

**PROPOSED REGULATION OF
THE COMMISSIONER OF INSURANCE**

LCB File No. R106-06

May 30, 2006

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 a health maintenance organization that receives 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 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 *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;*

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

~~(c)~~ *;*

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

~~(d)~~ *;* *and*

(e) The operating 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.