
SENATE BILL NO. 253—SENATORS HUTCHISON AND ROBERSON

MARCH 15, 2013

Referred to Committee on Commerce, Labor and Energy

SUMMARY—Revises certain provisions relating to insurance.
(BDR 53-1056)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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

AN ACT relating to industrial insurance; revising certain provisions relating to membership in an association of self-insured employers; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law governs associations of self-insured employers, which are
2 comprised of five or more employers who are engaged in the same or similar
3 business and who are directly responsible for providing compensation due to the
4 employees of the association’s members and their beneficiaries pursuant to
5 industrial insurance claims. Existing law also provides that a member may
6 terminate his or her membership in an association at any time by submitting a
7 notice of intent to withdraw from the association, along with a statement indicating
8 certain information, at least 120 days before the effective date of withdrawal. (NRS
9 616B.350-616B.446) This bill: (1) reduces the notice period from 120 days to 30
10 days; and (2) requires a statement that the withdrawing member will become
11 insured by a private carrier, rather than a statement that the withdrawing member
12 has already become, insured by a private carrier.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 616B.386 is hereby amended to read as
2 follows:
3 616B.386 1. If an employer wishes to become a member of
4 an association of self-insured public or private employers, the
5 employer must:



1 (a) Submit an application for membership to the board of
2 trustees or third-party administrator of the association; and

3 (b) Enter into an indemnity agreement as required by
4 NRS 616B.353.

5 2. The membership of the applicant becomes effective when
6 each member of the association approves the application or on a
7 later date specified by the association. The application for
8 membership and the action taken on the application must be
9 maintained as permanent records of the board of trustees.

10 3. Each member who is a member of an association during the
11 12 months immediately following the formation of the association
12 must:

13 (a) Have a tangible net worth of at least \$500,000; or

14 (b) Have had a reported payroll for the previous 12 months
15 which would have resulted in a manual premium of at least \$15,000,
16 calculated in accordance with a manual prepared pursuant to
17 subsection 4 of NRS 686B.1765.

18 4. An employer who seeks to become a member of the
19 association after the 12 months immediately following the formation
20 of the association must meet the requirement set forth in paragraph
21 (a) or (b) of subsection 3 unless the Commissioner adjusts the
22 requirement for membership in the association after conducting an
23 annual review of the actuarial solvency of the association pursuant
24 to subsection 1 of NRS 616B.353.

25 5. An association of self-insured private employers may apply
26 to the Commissioner for authority to determine the amount of
27 tangible net worth and manual premium that an employer must have
28 to become a member of the association. The Commissioner shall
29 approve the application if the association:

30 (a) Has been certified to act as an association for at least the 3
31 consecutive years immediately preceding the date on which the
32 association filed the application with the Commissioner;

33 (b) Has, as determined by the Commissioner, either:

34 (1) A combined tangible net worth of all members in the
35 association of at least \$5,000,000; or

36 (2) Combined net cash flows from operating activities plus
37 net cash flows from financing activities of all members in the
38 association of five times the average of claims paid for each of the
39 last 3 years or \$7,500,000, whichever is less;

40 (c) Has at least 15 members; and

41 (d) Has not been required to meet informally with the
42 Commissioner pursuant to subsection 1 of NRS 616B.431 during
43 the 18-month period immediately preceding the date on which the
44 association filed the application with the Commissioner or, if the
45 association has been required to attend such a meeting during that



1 period, has not had its certificate withdrawn before the date on
2 which the association filed the application.

3 6. An association of self-insured private employers may apply
4 to the Commissioner for authority to determine the documentation
5 demonstrating solvency that an employer must provide to become a
6 member of the association. The Commissioner shall approve the
7 application if the association:

8 (a) Has been certified to act as an association for at least the 3
9 consecutive years immediately preceding the date on which the
10 association filed the application with the Commissioner;

11 (b) Has, as determined by the Commissioner, either:

12 (1) A combined tangible net worth of all members in the
13 association of at least \$5,000,000; or

14 (2) Combined net cash flows from operating activities plus
15 net cash flows from financing activities of all members in the
16 association of five times the average of claims paid for each of the
17 last 3 years or \$7,500,000, whichever is less; and

18 (c) Has at least 15 members.

19 7. The Commissioner may withdraw approval of an application
20 submitted pursuant to subsection 5 or 6 if the Commissioner
21 determines the association has ceased to comply with any of the
22 requirements set forth in subsection 5 or 6, as applicable.

23 8. A member of an association may terminate his or her
24 membership at any time. To terminate his or her membership, a
25 member must submit to the association's administrator a notice of
26 intent to withdraw from the association at least ~~120~~ 30 days before
27 the effective date of withdrawal. The notice of intent to withdraw
28 must include a statement indicating that the member : ~~has:~~

29 (a) ~~Been~~ *Has been* certified as a self-insured employer
30 pursuant to NRS 616B.312;

31 (b) ~~Become~~ *Has become* a member of another association of
32 self-insured public or private employers; or

33 (c) ~~Become~~ *Will become* insured by a private carrier.

34 9. The members of an association may cancel the membership
35 of any member of the association in accordance with the bylaws of
36 the association.

37 10. The association shall:

38 (a) Within 30 days after the addition of an employer to the
39 membership of the association, notify the Commissioner of the
40 addition and:

41 (1) If the association has not received authority from the
42 Commissioner pursuant to subsection 5 or 6, as applicable, provide
43 to the Commissioner all information and assurances for the new
44 member that were required from each of the original members of the
45 association upon its organization; or



1 (2) If the association has received authority from the
2 Commissioner pursuant to subsection 5 or 6, as applicable, provide
3 to the Commissioner evidence that is satisfactory to the
4 Commissioner that the new member is a member or associate
5 member of the bona fide trade association as required pursuant to
6 paragraph (a) of subsection 2 of NRS 616B.350, a copy of the
7 indemnity agreement that jointly and severally binds the new
8 member, the other members of the association and the association
9 that is required to be executed pursuant to paragraph (a) of
10 subsection 1 of NRS 616B.353 and any other information the
11 Commissioner may reasonably require to determine whether the
12 amount of security deposited with the Commissioner pursuant to
13 paragraph (d) or (e) of subsection 1 of NRS 616B.353 is sufficient,
14 but such information must not exceed the information required to be
15 provided to the Commissioner pursuant to subparagraph (1);

16 (b) Notify the Commissioner and the Administrator of the
17 termination or cancellation of the membership of any member of the
18 association within 10 days after the termination or cancellation; and

19 (c) At the expense of the member whose membership is
20 terminated or cancelled, maintain coverage for that member for 60
21 days after notice is given pursuant to paragraph (b), unless the
22 association first receives notice from the Administrator that the
23 member has:

24 (1) Been certified as a self-insured employer pursuant to
25 NRS 616B.312;

26 (2) Become a member of another association of self-insured
27 public or private employers; or

28 (3) Become insured by a private carrier.

29 11. If a member of an association changes his or her name or
30 form of organization, the member remains liable for any obligations
31 incurred or any responsibilities imposed pursuant to chapters 616A
32 to 617, inclusive, of NRS under the member's former name or form
33 of organization.

34 12. An association is liable for the payment of any
35 compensation required to be paid by a member of the association
36 pursuant to chapters 616A to 616D, inclusive, or chapter 617 of
37 NRS during the member's period of membership. The insolvency or
38 bankruptcy of a member does not relieve the association of liability
39 for the payment of the compensation.

40 **Sec. 2.** This act becomes effective on July 1, 2013.

