



**DEPARTMENT OF BUSINESS AND INDUSTRY  
DIVISION OF INSURANCE**

**NOTICE OF INTENT TO ACT UPON REGULATION  
LCB File No. R156-24  
AND HEARING AGENDA**

The Nevada Division of Insurance (“Division”) is proposing the adoption of a regulation pertaining to chapter(s) 694C of the Nevada Administrative Code (“NAC”). The hearing shall take place as follows:

Date: **January 31, 2025**  
Time: **1:30 p.m. PST**  
Location: **This hearing will be held virtually via Webex and in person. See options below.** (For help using Webex, visit <https://help.webex.com>.)

To join by Webex, click on the URL and enter the meeting number when prompted.

URL: <https://doinv.webex.com/doinv/j.php?MTID=m0c04c9543f7efe538c664b002a464c00>  
Meeting Number: 2867 079 9546

To join by telephone, call the toll-free number and enter the access code when prompted.

Phone-in Access: 1-844-621-3956 United States Toll Free  
Access Code: 2867 079 9546

To attend in person, the following physical locations are being made available:

Nevada Division of Insurance  
1818 E. College Pkwy., Ste. 103  
Carson City, NV 89706

Nevada Division of Insurance  
3300 W. Sahara Ave.  
Tahoe Room, Suite 430, 4th Floor  
Las Vegas, NV 89102

Live public comment and written public comment will be taken as designated in the Hearing Agenda.

The purpose of the hearing is to solicit comments from interested persons on the general topic(s) that may be addressed in the proposed regulation; and to assist in determining whether the proposed regulation is likely to impose a direct and significant burden upon a small business or directly restricts the formation, operation, or expansion of a small business.

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## HEARING AGENDA

1. Open Hearing: R156-24
2. Presentation of Proposed Regulation.

### LCB FILE NO. R156-24 – CAPTIVE MATERIALITY

A REGULATION relating to insurance; revising provisions relating to information submitted with an application for licensure of captive insurers; and providing other matters properly relating thereto.

3. Public Comment.

The hearing officer will indicate when live public comment will be taken. Public comment may be limited to three minutes per speaker.

4. Close Hearing: R156-24

Note: Any agenda item may be taken out of order; items may be combined for consideration by the public body; items may be pulled or removed from the agenda at any time; and discussion relating to an item may be delayed or continued at any time. The hearing officer, within his/her discretion, may allow for public comment on individual agenda items.

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A copy of all materials relating to the proposal may be obtained by visiting the Division's internet website at <https://doi.nv.gov/News-Notices/Regulations/> or by contacting the Division by email to [regs@doi.nv.gov](mailto:regs@doi.nv.gov). Members of the public who would like additional information about a proposed regulation may contact the Division by email to [regs@doi.nv.gov](mailto:regs@doi.nv.gov). Members of the public are encouraged to submit written comments for the record no later than January 24, 2025. Written comments may be emailed to [regs@doi.nv.gov](mailto:regs@doi.nv.gov) or mailed to 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706.

We are pleased to make reasonable accommodations for attendees with disabilities. Please notify the Division of your request for reasonable accommodation in writing no later than five (5) working days before the hearing via email to [regs@doi.nv.gov](mailto:regs@doi.nv.gov).

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, shall 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.

The following information is provided pursuant to the requirements of Nevada Revised Statutes (“NRS”) 233B.0603:

(1) Why is the regulation necessary and what is its purpose?

NAC 694C.270 currently requires prior approval of material changes in a captive insurer’s business plan. The current definition of “material change” in the code defines most business plan changes as material, while most changes made by Nevada domiciled captives have an immaterial impact on the captive’s financial position.

Most Nevada captives make changes to their coverages, deductibles and pooling arrangements each year. The vast majority of Nevada captives have December 31<sup>st</sup> year ends, which causes the Division of Insurance (“DOI”) (“Division”) to often receive over 50 business plan change requests during the last two weeks of December, with January 1<sup>st</sup> effective dates.

This regulation change will allow for carriers to move forward with changes that minimally impact the premiums of their policies, while still being required to submit their proposed business plan changes to the DOI within 60 days of the effective date of the change. This regulation allows the Division to still review and determine the appropriateness of all business plan changes, while providing a more user-friendly timeline for Nevada’s domiciled captives.

Further, the Division only has one staff position serving as a captive analyst, and this change allows for a much more efficient and realistic use of DOI staff time. This regulation change will also allow the DOI to regulate captive insurance in a similar fashion to the majority of other states that regulate captive insurers.

(2) What are the terms or substance of the proposed regulation? Provide a description of the subjects, issues and problems involved.

The regulation modifies the definition of a material business plan change that requires prior approval of the Commissioner to changes in the nature of the captive’s business that increase the actuarially determined premium by 15% or more. This change applies to all Nevada domiciled captive insurers, other than state-chartered risk retention groups. Business plan changes that are not classified as a “material change,” will be required to be filed with the DOI within 60 days of the effective date of the change.

Currently, most Nevada domiciled captives make annual changes to their business plans, and the current definition of “material change” in NAC 694C.270 classifies most changes as “material,” even when the impact to the captive insurer’s financial condition is immaterial. NRS 694C.270 classifies any change in coverage limits or adding or removing coverages as material, even though they often change the annual premium by a just a few hundred dollars.

The current regulation creates a burden on both captive insurers and the DOI for timely filing, review and approval of changes. A 15% change in the insurers premiums appears to create a much more accurate reflection of a “material change” to the captives. In addition,

as most business plan changes are effective on January 1<sup>st</sup> of each year, the change in NAC 694C.270 will allow for a much more efficient use of time for both captive insurers and Division staff.

- (3) What is the anticipated impact of the regulation on the problem(s)?

This regulation is expected to significantly impact the timing and efficiency of business plan changes submitted to the DOI for review and approval. Currently, it is extremely challenging for captive insurers to prepare business plan changes and obtain actuarial analysis for Division review and pre-approval well in advance of the effective date of the proposed change. This regulation will allow captive insurers to move forward with immaterial business plan changes and allow them up to 60 days to provide the documentation to the Division. This will allow Division staff a much more realistic time frame to adequately review and analyze proposed changes.

- (4) Do other regulations address the same problem(s)?

There are no other Nevada regulations that address these problems.

- (5) Are alternate forms of regulation sufficient to address the problem(s)?

There are no alternate forms of regulation sufficient to address these challenges.

- (6) What value does the regulation have to the public?

Captive insurers' parent companies are medium to large sized businesses, so this regulation will not directly impact the public, other than owners of Nevada captive insurers.

- (7) What is the anticipated economic benefit of the regulation? Provide a statement as to potential beneficial impact on the following:

a. Public

1. Immediate: None
2. Long Term: None

b. Insurance Business

1. Immediate: This will allow captive insurers to spread out the reporting of changes in the nature of their business, which may help limit payroll and actuarial analysis costs.
2. Long Term: This will allow captive insurers to spread out the reporting of changes in the nature of their business, which may help limit payroll and actuarial analysis costs.

c. Small Businesses

1. Immediate: None
2. Long Term: None

d. Small Communities

1. Immediate: None

2. Long Term: None

e. Government Entities

1. Immediate: Since the DOI has only one analyst for the captive program, and this regulation allows review of the majority of business plan changes to be spread out over a longer period of time, this regulation should reduce the necessity for Division staff to need overtime to complete the review and approval of business plan changes.

2. Long Term: Since the DOI has only one analyst for the captive program, and this regulation allows review of the majority of business plan changes to be spread out over a longer period of time, this regulation should reduce the necessity for Division staff to need overtime to complete the review and approval of business plan changes.

(8) What is the anticipated adverse impact, if any? Provide a statement as to any anticipated adverse impact, including adverse economic effects, on the following:

a. Public

1. Immediate: None

2. Long Term: None

b. Insurance Business

1. Immediate: None

2. Long Term: None

c. Small Businesses

1. Immediate: None

2. Long Term: None

d. Small Communities

1. Immediate: None

2. Long Term: None

e. Government Entities

1. Immediate: None

2. Long Term: None

(9) What is the anticipated cost of the regulation, both direct and indirect? Provide a statement as to the cost of:

a. Enactment - Enacting this regulation will not provide any additional costs to the Division or State of Nevada.

b. Enforcement – This regulation will not provide any additional costs to enforce the new law.

c. Compliance – This regulation is expected reduce the cost of compliance, as it will increase the time Division staff has to review business plan changes submitted by captive insurers, which should reduce the need for staff overtime in December of each year.

(10) Provide a statement indicating whether the regulation establishes a new fee or increases an existing fee.

The regulation does not establish any new fees or increases to existing fees.

(11) Provide a statement which identifies the methods used by the agency in determining the impact of the proposed regulation on a small business, prepared pursuant to subsection 3 of NRS 233B.0608.

The Division's Captive Insurance Section staff discussed the regulation and the possible impacts it could have on Nevada small businesses. The Division also sent out the proposed regulation and discussed the proposed regulation with the Board of Directors of the Nevada Captive Insurance Council ("NCIC") during a meeting held on May 24, 2024. The board is made up of captive managers, actuaries, CPAs, third-party administrators and captive owners. The Division's captive staff and the board members of the NCIC could not determine any impact this regulation would have on Nevada small business owners.

(12) Provide a description of any regulations of other state or local governmental agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, state the name of the regulating federal agency.

There are no other state, federal or local government laws that duplicate or overlap with this proposed regulation.

(13) If the regulation is required pursuant to federal law, provide a citation and description of the federal law.

N/A

(14) If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, provide a summary of such provisions.

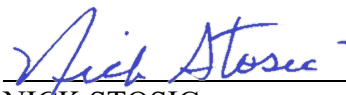
N/A

Notice of the hearing has been provided as follows:

By email to all persons on the Division's email list for noticing of administrative regulations.  
By email for posting by the Nevada State Library, Archives and Public Records Administrator.  
By email for posting by the State of Nevada County Libraries.  
By email for posting by the Nevada Legislature.  
Published to the Nevada Legislature website: <https://leg.state.nv.us/>.  
Published to the Division of Insurance website: <https://doi.nv.gov/>.  
Published to the State of Nevada Public Notice website: <https://notice.nv.gov/>.

DATED this 26th day of December 2024.

SCOTT J. KIPPER  
Commissioner of Insurance

By:   
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NICK STOSIC  
Deputy Commissioner  
With Delegation of Authority

STATE OF NEVADA

JOE LOMBARDO  
*Governor*



DR. KRISTOPHER SANCHEZ  
*Director*

SCOTT J. KIPPER  
*Commissioner*

DEPARTMENT OF BUSINESS AND INDUSTRY  
DIVISION OF INSURANCE

MEMORANDUM

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**DATE:** December 23, 2024  
**TO:** Nick Stosic – Deputy Commissioner  
**FROM:** Scott J. Kipper – Insurance Commissioner  
**SUBJECT:** Delegation of Authority in the Commissioner’s Absence

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I hereby issue a Delegation of Authority for you to act on my behalf while I am out of the office from December 23rd to December 27th. You are empowered to exercise all authority necessary to handle matters coming before the Division of Insurance, unless otherwise delegated. This delegation can be superseded by an appointment of a new Commissioner or appointment of an acting Commissioner by Director of the Department of Business and Industry, Dr. Kristopher Sanchez.

A handwritten signature in blue ink, appearing to read "Scott J. Kipper", written over a horizontal line.

SCOTT J. KIPPER  
Commissioner of Insurance



**STATE OF NEVADA  
DEPARTMENT OF BUSINESS & INDUSTRY  
DIVISION OF INSURANCE**

**Determination of Necessity of Small Business Impact Statement  
NRS 233B.0608(1)**

Material Change in Captive Business Plan  
LCB File No. R156-24

EFFECTIVE DATE OF REGULATION:  
Upon filing with the Nevada Secretary of State

1. BACKGROUND.

NAC 694C.270 currently requires prior approval of material changes in a captive insurer’s business plan. The current definition of “material change” defines most business plan changes as material, while the vast majority of changes proposed by Nevada domiciled captives have an immaterial impact on their financial position.

Most Nevada captives make changes to their coverages, deductibles and pooling arrangements each year. The majority of Nevada captives have December 31<sup>st</sup> year ends, which causes the Division of Insurance (“DOI”) (“Division”) to often receive over 50 business plan change requests during the last two weeks of December, seeking January 1<sup>st</sup> effective dates.

This proposed regulation will allow carriers to move forward with business plan changes that minimally impact their policy premiums, while still requiring captive insurers to submit their proposed changes to the DOI within 60 days of the effective date of the change. This regulation allows the Division to still review and determine the appropriateness of all business plan changes, while providing a more user-friendly timeline for Nevada’s domiciled captives.

2. DESCRIPTION OF SOLICITATION SHOWING A CONCERTED EFFORT. NRS 233B.0608(1).

The Division’s Captive Insurance section staff discussed the regulation and the possible impacts it could have on Nevada small businesses. The Division also sent out the proposed regulation and discussed the proposed regulation with the board of directors of the Nevada Captive Insurance Council (“NCIC”) during a meeting held on May 24, 2024. The board is made up of captive managers, actuaries, CPAs, third-party administrators and captive owners. The Division’s captive staff and the board members of the NCIC could not determine any impact this regulation would have on Nevada small business owners.

3. DOES THE PROPOSED REGULATION IMPOSE A DIRECT AND SIGNIFICANT ECONOMIC BURDEN UPON A SMALL BUSINESS OR DIRECTLY RESTRICT THE FORMATION, OPERATION OR EXPANSION OF A SMALL BUSINESS? NRS 233B.0608(1).

NO                       YES

4. HOW WAS THAT CONCLUSION REACHED? NRS 233B.0608(3).

The proposed regulation only impacts captive insurance companies that are domiciled in Nevada, by creating a standard of materiality where business plan changes can be made without first obtaining pre-approval from the Commissioner of Insurance. Captive insurers strictly cover the risks of their parent and affiliated companies and they do not sell insurance to the public. This proposed regulation would not impact Nevada insurance consumers or small businesses.

I, SCOTT J. KIPPER, Commissioner of Insurance for the State of Nevada, hereby certify that, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that the information contained in this statement is accurate. (NRS 233B.0608(3))

SCOTT J. KIPPER  
Commissioner of Insurance

12/26/24

(DATE)

By:



NICK STOSIC

Deputy Commissioner

STATE OF NEVADA

JOE LOMBARDO  
*Governor*



DR. KRISTOPHER SANCHEZ  
*Director*

SCOTT J. KIPPER  
*Commissioner*

DEPARTMENT OF BUSINESS AND INDUSTRY  
DIVISION OF INSURANCE

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**TO:** Nick Stosic – Deputy Commissioner

**FROM:** Scott J. Kipper – Insurance Commissioner

**SUBJECT:** Delegation of Authority in the Commissioner’s Absence

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A handwritten signature in blue ink, appearing to read "Scott J. Kipper", written over a horizontal line.

SCOTT J. KIPPER  
Commissioner of Insurance