

LCB File No. R195-99

**PROPOSED REGULATION OF THE DIVISION OF INSURANCE
OF THE DEPARTMENT OF BUSINESS AND INDUSTRY**

**NOTICE OF WORKSHOPS TO SOLICIT COMMENTS ON
PROPOSED REGULATIONS**

October 22, 1999

The Department of Business and Industry, Division of Insurance (Division) is proposing new regulations pertaining to captive insurance companies, health insurance for small employers and eligible persons, health maintenance organizations, and service contracts. A workshop has been set for 10:00 a.m., on December 1, 1999, at the offices of the Division, 1665 Hot Springs Road, Suite 152, Carson City, Nevada. The purpose of the workshop is to solicit comments from interested persons on the following general topics addressed in the proposed regulations.

- 1. Captive Insurance Companies. The proposed regulation establishes requirements for the filing of an annual report, the minimum standards for an annual audit, requirements for deposits, and standards for reinsurance. The regulation also prescribes the application form and the letter of credit.**
- 2. Health Insurance for Small Employers and Eligible Persons. The proposed regulations limit the use of medical questionnaires, requires the use of disclosure forms, and prohibits tied insurance sales.**
- 3. Health Maintenance Organizations. The proposed regulations allow fee for service arrangements with providers, amends provisions regarding reserves for premium taxes, and payment on statutory bonds.**
- 4. Service Contracts. The proposed regulations establish the fees and documents that must be filed, requirements for claims, and the processing of terminated contracts.**
- 5. Workers' Compensation. The proposed regulation repeals the requirement for a declination from the State Industrial Insurance System before accessing the residual market, and allows the advisory organization to file special programs under the residual market to meet market needs.**

A copy of this notice and the proposed regulations 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 regulations will be available at the offices of the Division, 1665 Hot Springs Road, Suite 152, 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 regulations 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>. Copies 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 Notice of Workshop to Solicit Comments on Proposed Regulations has been sent to all persons on the agency's mailing list for administrative regulations and posted at the following locations:

Department of Business and Industry
Division of Insurance
1665 Hot Springs Road, Suite 152
Carson City, NV 89706

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

Legislative Counsel Bureau
Capitol Complex
Carson City, NV 89710

Blasdel Building
Capitol Complex
Carson City, NV 89710

State Capitol
Capitol Complex
Carson City, NV 89710

Capitol Press Room
State Capitol Basement
Carson City, NV 89710

County Clerk
Courthouse
Carson City, NV 89710

Nevada State Library & Archives
Capitol Complex
Carson City, NV 89710

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

Churchill County Library
553 South Maine Street
Fallon, NV 89406

Las Vegas Library
833 Las Vegas Blvd. North
Las Vegas, NV 89101

Douglas County Library
1625 Library Lane
P.O. Box 337
Minden, NV 89423

Elko County Library
720 Court Street
Elko, NV 89801

Goldfield Public Library
Fourth & Cook Street
P.O. Box 430
Goldfield, NV 89013

Eureka Branch Library
10190 Monroe Street

Humboldt County Library
85 East 5th Street

P.O. Box 293
Eureka, NV 89316

Winnemucca, NV 89445

Battle Mountain Branch Library
P.O. Box 141
Battle Mountain, NV 89820

Lincoln County Library
93 Main Street
P.O. Box 330
Pioche, NV 89043

Lyon County Library
20 Nevin Way
Yerington, NV 89447

Mineral County Library
First & A Street
P.O. Box 1390
Hawthorne, NV 89415

Tonopah Public Library
171 Central Street
P.O. Box 449
Tonopah, NV 89049

Pershing County Library
1125 Central Avenue
P.O. Box 781
Lovelock, NV 89419

Storey County Library
95 South R Street
P.O. Box 14
Virginia City, NV 89440

Washoe County Library
301 South Center Street
P.O. Box 2151
Reno, NV 89505

White Pine County Library
950 Campton Street
Ely, NV 89301

Clark County Library
1401 East Flamingo Road
Las Vegas, NV 89119

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 1665 Hot Springs Road, Suite 152, Carson City, Nevada 89706, or by calling no later than 5 working days prior to the hearing, (702) 687-4270.

DATED this _____ day of _____, 1999.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

NOTICE OF INTENT TO ACT UPON REGULATIONS

Notice of Hearing for the Adoption of Regulations of the Department of Business and Industry, Division of Insurance

The Department of Business and Industry, Division of Insurance (Division) will hold a public hearing at 10:00 a.m., on December 1, 1999, immediately following a public workshop, at the offices of the Division, 1665 Hot Springs Road, Suite 152, Carson City, Nevada. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of regulations pertaining to service contracts.

REGULATIONS FOR SERVICE CONTRACTS

The following information is provided pursuant to the requirements of NRS 233B.060:

1. The proposed regulations are needed to establish requirements for the approval and administration of service contracts in response to a new chapter enacted by the 1999 Nevada Legislature (chapter 612, Statutes of Nevada 1999, at page 3335.)
2. The proposed regulation establishes the fees and documents that must be submitted with the filing of a service contract, requirements regarding the administration of claims, and the fees applicable to a terminated contract.
3. Estimated economic effect of the regulation:
On the business which it is to regulate:
The proposed regulation may have both an immediate and long-term impact on providers of service contracts if they are not currently maintaining a toll-free telephone number or if they must implement emergency services.
On the public:
The proposed regulations should have no economic impact on the public.
4. The Division expects to incur significant additional expense to enforce the proposed regulations which cannot be measured at this time due to uncertainty regarding the number of approved providers.
5. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.
6. The proposed regulation does not establish any new fees or increase an existing fee.

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, 1665 Hot Springs Road, Suite 152, Carson City, Nevada 89706. Written submissions must be received by the Division on or before November 29, 1999. 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 regulation to be amended will be available at the offices of the Division, 1665 Hot Springs Road, Suite 152, 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>. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

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

Department of Business and Industry
Division of Insurance
1665 Hot Springs Road, Suite 152
Carson City, NV 89706

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

Legislative Counsel Bureau
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Winnemucca, NV 89445

Battle Mountain Branch Library
P.O. Box 141
Battle Mountain, NV 89820

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93 Main Street
P.O. Box 330
Pioche, NV 89043

Lyon County Library
20 Nevin Way
Yerington, NV 89447

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First & A Street
P.O. Box 1390
Hawthorne, NV 89415

Tonopah Public Library
171 Central Street
P.O. Box 449
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Lovelock, NV 89419

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writing at 1665 Hot Springs Road, Suite 152, Carson City, Nevada 89706, or by calling no later than 5 working days prior to the hearing, (702) 687-4270.

DATED this _____ day of _____, 19 ____.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

**PROPOSED REGULATION OF THE DIVISION OF INSURANCE
OF THE DEPARTMENT OF BUSINESS AND INDUSTRY**

Regulation Concerning Service Contracts

Authority: Section 25 of Chapter 612, Statutes of Nevada 1999, at page 3335 (AB 673).

Section 1. *NAC is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 8, inclusive, of this regulation.*

Sec. 2. *As used in this chapter, unless the context otherwise requires, the words and terms defined in Sections 3 to 9, inclusive, of Assembly Bill 673 have the meanings ascribed to them in those sections.*

Sec. 3. *Except as provided by specific statute or regulation, a service contract does not include:*

- 1. A service contract issued by a motor club, as defined in chapter 696A of NRS.*
- 2. A home warranty contract, as identified in sections 100 to 180, inclusive, of chapter 690B of NRS.*
- 3. Contracts of insurance issued by admitted insurers licensed pursuant to Title 57 of NRS.*

Sec. 4. *1. A submission of a service contract must include:*

- (a) All forms to be used with the contract.*
- (b) The commissioner's form for assessing fees and the appropriate filing fee, which are:
 - (1) One \$25 fee for any number of filings of fee schedules and of forms for riders and endorsements which are necessary to carry out a new program.*
 - (2) A \$25 fee for each contract or fee schedule that modifies an existing program.**

(3) A \$10 fee for each rider or endorsement that modifies an existing program.

2. The commissioner shall approve or disapprove each submission no later than 60 days after it is determined by him to be complete pursuant to subsection 1. If the commissioner fails to approve or disapprove the submission within that period, the submission will be deemed approved.

3. A provider shall not issue a service contract unless it has been approved by the commissioner.

Sec. 5. A service contract must clearly state the procedures for making a claim on the contract, including:

1. A toll-free telephone number for claim service.

2. Procedures for obtaining prior approval of work if such approval is required by the contract.

3. Procedures for obtaining for emergency repairs outside of normal business hours. If the emergency involves the loss of heating or cooling, loss of plumbing, substantial loss of electrical service or any other condition which renders a dwelling uninhabitable, repairs must commence within 24 hours after the report of the claim.

Sec. 6. Any provision in a service contract that excludes preexisting conditions must specifically state which preexisting conditions are excluded from coverage.

Sec. 7. 1. In the event the original holder makes a written demand for cancellation of a service contract pursuant to the terms of the contract, the provider shall refund to the holder

the unearned portion of the full purchase price of the contract. Any refund due the holder may be credited to any outstanding balance of the account of the holder, and the excess, if any, shall be refunded to the holder.

2. If a holder cancels a service contract pursuant to subsection 1, the provider may impose a reasonable cancellation fee if such a fee is provided for in the contract.

Sec. 8. *Service of process against a provider shall be handled in the manner prescribed in section 260 of chapter 680A of NRS.*