

**PROPOSED REGULATION OF THE  
COMMISSIONER OF INSURANCE**

**LCB File No. R024-02**

March 18, 2002

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

AUTHORITY: §§1-4, NRS 679B.130 and 681B.280; §5, NRS 679B.130 and 681B.290.

**Section 1.** NAC 681B.300 is hereby amended to read as follows:

681B.300 For the purposes of NRS 681B.280 and NAC 681B.300 to 681B.335, inclusive:

1. “Acquisition” includes every purchase, lease, exchange, merger, consolidation, succession or other means except the construction or development of real property by or for the reporting insurer or the acquisition of materials for that purpose.
2. “Disposition” includes every sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment for the benefit of creditors or otherwise, abandonment, destruction or other disposition.
3. An acquisition or the aggregate of any series of related acquisitions during any ~~[31-day]~~ *30-day* period, or a disposition or the aggregate of any series of related dispositions during any ~~[31-day]~~ *30-day* period, is “material” if it is nonrecurring and not in the ordinary course of business and involves more than 5 percent of the insurer’s total admitted assets as reported in its most recent statutory statement filed with the commissioner of insurance of the insurer’s state of domicile.

4. A nonrenewal, cancellation or revision of an agreement for ceded reinsurance , *and a new agreement for ceded reinsurance that affects the in-force life insurance business of an insurer*, is “material” if it affects:

(a) For property and casualty business, including accident and health business when written as casualty business:

(1) More than 50 percent of the insurer’s total ceded written premium; or

(2) More than 50 percent of the insurer’s total ceded indemnity and loss adjustment reserves.

(b) For life, annuity, accident and health business, more than 50 percent of the total reserve credit taken for business ceded, on an annualized basis, as indicated in the insurer’s most recent annual statement filed with the commissioner.

5. For property and casualty business or life, annuity, accident or health business, a revision of an agreement for ceded reinsurance , *and a new agreement for ceded reinsurance that affects the in-force life insurance business of an insurer*, is “material” if:

(a) An authorized reinsurer representing more than 10 percent of a total cession is replaced by one or more unauthorized reinsurers; or

(b) Previously established requirements for collateral have been reduced or waived for one or more unauthorized reinsurers representing collectively more than 10 percent of a total cession.

**Sec. 2.** NAC 681B.305 is hereby amended to read as follows:

681B.305 1. Except as otherwise provided in NAC 681B.320, every insurer domiciled in this state shall file a report with the commissioner of insurance disclosing ~~material~~ :

(a) *Material* acquisitions and dispositions of assets ~~or material~~ ;

(b) *Material* nonrenewals, cancellations or revisions of agreements for ceded reinsurance ;  
*and*

(c) *Material new agreements for ceded reinsurance that affect the in-force life insurance business of the insurer,*

FLUSH unless the material acquisitions and dispositions of assets , ~~for~~ the *material* nonrenewals, cancellations or revisions of agreements for ceded reinsurance , *or the material new agreements for ceded reinsurance* have been submitted to the commissioner for review, approval or information pursuant to any provision of Title 57 of NRS, regulations adopted pursuant to that title or other requirements.

2. The report must be filed within 15 days after the end of the calendar month in which the acquisition, disposition, nonrenewal, cancellation ~~for revision closes.~~ , *revision or new agreement occurs.*

3. Except as otherwise provided in subsection 4, the insurer shall file a complete copy of the report, including any exhibits or other attachments, with the National Association of Insurance Commissioners at ~~120 West 12th Street, Suite 1100.~~ *2301 McGee Street, Suite 800*, Kansas City, Missouri ~~64105.~~ *64108-2604*. The copy of the report must be treated as confidential and is not subject to subpoena as provided in NRS 681B.280.

4. An insurer domiciled in this state *that* is not licensed or otherwise authorized to transact insurance in another state is not required to comply with the provisions of subsection 3.

**Sec. 3.** NAC 681B.325 is hereby amended to read as follows:

681B.325 The following information must be disclosed in any report of a material nonrenewal, cancellation or revision of an agreement for ceded reinsurance ~~for~~ , *or a material*

*new agreement for ceded reinsurance that affects the in-force life insurance business of the insurer:*

1. The effective date of the nonrenewal, cancellation ~~[or revision;]~~, *revision or new agreement;*
2. A description of the transaction with an identification of the initiator thereof;
3. The purpose of, or reason for, the transaction; and
4. If applicable, the identity of replacement reinsurers.

**Sec. 4.** NAC 681B.330 is hereby amended to read as follows:

681B.330 An insurer shall report all material nonrenewals, cancellations or revisions of agreements for ceded reinsurance, *and all material new agreements for ceded reinsurance that affect the in-force life insurance business of the insurer*, on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers which uses a pooling arrangement or 100-percent reinsurance agreement that affects the solvency and integrity of the reserves of the insurer and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if the insurer has less than \$1,000,000 total direct plus assumed written premiums during any calendar year that are not subject to the pooling arrangement, and the net income of the business not subject to the pooling arrangement represents less than 5 percent of the capital and surplus of the insurer.

**Sec. 5.** NAC 681B.430 is hereby amended to read as follows:

681B.430 “Instructions relating to risk-based capital” means the instructions for reporting risk-based capital adopted by the National Association of Insurance Commissioners, as those instructions existed on January 1, ~~[1997.]~~ *2002.*