web site at <http://www.leg.state.nv.us>, and 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

Esmeralda County Library  
P.O. Box 430  
Goldfield, Nevada 89013

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

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

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

Las Vegas-Clark County Library District  
7060 W. Windmill Lane  
Las Vegas, NV 89113

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



## WORKSHOP AGENDA

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

**August 24, 2016 • 9:30 a.m.**

**Location of Workshop:**

Office of the Division of Insurance  
1818 E. College Pkwy., 1<sup>st</sup> 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., 3<sup>rd</sup> Floor Conference Room  
Las Vegas, NV 89104  
(Division Offices located in Suite 302)

1. **Call to Order: R080-16.**
  
2. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**  
**LCB File No. R080-16. Captive Insurers.** (NAC 694C)  
A regulation relating to captive insurers; updating certain publications and forms that have been adopted by reference; revising certain financial report and audit requirements; revising provisions relating to service provider and reinsurance contracts; revising the requirements for the disclosure of conflicts of interest by persons holding certain positions with a captive insurer; revising provisions related to reimbursable expenses for examinations by the Commissioner of Insurance; and providing other matters properly relating thereto.
  
3. **Public Comment.**
  
4. **Closure: R080-16.**
  
- \* \* \* \* \*
  
5. **Call to Order: R081-16.**
  
6. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**  
**LCB File No. R081-16. Required Industry Reports.** (NAC 686A, 687B, 695C, 695D)  
A regulation relating to insurance; revising the requirements for the filing of certain reports and documentation with the Commissioner of Insurance and the Division of Insurance of the Department of Business and Industry; and providing other matters properly relating thereto.
  
7. **Public Comment.**
  
8. **Closure: R081-16.**
  
- \* \* \* \* \*
  
9. **Adjournment.**

Supporting public material for this meeting may be requested from Sue Bell, Legal Secretary, Nevada Division of Insurance, 1818 E. College Parkway, Carson City, Nevada 89706, by e-mail to [suebell@doi.nv.gov](mailto:suebell@doi.nv.gov), or by calling (775) 687-0704.

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 Assistant, at (775) 687-0771, no later than five (5) working days before the meeting.

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 & Rehabilitation, 2800 E. Saint Louis Avenue, Las Vegas, Nevada 89104

The State of Nevada Website ([www.nv.gov](http://www.nv.gov))

The Nevada State Legislature Website ([www.leg.state.nv.us](http://www.leg.state.nv.us))

The Nevada Division of Insurance Website ([www.doi.nv.gov](http://www.doi.nv.gov))

## 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 September 7, 2016**, in the 1<sup>st</sup> 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 3<sup>rd</sup> 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(s) 694C** 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. R080-16. Captive Insurers.** (NAC 694C)

A REGULATION relating to captive insurers; updating certain publications and forms that have been adopted by reference; revising certain financial report and audit requirements; revising provisions relating to service provider and reinsurance contracts; revising the requirements for the disclosure of conflicts of interest by persons holding certain positions with a captive insurer; revising provisions related to reimbursable expenses for examinations by the Commissioner of Insurance; 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 state-chartered risk retention groups (“RRGs”); to allow exemptions/extensions for annual statement and annual audit for all captive insurers; to modify the strict requirements for change in reinsurance to a more manageable requirement; to update information that utilizes addresses, contacts, publications, and prices; and to require notification and approval for material changes.*

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

*The updated regulation addresses the following issues:*

- *Clarifies that RRGs must follow traditional insurance company statutes for an annual audit, adding the current practice of RRGs to the NAC.*
- *Clarifies language regarding determining minimum capital and surplus standards.*
- *Clarifies language regarding books, addresses, and prices.*
- *Allows exemptions and extensions to be granted for annual statements and annual audits.*

- *Removes 90 day notice requirement for reinsurance agreements and adds more manageable notice for reinsurance arrangements.*
- *Adds requirements to file copies of notices to the board of directors regarding material changes, copies of service provider agreements, and updated letters of credit.*
- *Clarifies what a material change may be.*
- *Adds a requirement that captives file changes to the conflict of interest policy statements with the board of directors of captive.*
- *Updates language for the way contract examiners get paid.*

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

*Several problems will be addressed in this regulation:*

- *Current practice for RRGs filing annual audits does not match the current regulation. The current practice differs due to national NAIC accreditation standards, which RRGs assume each state has adopted.*
- *Adding language for requiring additional capital will solve certain problems in identifying when the Division can use NRS 694C.250.*
- *Current language has old information regarding books, website, addresses, and prices.*
- *Captive Insurers are currently required to notify the Division 90 days in advance of a reinsurance agreement. However, it is not practicable for reinsurers to notify the captive insurers 90 days in advance. Therefore, to hold the captive insurer to the current 90 day period does not work.*
- *Adding requirements to file copies will address the issue of the Division not having complete files to evaluate the captive insurer and its business plan.*
- *Guidance needed for Division and captive insurers to clarify what material changes typically are.*
- *Clarifies language regarding conflict of interest policy statements.*
- *Examinations are paid for differently (through Purchasing Division contracts) than the current regulation per statute. Therefore, the language needs to be updated.*

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

*No other regulation applies to captive insurers unless identified in the captive chapters.*

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

*Currently most of the practice has already been implemented. However, NAIC Accreditation standards require these changes to be in regulation and not just in procedures. Other non-accreditation issues also need to be in regulation to be clearly enforced.*

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

*Most of the impact to the public is negligible given that corporations tend to utilize captive insurers to insure their own risks.*

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

- a. Public
  - 1. Immediate: *Keeps Nevada as an accredited state for financial solvency regulation of RRGs.*
  - 2. Long Term: *Provides clear guidance to members of captive groups on the requirements to maintain licensure in good standing.*
- b. Insurance Business
  - 1. Immediate: *Keeps Nevada as an accredited state for financial solvency regulation.*
  - 2. Long Term: *Provides clear guidance to members of captive groups on the requirements to maintain licensure in good standing.*
- c. Small Businesses
  - 1. Immediate: *Allows exemptions for new startup captives to be exempted from some filing requirements.*
  - 2. Long Term: *Provides clear guidance to members of captive groups on what the regulations and requirements are, and allows for captives to form in the state.*
- d. Small Communities
  - 1. Immediate: *Keeps Nevada as an accredited state for financial solvency regulation.*
  - 2. Long Term: *Provides clear guidance to members of captive groups on what the regulations and requirements are, and allows for captives to form in the state.*
- e. Government Entities
  - 1. Immediate: *Keeps Nevada as an accredited state for financial solvency regulation.*
  - 2. Long Term: *Allows for captives to form in the state by having clear guidance, and provides exemptions for start-up captives, generating business revenue in Nevada.*

(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 clear regulation to enforce.*
2. Long Term: *Provides the Division with more clear regulation to enforce.*

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

- a. Enactment: *None*
- 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 could cause certain insurance businesses to leave Nevada since Nevada would not meet NAIC Accreditation standards.*

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

*The regulation does not establish a new fee or increase an existing fee.*

(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.

*Division staff have an understanding of the captive insurance market, and, through empirical evidence, captive insurers would not themselves be confused with a Nevada small business. Additionally, most captive insurers affected by this regulation are affiliates of businesses that are out of state and engage in forms of self-insurance.*

(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 regulation overlaps with the captive insurer 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 August 17, 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:

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Division of Insurance  
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Carson City, Nevada 89706

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Goldfield, Nevada 89013

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Battle Mountain, Nevada 89820

Las Vegas-Clark County Library District  
7060 W. Windmill Lane  
Las Vegas, NV 89113

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

Lyon County Library  
20 Nevin Way  
Yerington, Nevada 89447

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

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

Storey County Clerk  
P.O. Drawer D  
Virginia City, Nevada 89440

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

Washoe County/Downtown Reno Library  
P.O. Box 2151  
Reno, Nevada 89505-2151



**HEARING AGENDA**

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

**September 7, 2016 • 9:30 a.m.**

**Location of Hearing:**

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

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3. **Public Comment.**
4. **Closure: R080-16.**

\* \* \* \* \*

5. **Call to Order: R081-16.**
  
6. **Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)**  
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A regulation relating to insurance; revising the requirements for the filing of certain reports and documentation with the Commissioner of Insurance and the Division of Insurance of the Department of Business and Industry; and providing other matters properly relating thereto.
  
7. **Public Comment.**
8. **Closure: R081-16.**

\* \* \* \* \*

9. **Adjournment.**

Supporting public material for this meeting may be requested from Sue Bell, Legal Secretary, Nevada Division of Insurance, 1818 E. College Parkway, Carson City, Nevada 89706, by e-mail to [suebell@doi.nv.gov](mailto:suebell@doi.nv.gov), or by calling (775) 687-0704.

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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

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

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The Nevada Division of Insurance Website ([www.doi.nv.gov](http://www.doi.nv.gov))