

LCB FILE No. R028-02

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

NOTICE OF WORKSHOPS TO SOLICIT COMMENTS ON PROPOSED REGULATIONS

February 25, 2002

The Department of Business and Industry, Division of Insurance (Division) is proposing new regulations pertaining to material reinsurance transactions and risk-based capital; filing of financial statements and NAIC accounting practices and procedures; holding companies; reinsurance; and NAIC accounting practices and procedures. A workshop has been set for 9:00 a.m., on March 27, 2002, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested parties may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the workshop is to solicit comments from interested persons on the following general topics addressed in the proposed regulations.

- 1. Material Reinsurance Transactions and Risk-Based Capital: Proposed regulation provides that domestic insurers must complete their risk-based capital calculations and reports in accordance with current NAIC risk-based capital instructions and provides for requirements of reporting material new ceded reinsurance agreements affecting in force life insurance business.**
- 2. Filing of Financial Statements and NAIC Accounting Practices and Procedures: Proposed regulation provides that domestic insurers must prepare their annual statements in accordance with the NAIC Annual Statement Instructions and the NAIC Accounting Practices and Procedures Manual.**
- 3. Holding Companies: Proposed regulation provides instructions as to the filing of Forms A, B, C, D and E; does away with the exemption for domestic company filings**
- 4. Reinsurance: Proposed regulation adopts all required elements of the NAIC Credit for Reinsurance Model Regulation, including specific provisions pertaining to trust agreements, insolvency clause in reinsurance agreements and the adoption of Form AR-1.**
- 5. NAIC Accounting Practices and Procedures: Proposed regulation updates certain NAIC publications, their applicability, location and current price.**

Members of the insurance industry, business community, and the public are also invited to comment on any impact the proposed regulations may have on small businesses. The Division

has reviewed the proposed regulations and determined that the regulations do not impose a direct or significant impact on a small business, or directly restrict the formation, operation, or expansion of a small business.

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, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, 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 **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
788 Fairview Drive, Suite 300
Carson City, NV 89701

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
P.O. Box 293
Eureka, NV 89316

Humboldt County Library
85 East 5th Street
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 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, or by calling no later than 5 working days prior to the hearing, (702) 687-4270, extension 260.

DATED this _____ day of February, 2002.

By:
ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

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

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 9:00 a.m., on March 27, 2002, immediately following a public workshop, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested persons may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 E. Sahara Avenue, Manufactured Housing Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

REGULATIONS CONCERNING NAIC ACCOUNTING PRACTICES AND PROCEDURES

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

1. The proposed regulation is needed to update certain NAIC publications, their applicability, location and current price.
2. The proposed regulation identifies the name, location and price of certain NAIC publications required for use by insurers.
3. Estimated economic effect of the regulation:
On the business which it is to regulate:
The proposed regulation should not have either an immediate or long-term impact on the insurers, other than the nominal expense of filing a report with the Commissioner in the event such reporting is required under the regulations.
On the public:
The proposed regulations should have no economic impact on the public.
4. The Division may incur some additional expense to enforce the proposed regulation that cannot be measured at this time.
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, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Written

submissions must be received by the Division on or before March 22, 2002. 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 proposed regulation will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, 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
788 Fairview Drive, Suite 300
Carson City, NV 89701

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

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Carson City, NV 89710

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Capitol Complex
Carson City, NV 89710

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Carson City, NV 89710

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Fallon, NV 89406

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Las Vegas, NV 89101

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Minden, NV 89423

Elko County Library
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Elko, NV 89801

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

Eureka Branch Library
10190 Monroe Street
P.O. Box 293
Eureka, NV 89316

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

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P.O. Box 141
Battle Mountain, NV 89820

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

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

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20 Nevin Way
Yerington, NV 89447

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Tonopah, NV 89049

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Reno, NV 89505

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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 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, or by calling no later than 5 working days prior to the hearing, (702) 687-4270, extension 260.

DATED this _____ day of February, 2002.

By:
ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

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

**REGULATIONS FOR NAIC ACCOUNTING
PRACTICES AND PROCEDURES**

Explanation – Matter *bold/italics* is new, matter in ~~brackets/strikethrough~~ is material to be omitted.

Authority: 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 “Financial Condition Examiners Handbook,” *and* the “Model Market Conduct Examiners Handbook,” ~~the “Rating and Statistical Organization Examination Handbook” and the “Health Maintenance Organization Examination Handbook,” is~~ *are* hereby adopted by reference. 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~~ *is* hereby adopted by reference. The Annual Statement Instructions Manual *for* Life and Accident and Health, the Annual Statement Instructions Manual for Property and Casualty and the Annual Statement Instructions Manual for Health ~~Maintenance Organizations~~ of the National Association of Insurance Commissioners are hereby adopted by reference. *All insurers and health maintenance organizations required to file financial statements with the commissioner shall prepare such statements in accordance with the publications adopted by reference in this section.*

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 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, *Publications Department, ~~[120 West 12th Street, Suite 1100]~~ 2301 McGee Street, Suite 800*, Kansas City, Missouri ~~[64105]~~ *64108-2604*, at a price of ~~[\$175]~~ *125*.

6. A copy of:

(a) The Accounting Practices and Procedures Manual ~~[for Property and Casualty Insurance Companies,]~~ at a price of ~~[\$150]~~ *225*;

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

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

(d) ~~[(d)]~~ (b) The Annual Statement Instructions Manual for Life and Accident and Health, at a price of ~~[\$150]~~ *225*;

~~[(e)]~~ (c) The Annual Statement Instructions Manual for Property and Casualty, at a price of ~~[\$150]~~ *225*; and

~~[(f)]~~ (d) The Annual Statement Instructions Manual for Health ~~[Maintenance Organizations]~~, at a price of ~~[\$150]~~ *175*,

may be obtained from the National Association of Insurance Commissioners, *Publications Department, ~~[120 West 12th Street, Suite 1100,]~~ 2301 McGee Street, Suite 800*, Kansas City, Missouri ~~[64105]~~ *64108-2604*.