

LCB File No. T004-02

**PROPOSED TEMPORARY 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 September 18, 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:

**REGULATION CONCERNING RISK BASED CAPITAL REPORTING
REQUIREMENTS FOR CERTAIN HEALTH ENTITIES**

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

1. The proposed temporary regulation provides for certain health entities to meet certain risk based capital filing requirements.
2. 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 regulation.
On the public:
The proposed regulation should have no economic impact on the public.
3. The Division may incur some additional expense to enforce the proposed regulation that cannot be measured at this time.
4. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.
5. 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 September 13, 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

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

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

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

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

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

White Pine County Library
950 Campton Street
Ely, NV 89301

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

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

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

Lyon County Library
20 Nevin Way
Yerington, NV 89447

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

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

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, (775) 687-4270, extension 260.

DATED this _____ day of August, 2002.

By:

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

NOTICE OF WORKSHOPS TO SOLICIT COMMENTS ON PROPOSED REGULATIONS

The Department of Business and Industry, Division of Insurance (Division) is proposing new regulations pertaining to electronic transactions, filing of financial statements and risk based capital reporting for certain health entities. A workshop has been set for 9:00 a.m., on September 18, 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. Electronic Transactions: Proposed regulation allows insurers to file forms through the System for Electronic Rate and Form Filing (SERFF) and pay such related filing fees by electronic funds transfer through the Nevada State Treasurer's office.
2. Filing of Financial Statements: Proposed regulation allows for insurers to satisfy the requirements of NRS 680A.270 by filing financial statements electronically with the National Association of Insurance Commissioners by submitting an affidavit that such filing has been made and by paying the applicable filing fee.
3. Risk Based Capital Reporting: Proposed temporary regulation provides for health entities to meet certain risk based capital filing requirements.

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

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Ely, NV 89301

Clark County Library
1401 East Flamingo Road
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DATED this _____ day of August, 2002.

By:

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance

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

**REGULATIONS FOR HEALTH ENTITIES
RISK BASED CAPITAL REPORTING REQUIREMENTS**

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

Authority: NRS 679B.130

Section 1. NAC 695F is hereby amended by adding a new section to read as follows:

1. Each prepaid limited health service organization shall maintain:

(a) A capital account with a net worth as required by NRS 695F.200; or

(b) A capital account with a net worth equal to the Risk Based Capital amount as calculated by the organization in the Risk Based Capital Report as required by NRS 681B.290 and NAC 681B; or

(c) Whichever is greater.

2. For purposes of 695F:

(a) An insurer includes a prepaid health service organization for purposes of reporting Risk Based Capital.

Section 2. NAC 695C.130 is amended as follows:

1. Except as otherwise provided in this section, a health maintenance organization which receives a certificate of authority shall maintain and report on its financial statement filed with the commissioner pursuant to NRS 695C.210 a minimum net worth in an amount:

(a) Equal to \$1,500,000; or

(b) Equal to 2 percent of the first \$150,000,000 earned as revenue from premiums collected in the preceding 12-month period, plus 1 percent of the amount in excess of \$150,000,000 earned

as revenue from premiums collected in the preceding 12-month period~~[, whichever is greater.];~~
or

(c) Equal to the Risk Based Capital amount as calculated by the organization in the Risk Based Capital Report as required by NRS 681B.290 and NAC 681B; or

(d) Whichever is greater.

2. In addition to the requirements set forth in subsection 1, a health maintenance organization which receives a certificate of authority shall maintain:

(a) A surety bond or deposit of cash or securities for the protection of enrollees of not less than \$250,000.

(b) A contract of stop-loss insurance as required by NAC 695C.135 for new health maintenance organizations.

(c) A blanket fidelity bond as required by NAC 695C.120 for new health maintenance organizations.

(d) The operating, premium tax and insolvency reserves required for new health maintenance organizations.

3. If the commissioner determines that the financial condition of a health maintenance organization fails to comply with the conditions set forth in NRS 695C.090, he may require the organization to:

(a) Maintain a net worth that is greater than the amount required by subsection 1;

(b) Obtain a written guarantee from a business which has sufficient surplus and an adequate history of generating net income to guarantee the maintenance of the minimum net worth of the health maintenance organization required by subsection 1 and obtain approval of the written guarantee and guarantor from the commissioner; or

(c) Comply with paragraphs (a) and (b).

4. If a health maintenance organization proposes to make a material modification to its approved plan of operations, it shall submit a copy of its proposed modification to the commissioner. The commissioner may, as a condition of approval for the proposed modification by the health maintenance organization, require the health maintenance organization to increase the amount of reserves, deposits, bonds or minimum net worth it is required to maintain. The commissioner may, in making such a determination, consider the conditions set forth in NRS 695C.090.

5. For purposes of NAC 695C:

(a) An insurer includes a health maintenance organization for purposes of reporting Risk Based Capital.

Section 3. NAC 695D.300 is hereby amended to read as follows:

An organization ***for dental care*** shall maintain:

1. A capital account with a net worth, according to the number of members in the organization, of not less than the following amounts:

Number of Members Net Worth

Less than 2,500 \$50,000

2,500 to 5,000 \$75,000

5,000 or more \$125,000; or

2. A capital account with a net worth equal to the Risk Based Capital amount as calculated by the organization in the Risk Based Capital Report as required by NRS 681B.290 and NAC 681B; or

3. A capital account with a net worth equal to the greater of 1. or 2.

4. For purposes of 695D:

(a) An insurer includes an organization for dental care for purposes of reporting Risk Based Capital.

~~[2.]~~ 5. Except as otherwise provided in this subsection, a surety bond or deposit of cash or securities for the protection of members of not less than the amount required by NRS 695D.170. The commissioner will allow the bond or deposit to be reduced to \$125,000 until the organization has 5,000 members.

~~[3.]~~ 6. A collective fidelity bond issued by an authorized insurer in an amount of not less than \$1,000,000.

~~[4.]~~ 7. A contract of insurance providing that, in the event the organization is declared insolvent by the division or a court of competent jurisdiction, the insurer will pay all claims made by a member from the first dollar of eligible expenses for a period of not less than 60 days. If this coverage is canceled, written notice of the cancellation must be given to the division by the organization and its insurer not less than 90 days before the cancellation becomes effective. The insurer may require the organization to include in its agreements with its providers, a requirement that the provider accept any assignment made by the organization to the insurer for the continuation of benefits upon the insolvency of the organization.

~~[5.]~~ 8. A contract of insurance to stop the losses of the organization, in an amount acceptable to the commissioner.

~~[6.]~~ 9. The reserves required by NRS 695D.250 must be segregated in a trust fund located in a federally insured financial institution in this state. The reserves held for taxes on premiums must be kept in a similar trust fund. Any interest earned on either fund may be credited to the organization.