

**ADOPTED REGULATION OF
THE COMMISSIONER OF INSURANCE**

LCB File No. R106-06

Effective September 18, 2008

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

AUTHORITY: §1, NRS 679B.130.

A REGULATION relating to health maintenance organizations; revising provisions governing the financial requirements of health maintenance organizations that receive a certificate of authority from the Commissioner of Insurance; and providing other matters properly relating thereto.

Section 1. NAC 695C.130 is hereby amended to read as follows:

695C.130 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 which is the greater of:

- (a) One million five hundred thousand dollars;
- (b) Two 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; or
- (c) The amount of risk-based capital determined in the manner set forth in NRS 681B.290 and the regulations adopted pursuant thereto.

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 *separate* surety bond or deposit of *not less than \$250,000 of* cash or securities for the protection of enrollees of ~~[not less than \$250,000.]~~ *this State;*

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

(c) Blanket fidelity coverage issued by an authorized insurer as required by NAC 695C.120 for new health maintenance organizations ~~[]~~ ; *and*

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

3. *In addition to the requirements set forth in subsections 1 and 2, a domestic health maintenance organization which receives a certificate of authority shall maintain a portion of not less than \$500,000 of the required minimum net worth in the form of a deposit of cash or securities eligible for deposit under NRS 682B.030 for the sole benefit and protection of enrollees of this State.*

4. 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.]~~ 5. 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.

**NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R106-06**

The Commissioner of Insurance adopted regulations assigned LCB File No. R106-06 which pertain to chapter 695C of the Nevada Administrative Code.

INFORMATIONAL STATEMENT

A workshop and hearing were held June 1, 2006, before Gary Cooper, Hearing Officer, 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, Real Estate Division Conference Room, 2nd Floor, Las Vegas, Nevada 89104, concerning the minimum capital requirements for a domestic health maintenance organization (“HMO”).

Public comment was solicited by posting notice of the hearing in the following public locations: the Division’s Carson City and Las Vegas offices, Carson City Courthouse, Office of the Attorney General, the Donald W. Reynolds Press Center, Capitol Building Lobby, Capitol Building Press Room, Blasdel Building, Legislative Counsel Bureau, Nevada State Library, Carson City Library, Churchill County Library, Clark County District Library, Douglas County Library, Elko County Library, Esmeralda County Library, Eureka Branch Library, Humboldt County Library, Lander County Library, Lincoln County Library, Lyon County Library, Mineral County Library, Pershing County Library, Storey County Library, Tonopah Public Library, Washoe County Library, and White Pine County Library.

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 one interested party in Carson City and no interested parties in Las Vegas. The Division received one written comment on the proposed regulation. Testimony was offered by Mr. James Wadhams, Esq., of the law firm Jones Vargas, consistent with that of written comments intending to clarify the regulation and its effect to create a special deposit out of the insurer’s minimum net worth of a domestic HMO of not less than \$500,000.

Based upon testimony received, the proposed regulation, LCB File No. 106-06, as further amended on June 1, 2006, is revised to read as follows:

Section 1. NAC 695C.130 is hereby amended to read 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 which is the greater of:

(a) One million five hundred thousand dollars;

(b) Two 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; or

(c) The amount of risk-based capital determined in the manner set forth in NRS 681B.290 and the regulations adopted pursuant thereto.

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 portion of not less than \$500,000 of the required minimum net worth held in the form of a deposit of cash or securities eligible for deposit under NRS 682B.030 for the sole benefit and protection of enrollees of this State;~~

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

~~[(b)]~~ *this State;*

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

~~[(e)]~~;

~~[(d)] (c) Blanket fidelity coverage issued by an authorized insurer as required by NAC 695C.120 for new health maintenance organizations ~~[-~~~~

~~[(d)]~~; *and*

~~[(e)] (d) The operating and insolvency reserves required for new health maintenance organizations.~~

3. In addition to the requirements set forth in subsections 1 and 2, a domestic health maintenance organization which receives a certificate of authority shall maintain a portion of not less than \$500,000 of the required minimum net worth held in the form of a deposit of cash or securities eligible for deposit under NRS 682B.030 for the sole benefit and protection of enrollees of this State.

~~[(3)] 4.~~ 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)] 5.~~ 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.

The Commissioner has issued an order adopting the proposed regulation, LCB File No. R106-06, as further amended, as a permanent regulation of the Division.

The economic impact of the regulation is as follows:

- (a) On the business it is to regulate: The proposed regulation will not have an adverse impact upon industry.
- (b) On small businesses: The proposed regulation will not have an adverse impact upon small businesses.
- (c) On the public: The proposed regulation will have a beneficial impact upon the public by requiring regular contact with the Division to obtain approval for the year's financial reporting.

The Division will not incur additional 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.