

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 February 15, 2018**, in the 1st Floor Hearing Room, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted in the 4th Floor Nevada Room at the Nevada State Business Center/Division of Insurance, 3300 West Sahara Avenue, Suite 275, Las Vegas, Nevada 89102. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of regulations pertaining to chapter 692C of the Nevada Administrative Code (“NAC”).

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

LCB File No. R094-17. Corporate Governance Annual Disclosure. A regulation relating to insurance; authorizing an insurer or insurance group to determine and customize the format of a corporate governance annual disclosure; requiring certain insurers to submit a copy of a corporate governance annual disclosure to certain regulatory officials; providing that a public document cross-referenced in a corporate governance annual disclosure remains public and that a private or confidential document cross-referenced in a corporate governance annual disclosure remains private or confidential; requiring an insurer or insurance group to submit an amended corporate governance annual disclosure filed in the immediately preceding calendar year under certain circumstances or a letter stating no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year; requiring an insurer or insurance group to describe certain details regarding corporate governance and include certain information in a corporate governance annual disclosure; and providing other matters properly relating thereto.

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

In light of the 2008 financial crisis, growing regulatory needs, and various international developments, Nevada and other state insurance regulators, working together through the National Association of Insurance Commissioners (“NAIC”), concluded that a greater regulatory focus on corporate governance was necessary to address these matters. The NAIC developed a plan to outline high-level corporate governance principles for use in U. S. insurance regulation. To do so, the NAIC analyzed the existing statutory requirements, regulatory initiatives, and review practices of the state insurance departments, international supervisors, other U. S. functional regulators and the insurance industry. The NAIC was also asked to determine the appropriate method to ensure adherence with such principles, giving due consideration to development of a model law and to development of additional regulatory

guidance, including detailed best practices for the corporate governance of insurers. The NAIC Corporate Governance Annual Disclosure Model language was included in the 2017 Assembly Bill 35 (“AB 35”) that was signed into law by Governor Sandoval on May 8, 2017. This regulation provides the details regarding the filing requirements that were included in AB 35.

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

Together, Sections 5 through 12 of Assembly Bill 35 and this proposed regulation require an insurer (or group of insurers) to provide a confidential disclosure regarding its corporate governance practices to the lead state and/or the Division of Insurance annually by June 1. The insurer (or group of insurers) may choose to provide information on governance activities that occur at the ultimate controlling parent level, an intermediate holding company level and/or the individual legal entity level, based on its determination of the level at which decisions are made. Oversight is provided and governance accountability is assessed in relation to the insurance activities of the insurer.

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

The proposed regulation will serve as housing the annual disclosure instructions already adopted by 2017 Assembly Bill 35.

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

No other regulation fully addresses this issue; however, there are other required statutory filings for only very large insurers that may provide the same information. In those instances, the instructions in this regulation allow for citing those previously filed reports.

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

This form of regulation is needed for NAIC Accreditation requirements.

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

This allows the Division of Insurance to properly evaluate and regulate the corporate practices of insurers to help avoid insolvencies such as those that led to the 2008 financial crisis.

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

a. Public

1. Immediate: *Proper disclosing of corporate governance practices to the Division, so any insufficient practices would be identified.*

2. Long Term: *Vibrant and sustainable economy with insurers operating with better corporate governance practices.*

b. Insurance Business

1. Immediate: *Disclosure to the Division, with confidentiality, of its existing corporate governance practices.*

2. Long Term: *Setting new standards with regards to corporate*

governance practices that could lead the way for other businesses that are not insurers.

- c. Small Businesses
 - 1. Immediate: *No impact to small businesses.*
 - 2. Long Term: *No impact to small businesses.*
- d. Small Communities
 - 1. Immediate: *No impact to small communities identified that would be different than impact to the public.*
 - 2. Long Term: *No impact to small communities identified that would be different than impact to the public.*
- e. Government Entities
 - 1. Immediate: *Additional information on regulated insurers' corporate governance practices.*
 - 2. Long Term: *Additional information on regulated insurers' corporate governance practices, and better results as insurers and the Division advance in identifying and implementing better corporate governance practices that manage risk, deter fraud, and prevent insolvencies.*

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

- a. Public
 - 1. Immediate: *None identified*
 - 2. Long Term: *None identified*
- b. Insurance Business
 - 1. Immediate: *None identified*
 - 2. Long Term: *None identified*
- c. Small Businesses
 - 1. Immediate: *None identified*
 - 2. Long Term: *None identified*
- d. Small Communities
 - 1. Immediate: *None identified*
 - 2. Long Term: *None identified*
- e. Government Entities
 - 1. Immediate: *None identified*
 - 2. Long Term: *None identified*

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

- a. Enactment: *None, as the information already exists and simply needs to be disclosed to the Division.*

b. Enforcement: *None, as the Division will utilize existing personnel (examiners and analysts) to review information along with other documents.*

c. Compliance: *The insurers will likely incur a very small cost (paper and employee time) to prepare the information for the Division.*

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

No, 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.

The Division relied upon the expertise and experience of Division staff, along with testimony from industry representatives at NAIC meetings. The Division also relied upon the evaluation of the entities that this proposed regulation would impact.

(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.

None identified.

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

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.

Not applicable.

Persons wishing to comment upon the proposed actions 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 February 8, 2018.** 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 to be adopted, amended or repealed 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 3300 West Sahara Avenue, Suite 275, Las Vegas, Nevada 89102, 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:

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

Nevada Division of Insurance
3300 West Sahara Avenue, Suite 275
Las Vegas, Nevada 89102

Legislative Building
401 South Carson Street
Carson City, Nevada 89701

Nevada State Business Center
3300 West Sahara Avenue
Las Vegas, Nevada 89102

Blasdel Building
209 East Musser Street
Carson City, Nevada 89701

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

Capitol Building Main Floor
101 North Carson Street
Carson City, Nevada 89701

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

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

Carson City Library*
**Temporary closure of library
prevents posting at this location*

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

HEARING AGENDA

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

February 15, 2018 • 9:30 a.m.

Location of Hearing:

Nevada 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:

Nevada Division of Insurance
3300 W. Sahara Ave., 4th Floor Nevada Room
Las Vegas, NV 89102
(Division Offices located in Suite 275)

1. Open Hearing: R094-17.
2. Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)

LCB File No. R094-17. Corporate Governance Annual Disclosure. A regulation relating to insurance; authorizing an insurer or insurance group to determine and customize the format of a corporate governance annual disclosure; requiring certain insurers to submit a copy of a corporate governance annual disclosure to certain regulatory officials; providing that a public document cross-referenced in a corporate governance annual disclosure remains public and that a private or confidential document cross-referenced in a corporate governance annual disclosure remains private or confidential; requiring an insurer or insurance group to submit an amended corporate governance annual disclosure filed in the immediately preceding calendar year under certain circumstances or a letter stating no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year; requiring an insurer or insurance group to describe certain details regarding corporate governance and include certain information in a corporate governance annual disclosure; and providing other matters properly relating thereto.

3. Public Comment.
4. Close Hearing: R094-17.
5. Adjournment.

Supporting public material for this hearing 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; items may be pulled or removed from the agenda at any time; and, discussion relating to an item may be delayed or continued 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 hearing: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or suebell@doi.nv.gov.

NOTICES FOR THIS HEARING 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, 3300 W. Sahara Avenue, Suite 275, Las Vegas, Nevada 89102

Nevada State Business Center, 3300 W. Sahara Avenue, Las Vegas, Nevada 89102

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)