

**PROPOSED REGULATION OF THE  
COMMISSIONER OF INSURANCE**

**LCB File No. R014-06**

March 15, 2006

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

AUTHORITY: §§1-16 and 23-27; NRS 679B.130 and 690A.277; §§17-22, NRS 679B.130, 690A.093 and 690A.277.

A REGULATION relating to insurance; establishing the rates and requirements for policies of credit insurance; establishing methods for determining the amount of the unearned premium that must be refunded to a debtor upon the cancellation of a policy of credit insurance; and providing other matters properly relating thereto.

**Section 1.** Chapter 690A of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 24, 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 16, inclusive, of this regulation have the meanings ascribed to them in those sections.*

**Sec. 3.** *“Actuarially consistent” means the present value of two patterns of cash flow that when measured using the same assumptions are approximately equivalent.*

**Sec. 4.** *“Commissioner” means the Commissioner of Insurance.*

**Sec. 5.** *“Credit accident and health insurance” has the meaning ascribed to it in NRS 690A.0135.*

**Sec. 6.** *“Credit disability insurance” means insurance issued on a debtor to provide indemnity for payments that become due on a specific loan or other credit transaction while the debtor is disabled, as that term is defined in the policy or certificate.*

Sec. 7. *“Credit insurance” has the meaning ascribed to it in NRS 690A.015.*

Sec. 8. *“Credit life insurance” has the meaning ascribed to it in NRS 690A.016.*

Sec. 9. *“Credit transaction” has the meaning ascribed to it in NRS 690A.0163.*

Sec. 10. *“Creditor” has the meaning ascribed to it in NRS 690A.017.*

Sec. 11. *“Debtor” has the meaning ascribed to it in NRS 690A.018.*

Sec. 12. *“Indebtedness” means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction and includes the finance charge that is or will be assigned to the transaction.*

Sec. 13. *“Net debt” has the meaning ascribed to it in NRS 690A.0243.*

Sec. 14. *“Outstanding balance basis” means premiums that are paid monthly using a rate per \$1,000 of monthly outstanding insured indebtedness.*

Sec. 15. *“Prima facie rate” means a rate that is deemed to be reasonable in relation to the benefits provided for credit insurance and may be used without filing additional actuarial information with the Commissioner.*

Sec. 16. *“Single premium basis” means the present value of the monthly premiums that are charged over the term of a policy.*

Sec. 17. 1. *Except as otherwise provided in subsection 4 of section 22 of this regulation, the prima facie rate for credit life insurance shall be deemed reasonable in relation to the premium charged and may be used without filing additional actuarial information with the Commissioner if the rate complies with the provisions of this section.*

2. *For credit life insurance, if the premium is charged on a single premium basis, the premium must be paid on the basis of a premium rate per hundred per annum of actual or scheduled net debt and must be calculated according to the formula set forth in this subsection*

or according to a formula approved by the Commissioner that produces a rate that is actuarially consistent with the rates set forth in subsection 5:

$$NSP_{n,t} = \frac{GSP_{12}}{10} \times \frac{20}{13} \times \frac{(t - a_{n|} + a_{n-t|})}{i \times a_{n|}}$$

Where:

“ $NSP_{n,t}$ ” = Single premium net balance rate per \$100 of initial insured indebtedness for “ $t$ ” months.

“ $GSP_{12}$ ” = Single premium gross decreasing rate per \$100 of initial gross indebtedness per annum.

“ $n$ ” = Term of loan.

“ $t$ ” = Term of insurance.

“ $i$ ” = Monthly interest rate.

“ $a_{n|}$ ” = Present value of an annuity due of \$1 for a period of “ $n$ ” months at interest rate “ $i$ .”

“ $a_{n-t|}$ ” = Present value of an annuity due of \$1 for a period of “ $n-t$ ” months at interest rate “ $i$ .”

3. For single credit life insurance, if the premium is charged on:

(a) A monthly outstanding balance basis, the rate must be 82 cents per month per \$1,000 of outstanding insured indebtedness.

(b) A gross decreasing balance basis, the rate must be 51 cents per annum per \$100 of initial gross indebtedness.

4. If credit life insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.54.

5. *For accidental death or dismemberment insurance, if the premium is charged on:*

(a) *A single premium basis, the rate must be 5 cents per \$100 of insurance per annum for single life insurance and 10 cents per \$100 of insurance per annum for joint life insurance.*

(b) *A monthly outstanding balance basis, the rate must be 8 cents per month per \$1,000 of outstanding insured indebtedness on single life insurance and 16 cents per month per \$1,000 of outstanding insured indebtedness on joint life insurance.*

(c) *A joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 2.*

6. *If the benefits provided are different from the benefits described in subsections 1 to 5, inclusive, the premium rates for those benefits must be actuarially consistent with the rates set forth in subsections 2 to 5, inclusive, and must be approved by the Commissioner before those rates may be used.*

7. *The rates in this section may be used only if the coverage issued in conjunction with those rates does not include an exception for a preexisting condition. If the coverage includes an exception for a preexisting condition as specified in paragraphs (a) and (b) of subsection 1 of section 20 of this regulation, an insurer may file for approval for lower rates in the manner prescribed in section 22 of this regulation.*

8. *The rates set forth in this section apply to a policy of credit life insurance that is offered to a debtor if the policy includes:*

(a) *Coverage for death caused by any means, except that coverage may exclude death resulting from:*

(1) *War or any act of war;*

(2) *Suicide within 2 years after the effective date of the coverage; or*

*(3) A preexisting condition, unless the preexisting condition causes or substantially contributes to a death and the death occurs within 6 months after the effective date of coverage.*

*(b) For the exclusions set forth in paragraph (a), the effective date of coverage for each part of the insurance attributable to a different advance or a charge to the plan account that is the date on which the advance or charge occurs.*

*(c) A provision that prohibits coverage from becoming effective after the debtor attains:*

*(1) The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the of age 72 years; or*

*(2) The age of 68 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit life insurance may be increased by 5.9 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.*

*9. As used in this section:*

*(a) "Joint life insurance" means credit life insurance issued to two debtors who are jointly and severally liable for the indebtedness.*

*(b) "Single life insurance" means credit life insurance issued to one debtor who is liable for the indebtedness.*

**Sec. 18. 1.** *Except as otherwise provided in section 22 of this regulation, a prima facie rate for credit disability insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the prima facie rate complies with the provisions of this section.*

2. *If the premium is charged on a single premium basis, the prima facie rate per \$100 of initial insured debt for credit accident and health insurance must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.*

<i>Term of Loan in Months</i>	<i>Prospective Benefits</i>		<i>Retroactive Benefits</i>		
	<i>14-Day</i>	<i>30-Day</i>	<i>7-Day</i>	<i>14-Day</i>	<i>30-Day</i>
<i>1 to 12</i>	<i>1.04</i>	<i>.59</i>	<i>2.22</i>	<i>1.63</i>	<i>1.26</i>
<i>13 to 24</i>	<i>1.63</i>	<i>1.19</i>	<i>2.96</i>	<i>2.22</i>	<i>1.85</i>
<i>25 to 36</i>	<i>2.22</i>	<i>1.78</i>	<i>3.70</i>	<i>2.82</i>	<i>2.44</i>
<i>37 to 48</i>	<i>2.59</i>	<i>2.15</i>	<i>4.45</i>	<i>3.19</i>	<i>2.82</i>
<i>49 to 60</i>	<i>2.89</i>	<i>2.44</i>	<i>5.19</i>	<i>3.48</i>	<i>3.11</i>
<i>61 to 72</i>	<i>3.19</i>	<i>2.74</i>	<i>5.93</i>	<i>3.78</i>	<i>3.41</i>
<i>73 to 84</i>	<i>3.48</i>	<i>3.04</i>	<i>6.67</i>	<i>4.07</i>	<i>3.70</i>
<i>85 to 96</i>	<i>3.78</i>	<i>3.33</i>	<i>7.41</i>	<i>4.37</i>	<i>4.00</i>
<i>97 to 108</i>	<i>4.07</i>	<i>3.63</i>	<i>8.15</i>	<i>4.67</i>	<i>4.30</i>
<i>109 to 120</i>	<i>4.37</i>	<i>3.93</i>	<i>8.89</i>	<i>4.96</i>	<i>4.59</i>
<i>121 to 132</i>	<i>4.67</i>	<i>4.22</i>	<i>9.63</i>	<i>5.26</i>	<i>4.89</i>
<i>133 to 144</i>	<i>4.96</i>	<i>4.52</i>	<i>10.37</i>	<i>5.56</i>	<i>5.19</i>
<i>145 to 156</i>	<i>5.26</i>	<i>4.82</i>	<i>11.11</i>	<i>5.85</i>	<i>5.48</i>

<i>Term of Loan in Months</i>	<i>Prospective Benefits</i>		<i>Retroactive Benefits</i>		
	<i>14-Day</i>	<i>30-Day</i>	<i>7-Day</i>	<i>14-Day</i>	<i>30-Day</i>
<i>157 to 168</i>	<i>5.56</i>	<i>5.11</i>	<i>11.85</i>	<i>6.15</i>	<i>5.85</i>
<i>169 to 180</i>	<i>5.85</i>	<i>5.26</i>	<i>12.60</i>	<i>6.52</i>	<i>6.15</i>

*3. For single credit accident and health insurance, if the premium is charged on the basis of a premium rate per month per \$1,000 of outstanding insured debt, the prima facie rate per \$1,000 must comply with the provisions of this subsection. Rates for monthly periods that are different from the rates set forth in this subsection must be interpolated or extrapolated.*

<i>Term of Loan in Months</i>	<i>Prospective Benefits</i>		<i>Retroactive Benefits</i>		
	<i>14-Day</i>	<i>30-Day</i>	<i>7-Day</i>	<i>14-Day</i>	<i>30-Day</i>
<i>1 to 12</i>	<i>1.59</i>	<i>.91</i>	<i>3.42</i>	<i>2.50</i>	<i>1.94</i>
<i>13 to 24</i>	<i>1.30</i>	<i>.95</i>	<i>2.37</i>	<i>1.78</i>	<i>1.48</i>
<i>25 to 36</i>	<i>1.20</i>	<i>.96</i>	<i>2.00</i>	<i>1.52</i>	<i>1.32</i>
<i>37 to 48</i>	<i>1.06</i>	<i>.87</i>	<i>1.82</i>	<i>1.30</i>	<i>1.15</i>
<i>49 to 60</i>	<i>.95</i>	<i>.80</i>	<i>1.70</i>	<i>1.14</i>	<i>1.02</i>
<i>61 to 72</i>	<i>.87</i>	<i>.75</i>	<i>1.62</i>	<i>1.04</i>	<i>.93</i>
<i>73 to 84</i>	<i>.82</i>	<i>.71</i>	<i>1.57</i>	<i>.96</i>	<i>.87</i>

<i>Term of Loan in Months</i>	<i>Prospective Benefits</i>		<i>Retroactive Benefits</i>		
	<i>14-Day</i>	<i>30-Day</i>	<i>7-Day</i>	<i>14-Day</i>	<i>30-Day</i>
<i>85 to 96</i>	<i>.78</i>	<i>.69</i>	<i>1.53</i>	<i>.90</i>	<i>.82</i>
<i>97 to 108</i>	<i>.75</i>	<i>.67</i>	<i>1.50</i>	<i>.86</i>	<i>.79</i>
<i>109 to 120</i>	<i>.73</i>	<i>.65</i>	<i>1.47</i>	<i>.82</i>	<i>.76</i>

*4. If the coverage provided is a constant maximum indemnity for a specific period, the actuarial equivalent of subsections 2 and 3 must be used.*

*5. If the coverage provided is a combination of a constant maximum indemnity for a specific period after which the maximum indemnity begins to decrease in even amounts per month, an appropriate combination of the premium rate for a constant maximum indemnity for a specific period and the premium rate for a maximum indemnity which decreases in even amounts per month must be used.*

*6. The outstanding balance rate for credit accident and health insurance may be a term-specified rate or a rate paid on an outstanding balance basis for an average of the single rates if the Commissioner finds that the single rate is actuarially consistent with the rates set forth in subsection 3.*

*7. The prima facie rates and the formulas used to calculate the rates for credit accident and health insurance set forth in subsections 2 and 3 shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner if the insurance is issued for an open-end credit agreement. Any other formula*



*used to convert from a closed-end credit rate to an open-end credit rate may be used if approved by the Commissioner.*

*8. If the maximum benefit of the credit disability insurance equals the net debt on the date of disability, the term of the loan must be calculated according to the following formula:*

$$1/(\text{minimum payment percent})$$

*The prima facie rate must be determined by applying the calculated term to the rates set forth in subsections 2 and 3. A composite percentage may be used in place of the minimum payment percentage for a specific credit transaction.*

*9. If the maximum benefit of the credit disability insurance equals the outstanding balance of the loan on the date of disability plus any interest accruing on that amount during the period of disability, the term of the insurance is calculated by using the following formula:*

$$n = \ln\{1-(1000i/x)\}/\ln(v)$$

*Where:*

*“i” = Interest rate on the account or a composite interest rate used for the type of policy.*

*“n” = Term of the insurance.*

*“x” = Monthly payment per \$1,000 of coverage that is established for a term of insurance calculated in this subsection.*

*“v” =  $1/(1 + i)$ .*

*The calculated value of the term of insurance must be used to determine an initial rate set forth in subsections 2 and 3. The final prima facie rate must be calculated by multiplying the initial rate by the adjustment by using the following formula:*

$$n/a_n$$

*Where:*

*“n” = the term of insurance calculated in this subsection.*

*“a<sub>n</sub>” = (1 - v<sup>n</sup>)/i.*

*10. If the credit accident and health insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.*

*11. If the benefits provided under a policy of credit accident and health insurance are different from the benefits described in this section, the rates for those benefits must be actuarially consistent with the rates set forth in this section.*

*12. As used in this section:*

*(a) “Composite interest rate” means an average of all interest rates offered by a creditor of an insurer.*

*(b) “Composite percentage” means the average of all minimum payment percentages for a specific credit transaction.*

*(c) “Open-end credit” has the meaning ascribed to it in NRS 690A.0247.*

**Sec. 19.** *The rates set forth in subsections 2 and 3 of section 18 of this regulation apply to a policy of credit accident and health insurance that is offered to a debtor if the policy includes:*

*1. Coverage for disability caused by any means, except that coverage may be excluded for disabilities resulting from:*

*(a) Normal pregnancy;*

*(b) War or any act of war;*

*(c) Elective surgery;*

*(d) Intentionally self-inflicted injury;*

*(e) Sickness or injury caused by or resulting from the use of alcoholic beverages or controlled substances unless they are administered on the advice of, and taken as directed by, a licensed physician other than the insured;*

*(f) Flight in any aircraft other than a commercially scheduled aircraft; or*

*(g) A preexisting condition.*

*2. For the exclusion set forth in paragraph (g) of subsection 1, the effective date of coverage for each part of the insurance attributable to a different advance or a charge to the plan account is the date on which the advance or charge occurs.*

*3. A definition of disability providing that:*

*(a) For the first 12 months of disability, total disability means the inability to perform the essential functions of the insured's occupation.*

*(b) After the first 12 months of disability, total disability means the inability of the insured to perform the essential functions of any occupation for which he is reasonably suited because of education, training or experience.*

4. *A provision that is not more restrictive than a provision that requires the debtor to be employed full-time on the effective date of coverage and for at least 12 consecutive months before the effective date of coverage.*

5. *A provision that prohibits coverage from becoming effective for a debtor after the debtor attains:*

(a) *The age of 66 years and requires that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or*

(b) *The age of 68 years and requires that all insurance will terminate when the debtor attains the age of 72 years. If such a provision is included, prima facie rates for credit disability insurance may be increased by 1.8 percent and shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.*

6. *A daily benefit of not less than one-thirtieth of the monthly benefit payable under the policy.*

**Sec. 20. 1.** *The rates set forth in section 18 of this regulation may be used only if the policy issued using those rates does not include an exception for a preexisting condition except for a condition that:*

(a) *Requires medical diagnosis or treatment within the 6 months immediately preceding the effective date of coverage; and*

(b) *Causes disability that begins within 6 months after the effective date of coverage.*

2. *If the policy issued using the rates set forth in section 18 of this regulation does not include an exception for a preexisting condition as specified in paragraphs (a) and (b) of*

*subsection 1, an insurer may file for approval for higher rates in the manner prescribed in section 22 of this regulation.*

**Sec. 21. 1.** *Each insurer who files rates with the Commissioner for credit unemployment insurance must include in its filing the formula upon which its rates are based.*

*2. The rates shall be deemed reasonable if the rates do not exceed \$1 for \$100 of insurance per annum and must be paid on a single premium basis.*

*3. If the credit unemployment insurance is sold on a joint basis, the rate for the coverage must be calculated by multiplying the applicable rate for single coverage by 1.85.*

*4. A debtor is eligible to receive payments under a claim for loss of employment income if the policy of credit unemployment insurance includes a requirement that:*

*(a) The debtor must provide proof that he has:*

*(1) Filed a claim for benefits with the Employment Security Division of the Department of Employment, Training and Rehabilitation; or*

*(2) Registered with an employment agency licensed pursuant to chapter 611 of NRS;*

*(b) If the debtor registers with an employment agency, the registration must:*

*(1) Begin not later than 30 days after the date of involuntary unemployment; and*

*(2) Continue for the entire period of the claim; and*

*(c) The debtor must be reeligible for unemployment benefits after the completion of payments under a claim for loss of employment income if he was employed:*

*(1) On a full-time basis in a nonseasonal occupation;*

*(2) For 30 consecutive days; and*

*(3) By the same employer.*

5. *A policy of credit unemployment insurance must not include eligibility requirements more restrictive than an age restriction providing that no insurance will become effective for a debtor after the debtor attains:*

*(a) The age of 66 years and that all insurance for the debtor will terminate when the debtor attains the age of 70 years; or*

*(b) The age of 68 years and that all insurance for the debtor will terminate when the debtor attains the age of 72 years. If such a provision is included, a premium adjustment is not required and the prima facie rates for credit unemployment insurance shall be deemed reasonable in relation to the benefits provided and may be used without filing additional actuarial information with the Commissioner.*

6. *As used in this section, “credit unemployment insurance” has the meaning ascribed to it in NRS 690A.0167.*

**Sec. 22. 1.** *An insurer may file for approval by the Commissioner to use rates that are higher than the prima facie rates set forth in sections 17 to 21, inclusive, of this regulation, if the rates are reasonable in relation to the benefits provided. If rates higher than the prima facie rates set forth in sections 17 to 21, inclusive, of this regulation are filed for approval, the filing must specify the account to which the rates apply. The rates must be:*

*(a) Applied uniformly to all accounts of the insurer;*

*(b) Applied on an equitable basis, as approved by the Commissioner, to any account of the insurer for which the experience has been less favorable than expected; or*

*(c) Applied according to the insurer’s application for approval of rates filed with the Commissioner.*

2. A rate that is different from the prima facie rate may be in effect for a period not longer than the experience period used to establish the rate. An insurer may file for a new rate before the end of a rate period but may not file more than once during any 12-month period.

3. If an account changes insurers, the rate approved for the account by the prior insurer is the maximum rate that may be used by the succeeding insurer for the remainder of the rate period approved for the prior insurer or until a new rate is approved for use on the account, whichever occurs earlier.

4. An insurer may use a rate for an account that is lower than its filed rate without notifying the Commissioner unless the rate applies to credit life insurance. If the rates for credit life insurance are lower than the prima facie rates set forth in section 17 of this regulation, an insurer may file for approval for lower rates in the manner prescribed in subsections 1 and 2.

**Sec. 23.** 1. If an insurer specifies the formula for a refund in an individual policy or certificate of group insurance filed for approval by the Commissioner and the filing is acknowledged and not disapproved by the Commissioner, the formula may be used. A formula for a refund which is the sum of the amounts for each remaining period for payment of the obligation, calculated by multiplying the amount paid as the premium by a fraction which has a denominator equal to the sum of the total number of periods for payment of the obligation and a numerator equal to the sum of the remaining number of periods, may be referred to as the “sum-of-the-digits” formula.

2. The following methods may be used to determine the amount of a refund for the following types of insurance:

*(a) For a premium for credit insurance, if the premium is paid on a single premium basis, the refund must be calculated by the sum-of-the-digits formula.*

*(b) For a premium for credit insurance, if the premium is payable other than on the single premium basis, the refund must equal the prorated unearned gross premium.*

*3. An insurer may calculate a refund on a daily or monthly basis. The insurer shall indicate the basis used when the insurer files the formula for calculating refunds for approval by the Commissioner. A refund may be calculated on an approximate daily basis by interpolating proportionately between the values at the beginning and at the end of the month. Each month shall be deemed to have 30 days. If a refund is calculated on a monthly basis, a charge may not be made for a period which is less than 16 days after the date the last monthly installment was due, but may be made for the entire month if the period is 16 days or more.*

**Sec. 24. 1.** *Each insurer who engages in the business of credit insurance in this State shall conduct:*

*(a) An annual audit of all payments for claims made on its behalf by an administrator, claim representative or group policyholder.*

*(b) A review of each of its accounts for creditors with respect to the business of credit insurance of the creditor to ensure compliance with the Nevada Insurance Code and the regulations adopted pursuant thereto. The initial review must be conducted not later than March 1, 2008, or the date of the initial credit transaction between the creditor and the insurer, whichever is later. After the initial review, the review must be conducted every 24 months.*

*2. The audit or review must include, if applicable, a determination that:*



*(a) The proper charges to debtors for premiums are made by the creditor and remitted to the insurer in a timely manner.*

*(b) The refunds are being calculated accurately and paid promptly by the creditor.*

*(c) All claims and inquiries concerning claims are filed promptly and handled properly.*

*(d) Amounts of insurance payable on death, in excess of the amounts necessary to extinguish the indebtedness, are properly calculated and reported to the secondary beneficiary of the policy.*

*(e) The creditor is promptly and fairly processing complaints concerning its business of credit insurance and is maintaining proper procedures for and records of the complaints processed.*

*3. The insurer shall retain the written results of the audit or review at its home office for at least 7 years after the date of the completion of the audit or review by the insurer.*

*4. The insurer shall pay the cost of the audit or review, and the cost may not be chargeable against any creditor, producer or other entity.*

*5. In addition to any other authority granted to the Commissioner pursuant to chapter 679B of NRS, if the Commissioner determines that an audit or review required pursuant to this section is not being conducted or that there is reason to believe that the audit or review is not complete or is deficient, the Commissioner may cause an audit or review to be conducted by the Division of Insurance of the Department of Business and Industry or an independent auditor. The insurer shall pay the cost of the audit or review.*

*6. As used in this section, "producer" means any person licensed pursuant to chapter 683A of NRS who sells or offers for sale a policy of credit insurance directly to a debtor.*

**Sec. 25.** The Commissioner shall review the prima facie rates for credit life insurance, credit disability insurance and involuntary unemployment insurance not later than September 1, 2009, to determine whether the rates are reasonable in relation to the benefits provided. If the Commissioner determines that the rates are not reasonable, the Commissioner will adopt new rates which will become effective on September 1, 2010.

**Sec. 26.** All rates and forms for policies of credit insurance that are not in compliance with the provisions of sections 2 to 24, inclusive, of this regulation are void on September 1, 2006. No such rates or forms may be issued after September 1, 2006, unless they have been submitted to and approved by the Commissioner of Insurance not later than July 1, 2006, or unless a rider approved by the Commissioner after that date has been attached that brings the form into compliance with the provisions of sections 2 to 24, inclusive, of this regulation.

**Sec. 27.** This regulation becomes effective on September 1, 2006.