

NRS 233B.066
INFORMATIONAL STATEMENT

Proposed Regulation Concerning Risk-Based Capital Requirements for Insurers
LCB File No. R132-13, Cause No. 13.0477

A workshop was held on April 16, 2014, and a hearing was held on April 30, 2014, at the offices of the State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), 1818 East College Parkway, 1st floor hearing room, Carson City, Nevada 89706, with a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, 2nd floor conference room, Las Vegas, Nevada 89104, regarding the adoption of the regulation concerning risk-based capital requirements for insurance companies doing business in Nevada.

This regulation is required per the National Association of Insurance Commissioners (“NAIC”) Financial Accreditation Standards and is necessary to address the solvency of the insurers transacting the business of insurance in Nevada. The regulation addresses the requirements and provisions of the Risk-Based Capital Report that all insurers must file to support the minimum capital and surplus required to transact the business of insurance in Nevada. The regulation further addresses the actions that the insurer and the Division must perform if the insurer fails to maintain the minimum capital and surplus amounts. This is an existing regulation that requires amending to bring it into compliance with the revised NAIC model acts and to meet the NAIC’s Financial Accreditation Standards.

The Division’s Legal Section maintains an e-mail list of interested parties, comprised mainly of insurance companies, agencies, and other persons regulated by the Division. The parties on the e-mail list were notified of the workshop and hearing and that a copy of the regulation could be accessed from the Division’s Internet Website at doi.nv.gov.

Public comment was solicited by posting notice of the workshop and hearing in the following public locations: the Web site of the State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), the Division’s Carson City and Las Vegas offices, the Web site of the Nevada legislature, Carson City Courthouse, Office of the Attorney General, Capitol Building Lobby, Capitol Building Press Room, Blasdel Building, and Legislative Counsel Bureau, the Donald W. Reynolds Press Center, Nevada State Library & Archives, 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 Clerk’s office, Tonopah Public Library, Washoe County Library, and White Pine County Library.

No interested parties attended the workshop. Oral testimony at the workshop was provided by Annette James, Lead Actuary for the Division.

The Division conducted a confidential small business impact survey and received one response, on Monday, April 14, 2014, from a health organization. The responder indicated that this regulation will have a direct adverse economic impact on its business. Division staff followed up with the respondent and concluded that the provisions of the regulation may have been misinterpreted. Further, given the current facts and circumstances, the respondent agreed with the Division's conclusion that this regulation would not have a direct adverse economic impact on the respondent's business.

During the hearing, oral testimony was provided by Annette James, representing the Division. No interested parties attended the hearing.

Regarding the person who gave testimony, the following disclosures are made pursuant to NRS 233B.066(1)(c):

Name	Entity/Organization Represented	Address	Telephone No.	E-Mail Address
Annette James	Nevada Division of Insurance	1818 E. College Pkwy. Ste. 103 Carson City, NV 89706	(775) 687-0732	ajames@doi.nv.gov

Based on the testimony received, the proposed permanent regulation, LCB File No. R132-13, dated November 15, 2013, was amended as follows:

The statutory authority for the regulation was amended to correct the statutory reference to read as follows:

AUTHORITY: §§1-26 and 31-37, NRS 679B.130 and ~~680A.290~~ 681B.290; §§27-30, NRS 679B.130.

Section 8 was amended to read as follows:

“Life and health insurer” includes:

1. A domestic or foreign insurer authorized pursuant to chapter 680A of NRS to offer health insurance or life insurance, or both ~~680A.290~~, *and required to file a life, accident and health annual statement, as that term is used in the Annual Statement Instructions ~~Manual~~ for Life and Accident and Health adopted by the National Association of Insurance Commissioners, in accordance with the Division's filing requirements for the applicable reporting year;* and
2. ~~[A licensed property and casualty insurer that writes only accident and health insurance.]~~ *Any other licensed insurer that is required to file a life, accident and health annual statement, as that term is used in the Annual Statement Instructions ~~Manual~~ for Life and Accident and Health adopted by the National Association of Insurance Commissioners, in accordance with the Division's filing requirements for the applicable reporting year.*

Section 9 was amended to read as follows:

“Property and casualty insurer” means ~~[a]~~ :

1. A domestic or foreign insurer authorized pursuant to chapter 680A of NRS to offer property or casualty insurance ~~[.]~~ *and required to file a property and casualty annual statement, as that term is used in the Annual Statement Instructions ~~Manual~~ for Property and Casualty adopted by the National Association of Insurance Commissioners, in accordance with the Division’s filing requirements for the applicable reporting year.*

2. *A risk retention group licensed as a captive insurer pursuant to chapter 694C of NRS; or*

3. *Any other licensed insurer that is required to file a property and casualty annual statement, as that term is used in the Annual Statement Instructions ~~Manual~~ for Property and Casualty adopted by the National Association of Insurance Commissioners, in accordance with the Division’s filing requirements for the applicable reporting year.*

↪ The term does not include a monoline mortgage guaranty insurer, financial guaranty insurer, title insurer, or a property and casualty insurer that qualifies as a life and health insurer pursuant to NAC 681B.440.

A new section is added to this regulation to create an effective date later than the default (upon filing with the Secretary of State) to allow time for affected insurers to transition to the new regulation. This new section will read as follows:

This section and sections 1 to 37, inclusive, of this regulation become effective on October 1, 2014.

The Division confirms that these amendments to the regulation will not have any impact on small businesses.

After considering the record and the recommendation of the hearing officer, the Commissioner has issued an order adopting the regulation, LCB File No. R132-13, as 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: This regulation assists the Division in monitoring the solvency of the insurance companies which it regulates both in the immediate and long term. There are no adverse effects of this regulation on the business it regulates.
- (b) On small businesses: This regulation assists the Division in monitoring the solvency of the insurance companies in the immediate and long term. There are no adverse effects of this regulation on small businesses.

- (c) On the public: This regulation assists the Division in monitoring the solvency of the insurance companies which, in turn, strengthens the companies' solvency and ability to pay claims both in the immediate and long term. There are no adverse effects of this regulation on the public.

The Division does not anticipate any additional cost for enforcing the regulation. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.