

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R028-02

Effective May 31, 2002

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

AUTHORITY: §§1-4, NRS 679B.130.

Section 1. NAC 679B.033 is hereby amended to read as follows:

679B.033 1. The ~~[National Association of Insurance Commissioners' Examiners Handbook, which contains the]~~ *following publications of the National Association of Insurance Commissioners are hereby adopted by reference and may be obtained from the National Association of Insurance Commissioners, Publications Department, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2604, at the respective prices indicated:*

(a) *The Examiners Handbook, which consists of Volume One, "Financial Condition Examiners ~~[Handbook," the]~~ Handbook" and Volume Two, "Model Market Conduct Examiners ~~[Handbook," the "Rating and Statistical Organization Examination Handbook" and the "Health Maintenance Organization Examination Handbook,"~~ is hereby adopted by reference.] Handbook," and which may be obtained at the price of \$125 for Volume One and \$125 for Volume Two.*

(b) *The Accounting Practices and Procedures Manual ~~[for Property and Casualty Insurance Companies, the Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies and the Accounting Practices and Procedures Manual for Health~~*

~~Maintenance Organizations are hereby adopted by reference.]~~, which may be obtained at the price of \$225.

(c) The Annual Statement Instructions Manual for Life and Accident and Health, ~~[the]~~ which may be obtained at the price of \$225. These instructions must be used by an insurer that, under its certificate of authority, transacts health insurance or life insurance, as those terms are defined in NRS 681A.030 and 681A.040, respectively.

(d) The Annual Statement Instructions Manual for Property and Casualty ~~[and the]~~, which may be obtained at the price of \$225. These instructions must be used by an insurer that, under its certificate of authority, transacts casualty insurance or property insurance, as those terms are defined in NRS 681A.020 and 681A.060, respectively.

(e) The Annual Statement Instructions Manual for Health ~~[Maintenance Organizations of the National Association of Insurance Commissioners are hereby adopted by reference.]~~, which may be obtained at the price of \$175. These instructions must be used by an insurer whose certificate of authority is issued in accordance with NRS 695B.110, 695C.090, 695D.110 or 695F.100.

2. The publications listed in subsection 1 apply to the:

(a) Conduct and report of an examination made pursuant to NRS 679B.230 to 679B.300, inclusive, 695C.310 and 695D.270; and

(b) Evaluation of the financial condition of an insurer or organization based on an examination or its annual statement. As used in this paragraph, “organization” includes:

- (1) A health maintenance organization, as that term is defined in NRS 695C.030; and
- (2) An organization for dental care, as that term is defined in NRS 695D.060.

3. If any publication listed in subsection 1 is revised, the commissioner will review the revision to determine its suitability for this state. If the commissioner determines that the revision is not suitable for this state, he will give notice within 30 days after the effective date of the revision. If the commissioner does not give notice within 30 days, the revision becomes part of the publication adopted by reference pursuant to subsection 1. If a revision becomes part of a publication pursuant to this subsection and a person objects to and is aggrieved by the revision, that person may request a hearing before the commissioner pursuant to NRS 679B.310 to 679B.370, inclusive.

4. The ~~[Model Market Conduct Examiners Handbook]~~ ***“Model Market Conduct Examiners Handbook”*** will be used in the examination of the records of an administrator.

5. ~~[A copy of the National Association of Insurance Commissioners’ Examiners Handbook may be obtained from the National Association of Insurance Commissioners, 120 West 12th Street, Suite 1100, Kansas City, Missouri 64105, at a price of \$175.~~

~~—6.— A copy of:~~

~~—(a) The Accounting Practices and Procedures Manual for Property and Casualty Insurance Companies, at a price of \$150;~~

~~—(b) The Accounting Practices and Procedures Manual for Life, Accident and Health Insurance Companies, at a price of \$150;~~

~~—(c) The Accounting Practices and Procedures Manual for Health Maintenance Organizations, at a price of \$50;~~

~~—(d) The Annual Statement Instructions Manual for Life and Accident and Health, at a price of \$150;~~

~~—(e) The Annual Statement Instructions Manual for Property and Casualty, at a price of \$150;~~
and

~~—(f) The Annual Statement Instructions Manual for Health Maintenance Organizations, at a price of \$150;~~

FLUSH ~~may be obtained from the National Association of Insurance Commissioners, 120 West 12th Street, Suite 1100, Kansas City, Missouri 64105-1925.] All persons, including, without limitation, insurers and health maintenance organizations, required to file financial statements with the commissioner shall prepare those statements in accordance with the appropriate publications adopted by reference in this section.~~

Sec. 2. NAC 679B.0335 is hereby amended to read as follows:

679B.0335 1. Reasonable and proper expenses incurred in an examination conducted pursuant to NRS 679B.290 may include, but are not limited to:

(a) For a financial examiner or market conduct examiner, a daily salary as defined in the Examiners Handbook published by the National Association of Insurance ~~[Commissioners' Examiners Handbook.]~~ Commissioners, which has been adopted by reference in NAC 679B.033.

(b) For expert assistants, a daily salary based upon the rate established in the contract approved by the state board of examiners.

(c) The maximum per diem rate for the location of the examination as set forth in the Federal Travel Regulation System of the General Services Administration, 41 C.F.R. chapters 301 to 304, inclusive.

(d) Expenses for transportation, including, but not limited to, the cost of airfare, railfare, taxicab fare and automobile rental and the reimbursement of any personal automobile expenses

necessary to reach the location of the examination. The calculation of expenses for transportation may include expenses for transportation incurred by virtue of the length of time necessary to complete the examination.

(e) Upon approval of the commissioner, miscellaneous expenses incurred by the examiner and assistants while performing an examination. Miscellaneous expenses may include, but are not limited to, expenses for telephone calls, facsimile transmissions and postal charges relating to the examination.

(f) An administrative charge, expressed as a percentage of the daily salary of the examiner or assistant, as provided in paragraphs (a) and (b) of this subsection and as provided in the division budget approved by the Nevada legislature.

2. A copy of the Federal Travel Regulation System, stock number 922-002-00000-2, may be obtained from the Superintendent of Documents, U.S. Government Bookstore, Room 118, Federal Building, 1000 Liberty Avenue, Pittsburgh, Pennsylvania 15222, at a price of ~~[\$97.]~~ \$347.

Sec. 3. NAC 680A.196 is hereby amended to read as follows:

680A.196 An examination of the insurer's financial statements by a certified public accountant for the purposes of NRS 680A.265 and NAC 680A.172 to 680A.204, inclusive, must be conducted in accordance with:

1. Generally accepted auditing standards; and
2. Such other procedures set forth in the ~~[Financial Condition Examiner's Handbook of]~~ *“Financial Condition Examiners Handbook,” which composes Volume One of the Examiners Handbook published by* the National Association of Insurance Commissioners, as adopted by reference in NAC 679B.033, as the certified public accountant deems necessary.

Sec. 4. NAC 692A.130 is hereby amended to read as follows:

692A.130 1. Except as otherwise provided in subsection 2, the fees to be paid by title agents and title insurers for the supervision and examination are those set forth in the scales and limitations recommended for fees in the *Examiners Handbook published by the* National Association of Insurance ~~[Commissioners' Examiners Handbook]~~ *Commissioners*, which has been adopted by reference in NAC 679B.033. ~~[A copy of the handbook may be obtained for a price of \$175 by writing to:~~

~~—National Association of Insurance Commissioners
—120 West 12th Street, Suite 1100
—Kansas City, Missouri 64105]~~

2. If, pursuant to subsection 4 of NRS 692A.100, the examination is performed by the commissioner of financial institutions, the fee will be \$50 per hour.

3. In addition to the fee charged pursuant to subsection 1 or 2, the commissioner will also charge the title agent or title insurer:

- (a) A reasonable amount for related travel, hotel and meal expenses; and
- (b) To cover administrative costs, an amount equal to one-half of the fee charged pursuant to subsection 1 or 2.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R028-02

The Commissioner of Insurance adopted regulations assigned LCB File No. R028-02 which pertain to NAIC accounting practices and procedures (chapters 379B, 680A and 392A of the Nevada Administrative Code) on April 26, 2002.

Notice date: 2/25/2002
Hearing date: 3/27/2002

Date of adoption by agency: 4/26/2002
Filing date: 5/31/2002

INFORMATIONAL STATEMENT

A hearing was held on March 27, 2002, at the offices of the Department of Business and Industry, Division of Insurance (Division), 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, with a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning NAIC accounting practices and procedures.

Public comment was solicited by posting notice of the hearing in the following public locations: 788 Fairview Drive, Legislative Counsel Bureau, Capitol Building Lobby, Carson City Courthouse, State Library, County Libraries, Capitol Press Room and the Division's Las Vegas Office.

In addition, the Division maintains a list of interested parties, comprised mainly of insurance companies, agencies and other persons regulated by the Division. These persons were notified of the hearing and that copies of the regulation could be obtained from or examined at the offices of the Division in Carson City.

Oral testimony was received by the Division. Copies of any comments received by the Division can be obtained from the Division at 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, (775) 687-4270.

Considering the comments by those attending the hearing, the Commissioner has issued an order adopting the regulation as a permanent regulation of the Division.

Based upon the testimony received at the hearing, the regulation was changed from the proposed regulation as follows:

1. Paragraph (c) of subsection 1 of section 1 is amended to read as follows:

The Annual Statement Instructions Manual for Life and Accident and Health, which may be obtained at the price of \$225. These instructions apply to insurers whose certificates of authority are issued pursuant to NRS 681A.030 and NRS 681A.040.

2. Paragraph (d) of subsection 1 of section 1 is amended to read as follows:

The Annual Statement Instructions Manual for Property and Casualty, which may be obtained at the price of \$225. These instructions apply to insurers whose certificates of authority are issued pursuant to NRS 681A.020 and NRS 681A.060.

3. Paragraph (e) of subsection 1 of section 1 is amended to read as follows:

The Annual Statement Instructions Manual for Health, which may be obtained at the price of \$175. These instructions apply to insurers whose certificates of authority are issued pursuant to NRS 695B.110, NRS 695C.160, NRS 695D.110 and NRS 695F.100.

4. Paragraph (a) of subsection 2 of section 1 is amended to read as follows:

Conduct and report of an examination made pursuant to NRS 679B.230 to 679B.300, inclusive, 695C.310 and 695D.270; and

The economic impact of the regulation is as follows:

(a) Regulated Industry: Minimal.

(b) Public: None.

The regulation imposes no direct costs upon members of the public at large. The regulation imposes no direct cost upon the agency to enforce the regulation.

This regulation does not duplicate or overlap any other regulation.

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

IN THE MATTER OF THE

CAUSE NO. **02.048**
LCB File No. **R028-02**

**REGULATION CONCERNING
NAIC ACCOUNTING PRACTICES
AND PROCEDURES**

**SUMMARY OF PROCEEDINGS
AND ORDER**

A hearing on the proposed regulation concerning NAIC accounting practices and procedures was held before the Commissioner of Insurance (Commissioner), on March 27, 2002, at the offices of the Department of Business and Industry, Division of Insurance (Division), 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, with a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. Immediately prior to the hearing, the Commissioner held a workshop concerning this matter.

The Division did not receive any written comments. Approximately 17 individuals attended the workshop and subsequent hearing. Fred Hillerby, representing Hometown Health Plan, testified. Janice C. Pine and Patricia Hovland, representing St. Mary's, and Jim Wadhams, representing Anthem Blue Cross and Blue Shield, also testified. Peggy Willard-Ross, representing the Division testified during the workshop. Bob Burch, representing the Division, testified at both the workshop and the hearing.

Mr. Burch testified that the intent of the changes to this regulation was to update the publications available from the National Association of Insurance Commissioners (NAIC) as to the name, the price of such publications, and the address where the publication may be purchased; and to adopt these publications to be used by the Division in the examination of insurers and by insurers in preparation of their financial statements.

Commissioner Molasky-Arman questioned why the reference to the Annual Statement Instructions Manual for Health deleted the previous wording, "Maintenance Organization."

Mr. Burch responded that the NAIC shortened the name to its current form.

Commissioner Molasky-Arman commented that the regulation also contained the Annual Statement Instructions Manual for Life and Accident and Health and questioned which manual was to be used for health, health insurers and health maintenance organizations.

Mr. Burch responded the new annual statement blank for health included companies that are health maintenance organizations, hospital, medical and dental service or indemnity corporations or limited health service organizations. Also, the blank may not apply to some of these organizations, if in previous years the organization has been filing on the life or property casualty statements.

Commissioner Molasky-Arman questioned which statement the health maintenance organizations are supposed to use.

Peggy Willard-Ross responded that health maintenance organizations are to use the health manual.

The Commissioner asked members of the industry if they would prefer wording added that would specifically address which organizations are to use which statement.

Fred Hillerby testified that without wording such as a parenthetical including health maintenance organizations after the manual title, there is opportunity for confusion.

Janice C. Pine stated her agreement with Mr. Hillerby's recommendation.

Peggy Willard-Ross testified that additional wording would need to be added to include the non-profit health service organizations and the prepaid health service organizations and also all of the dental organizations.

Commissioner Molasky-Arman directed that wording be added to the end of each sentence listing the name and price of the manual and to state, according to the appropriate statutory reference, those insurers that are required to file the statement.

Commissioner Molasky-Arman noted that the Legislative Counsel Bureau had revised the existing language of subsection 2 of NAC 679B.033 to read “conducting and reporting”, thus, improperly broadening the meaning of “report.”

The Commissioner directed that the original language be restored to make clear that the requirement pertains only to the statutory report of examination and not to all “reporting” procedures required of examiners.

Based upon the testimony received at the hearing, the regulation is changed from the proposed regulation as follows:

1. Paragraph (c) of subsection 1 of section 1 is amended to read as follows:

The Annual Statement Instructions Manual for Life and Accident and Health, which may be obtained at the price of \$225. These instructions apply to insurers whose certificates of authority are issued pursuant to NRS 681A.030 and NRS 681A.040.

2. Paragraph (d) of subsection 1 of section 1 is amended to read as follows:

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3. Paragraph (e) of subsection 1 of section 1 is amended to read as follows:

The Annual Statement Instructions Manual for Health, which may be obtained at the price of \$175. These instructions apply to insurers whose certificates of authority are issued pursuant to NRS 695B.110, NRS 695C.160, NRS 695D.110 and NRS 695F.100.

4. Paragraph (a) of subsection 2 of section 1 is amended to read as follows:

Conduct and report of an examination made pursuant to NRS 679B.230 to 679B.300, inclusive, 695C.310 and 695D.270; and

ORDER

Based upon the information presented at the hearing, it is hereby ordered that the proposed regulation relating to certain publications of the NAIC, LCB File No. R028-02, be adopted, as amended, as a permanent regulation of the Division.

SO ORDERED this _____ day of April, 2002.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance