

**ADOPTED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R099-06

Effective June 28, 2006

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

AUTHORITY: §§1 and 6, NRS 679B.130; §2, NRS 679B.130 and 686B.170; §3, NRS 679B.130 and 686B.1775; §§4 and 5, NRS 679B.130, 686B.070 and 686B.100.

A REGULATION relating to insurance; providing that the Commissioner of Insurance will examine the affairs and conditions of all rate service organizations not less frequently than every 5 years; providing that the Commissioner will examine the affairs and conditions of certain rate service organizations as often as he deems advisable; adopting by reference the NAIC Loss Cost Filing Document published by the National Association of Insurance Commissioners; requiring insurers to include certain information and forms when filing final rates or loss cost multipliers for policies of industrial insurance; and providing other matters properly relating thereto.

Section 1. Chapter 686B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 and 3 of this regulation.

Sec. 2. 1. *Except as otherwise provided in subsection 2, the Commissioner will, as often as he deems advisable, examine the affairs and conditions of each rate service organization in accordance with the provisions of NRS 686B.170.*

2. The Commissioner will examine the affairs and conditions of each licensed rate service organization not less frequently than every 5 years.

Sec. 3. 1. *For each filing of final rates or loss cost multipliers for policies of industrial insurance made pursuant to NRS 686B.1775, the insurer:*

(a) Shall complete and include, without limitation:

(1) If an expense constant applies, Expense Worksheet A, which is prescribed by the Commissioner; or

(2) If an expense constant does not apply, Expense Worksheet B, which is prescribed by the Commissioner.

(b) Shall include, without limitation, reference to the premium discount tables which apply and the rules for applying the discounts.

(c) Except as otherwise provided in paragraph (d), may continue to use the loss cost multipliers filed until:

(1) The loss cost multipliers are disapproved by the Commissioner; or

(2) The insurer submits a new filing to replace the loss cost multipliers previously filed.

(d) Unless the Commissioner has explicitly approved otherwise, shall use the current loss cost multipliers filed by the advisory organization in accordance with the anniversary rating date rule in the manuals of rating rules approved by the Commissioner pursuant to NRS 686B.177.

2. As used in this section, “expense constant” means a premium charged to each policy of industrial insurance regardless of the size of the policy.

Sec. 4. NAC 686B.445 is hereby amended to read as follows:

686B.445 1. A filing by an insurer that refers to a reference filing of prospective loss costs made by a rate service organization must include, ~~in the following order,~~ *without limitation, a completed copy of the NAIC Loss Cost Filing Document adopted by reference pursuant to subsection 2 or a reference filing adoption form that is substantially similar to the NAIC Loss Cost Filing Document* and a summary of supporting information.

2. The *Commissioner hereby adopts by* reference ~~[filing adoption form is available from the Department of Business and Industry, Division of Insurance, 1665 Hot Springs Road, Carson City, Nevada 89710.]~~ *the NAIC Loss Cost Filing Document published by the National Association of Insurance Commissioners. A copy of the document is available free of charge from the National Association of Insurance Commissioners at the internet address <<http://www.naic.org>>.*

Sec. 5. NAC 686B.460 is hereby amended to read as follows:

686B.460 1. Except as otherwise provided in subsection 2, NAC 686B.400 to 686B.460, inclusive, do not require a rate service organization or its participating insurers to refile a rate *or loss cost* previously approved by the Commissioner.

2. A participating insurer of a rate service organization may continue to use any rate, *loss cost* or deviation filed and approved for its use until:

(a) The ~~[rates are]~~ *rate, loss cost or deviation is* disapproved; or

(b) The insurer makes its own filing to change its rate by making an independent filing or by filing a reference filing adoption form that adopts the prospective *rates or* loss costs of a rate service organization or an adjustment to the prospective *rates or* loss costs by the insurer.

3. The provisions of this section do not apply to the filing of a rate, loss cost or deviation relating to a policy of industrial insurance.

Sec. 6. NAC 686B.800 is hereby amended to read as follows:

686B.800 As used in NAC 686B.800 to ~~[686B.840,]~~ *686B.845*, inclusive, *and section 3 of this regulation*, unless the context otherwise requires, the words and terms defined in NAC 686B.802 to 686B.815, inclusive, have the meanings ascribed to them in those sections.

NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R099-06

The Commissioner of Insurance adopted regulations assigned LCB File No. R099-06 which pertain to chapter 686B of the Nevada Administrative Code on June 16, 2006.

Notice date: 4/19/2006

Date of adoption by agency: 6/16/2006

Hearing date: 5/25/2006

Filing date: 6/28/2006

INFORMATIONAL STATEMENT

A workshop and hearing was held on May 25, 2006, 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, concerning rate service organization examinations and loss cost adoption.

Public comment was solicited by posting notice of the hearing in the following public locations: the Division's Carson City Office, Legislative Counsel Bureau, Capitol Building Lobby, Blasdel Building, Carson City Courthouse, State Library, Capitol Press Room, and the Division's Las Vegas Office. Notice was also e-mailed to members of the Property and Casualty Advisory Committee and interested parties of that Committee.

The Division maintains a general list of interested parties, comprised mainly of insurance companies, agencies and other persons regulated by the Division. These persons were also 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.

The hearing was attended by four interested parties in Carson City and one interested party in Las Vegas.

After considering the comments by those attending the hearing, by those who submitted written comments, and the recommendation of the Hearing Officer, the Commissioner has issued an order adopting the proposed regulation, LCB File No. R099-06, as amended, as a permanent regulation of the Division.

Based upon the testimony received at the hearing, the regulation is revised to read as follows:

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

Unless the Commissioner has explicitly approved otherwise, shall use the current loss cost multipliers filed by the advisory organization in accordance with the anniversary rating

date rule in the [~~prospective loss costs,~~] manuals of rating[s] rules [~~and ratings schedules~~] approved by the Commissioner pursuant to NRS 686B.177.

This amendment is necessary to minimize any potential confusion as to the anniversary rating date rule. The anniversary rating date rule is not a prospective loss cost nor is it a rate schedule. It is a rating rule that is part of the Basic Manual of the National Council of Compensation Insurance, Inc.

The economic impact of the regulation is as follows:

- (a) On the business it is to regulate: Nominal.
- (b) On small businesses: None.
- (c) On the public: None.

The Division anticipates a nominal expense to enforce the proposed regulation. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

IN THE MATTER OF THE

CAUSE NO. **06.442**
LCB File No. R099-06

**PROPOSED REGULATION REGARDING
RATE SERVICE ORGANIZATION
EXAMINATIONS AND LOSS COST ADOPTION.**

**SUMMARY OF PROCEEDINGS
AND ORDER**

SUMMARY OF PROCEEDINGS

A public workshop, as required by Nevada Revised Statute (“NRS”) 233B.061, on the proposed regulation concerning examination of rate service organizations and loss cost adoption was held before Pamela Mackay, Deputy Commissioner of Insurance, on May 25, 2006, in Carson City, Nevada, and video-conferenced to the Bradley Building in Las Vegas, Nevada. A public hearing on the proposed regulation was also held before Deputy Commissioner Pamela Mackay on May 25, 2006, in Carson City, Nevada, and video-conferenced to the Bradley Building in Las Vegas, Nevada. The regulation is proposed under the authority of NRS 679B.130.

The Department of Business and Industry, Division of Insurance (“Division”), received written comments from Kate Diehl, Legislative Advocate for the Property Casualty Insurers Association of America (“PCI”). In her letter, Ms. Diehl questioned the reason for adding a specific time period for the examination of rate service organizations and indicated that NRS 686B.170 allows the Commissioner to accept the exam report from another state in lieu of performing her own examination. She also expressed concern that the addition of Section 3 and the amendments in Section 5 to Nevada Administrative Code (“NAC”) 686B.460 create a potential conflict. No other comments were received.

Janice Moskowitz, representing the Division, presented the regulation and explained that NRS 686B.170 requires the interval for examination to be specified by rule. She also clarified that Section 2 of the proposed regulation merely sets the maximum interval for the examinations and would not change the provisions in NRS 687B.170 that allow the Commissioner to order an independent audit, accept the report of independent certified public accountants or actuaries, or accept the report of an examination made by the insurance department of another state. She also explained that the Legislative Counsel Bureau (“LCB”) staff added language to NAC 686B.460 to clarify that it did not apply to policies of industrial insurance and that this removed any perceived conflict between Sections 3 and 5.

Ms. Jeanette Belz, of J.K. Belz & Associates, Inc., representing PCI, testified that the concerns of PCI had been addressed.

Ms. Moskowitz further testified that the LCB staff added a reference to the source of the anniversary rating date rule. She recommended that the language in paragraph (d) of subsection 1 of section 3 be amended by striking the words “prospective loss costs,” deleting the “s” in “ratings” and striking the words “and ratings schedules.” This change was necessary to clarify that the anniversary rating date rule is a rating rule and not a prospective loss cost or rating schedule.

There was no opposition to the proposed amendment.

The Hearing Officer closed the hearing and directed Ms. Moskowitz to prepare the informational statement letter and order.

Based upon the testimony received at the hearing, the regulation is revised to read as follows:

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

Unless the Commissioner has explicitly approved otherwise, shall use the current loss cost multipliers filed by the advisory organization in accordance with the anniversary rating date

rule in the [~~prospective loss costs,~~] manuals of rating[s] rules [~~and ratings schedules~~] approved by the Commissioner pursuant to NRS 686B.177.

RECOMMENDED ORDER OF THE HEARING OFFICER

Based upon the testimony received at the hearing, it is recommended that the proposed regulation regarding rate service organization examinations and loss cost adoption, LCB File No. R099-06, be adopted, as amended, as a permanent regulation of the Division. See attached.

SO RECOMMENDED this _____ day of June, 2006.

PAMELA A. MACKAY
Hearing Officer

ORDER OF THE COMMISSIONER

Having reviewed the record in this matter, it is hereby ordered that the proposed regulation regarding rate service organization examinations and loss cost adoption, LCB File No. R099-06, be adopted, as amended, as a permanent regulation of the Division.

SO ORDERED this _____ day of June, 2006.

ALICE A. MOLASKY-ARMAN
Commissioner of Insurance