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SECOND REPRINT

S.B. 67

SENATE BILL NO. 67—COMMITTEE ON  
COMMERCE, LABOR AND ENERGY

(ON BEHALF OF THE DIVISION OF INSURANCE)

PREFILED DECEMBER 20, 2014

Referred to Committee on Commerce, Labor and Energy

SUMMARY—Revises provisions governing the regulation of insurance. (BDR 57-371)

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

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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 insurance; adopting the provisions of various model laws and acts of the National Association of Insurance Commissioners; setting forth the manner in which the Commissioner of Insurance may adopt the *Valuation Manual* adopted by the National Association of Insurance Commissioners; revising provisions regarding the confidentiality of certain information and materials provided to the Division of Insurance of the Department of Business and Industry; revising provisions regarding the requirements for annual financial statements filed by self-insured employers for workers' compensation; revising provisions regarding licensing requirements; revising provisions regarding the cash value of policies of life insurance; allowing insurer's to issue electronic proof of insurance certificates for automobiles; revising provisions governing state-chartered risk retention groups; authorizing the Division to access certain sealed records of licensees and applicants for licenses; and providing other matters properly relating thereto.

**Legislative Counsel's Digest:**

- 1 **Sections 1-18** of this bill make changes to chapter 681A of NRS in
- 2 conformance with amendments to the National Association of Insurance
- 3 Commissioners' Credit for Reinsurance Model Law. **Sections 23-39.5 and 41** of



4 this bill adopt certain provisions of the National Association of Insurance  
5 Commissioners' Standard Valuation Law. **Section 33.7** of this bill describes the  
6 *Valuation Manual* and sets forth the criteria for determining the date on which the  
7 *Valuation Manual* becomes operative. **Sections 33.3 and 33.7-36** of this bill  
8 describe the minimum standards for the valuation of reserves associated with  
9 policies and contracts of insurance issued on or after the operative date of the  
10 *Valuation Manual*. **Section 33.5** of this bill sets forth the requirements for actuarial  
11 opinions of reserves prepared after the operative date of the *Valuation Manual*.  
12 **Sections 40.15-40.43** of this bill revise certain existing provisions to apply before  
13 the operative date of the *Valuation Manual*, as specified. **Section 41** makes changes  
14 regarding the confidentiality of documents and information which constitute a  
15 memorandum in support of an actuarial opinion submitted by an insurer to the  
16 Commissioner pursuant to NRS 681B.230, including materials provided by the  
17 insurer to the Commissioner in connection with the memorandum. **Sections 43-230**  
18 of this bill adopt the provisions of the National Association of Insurance  
19 Commissioners' Investments of Insurers Model Act (Defined Limits Version).  
20 **Sections 233 and 318** of this bill make changes to the requirements for insurance  
21 administrators and self-insured employers for workers' compensation when filing  
22 their annual financial statements. **Sections 234-238** of this bill make various  
23 changes to the licensing requirements for producers of insurance. **Sections 241-253**  
24 of this bill adopt certain provisions of the National Association of Insurance  
25 Commissioners' Life and Health Insurance Guaranty Association Model Act.  
26 **Sections 254 and 256** of this bill add coverage for assumed claims transactions to  
27 the Nevada Insurance Guaranty Association. **Section 258** of this bill makes changes  
28 to certain provisions relating to the cash values of policies of life insurance.  
29 **Sections 263 and 317** of this bill allow insurers to provide electronic proof of  
30 insurance certificates for motor vehicles. **Sections 265-289** of this bill adopt the  
31 provisions of the National Association of Insurance Commissioners' Risk  
32 Management and Own Risk and Solvency Assessment Model Act. **Sections 290-**  
33 **303** of this bill adopt various amendments to the National Association of Insurance  
34 Commissioners' Insurance Holding Company System Regulatory Act. **Sections**  
35 **307-311** of this bill make changes regarding state-chartered risk retention groups.  
36 **Sections 312 and 313** of this bill authorize the Division of Insurance of the  
37 Department of Business and Industry to inspect certain sealed records to determine  
38 the suitability of an applicant for a license or the discipline of a licensee for  
39 misconduct. **Section 319** of this bill repeals various provisions of existing law  
40 which are replaced by various sections of this bill.

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

1 **Section 1.** NRS 680B.050 is hereby amended to read as  
2 follows:

3 680B.050 1. Except as otherwise provided in this section, a  
4 domestic or foreign insurer, including, without limitation, an insurer  
5 that is exempt from federal taxation pursuant to 26 U.S.C. §  
6 501(c)(29), which owns and substantially occupies and uses any  
7 building in this state as its home office or as a regional home office  
8 is entitled to the following credits against the tax otherwise imposed  
9 by NRS 680B.027:



1 (a) An amount equal to 50 percent of the aggregate amount of  
2 the tax as determined under NRS 680B.025 to 680B.039, inclusive;  
3 and

4 (b) An amount equal to the full amount of ad valorem taxes paid  
5 by the insurer during the calendar year next preceding the filing of  
6 the report required by NRS 680B.030, upon the home office or  
7 regional home office together with the land, as reasonably required  
8 for the convenient use of the office, upon which the home office or  
9 regional home office is situated.

10 ↪ These credits must not reduce the amount of tax payable to less  
11 than 20 percent of the tax otherwise payable by the insurer under  
12 NRS 680B.027.

13 2. As used in this section, a “regional home office” means an  
14 office of the insurer performing for an area covering two or more  
15 states, with a minimum of 25 employees on its office staff, the  
16 supervision, underwriting, issuing and servicing of the insurance  
17 business of the insurer.

18 3. The insurer shall, on or before March 15 of each year,  
19 furnish proof to the satisfaction of the Executive Director of the  
20 Department of Taxation, on forms furnished by or acceptable to the  
21 Executive Director, as to its entitlement to the tax reduction  
22 provided for in this section. A determination of the Executive  
23 Director of the Department of Taxation pursuant to this section is  
24 not binding upon the Commissioner for the purposes of ~~NRS~~  
25 ~~682A.240.] sections 174 to 177, inclusive, of this act.~~

26 4. An insurer is not entitled to the credits provided in this  
27 section unless:

28 (a) The insurer owned the property upon which the reduction is  
29 based for the entire year for which the reduction is claimed; and

30 (b) The insurer occupied at least 70 percent of the usable space  
31 in the building to transact insurance or the insurer is a general or  
32 limited partner and occupies 100 percent of its ownership interest in  
33 the building.

34 5. If two or more insurers under common ownership or  
35 management and control jointly own in equal interest, and jointly  
36 occupy and use such a home office or regional home office in this  
37 state for the conduct and administration of their respective insurance  
38 businesses as provided in this section, each of the insurers is entitled  
39 to the credits provided for by this section if otherwise qualified  
40 therefor under this section.

41 6. For the purposes of subsection 1, any insurer that is exempt  
42 from federal taxation pursuant to 26 U.S.C. § 501(c)(29) and is  
43 restricted or prohibited from purchasing or owning real property  
44 pursuant to a contract with the Federal Government, including any  
45 entity thereof, shall be deemed to own any portion of any real



1 property that the insurer occupies. The provisions of this subsection  
2 expire upon the expiration, cancellation, repayment or any other  
3 termination of the contract restricting or prohibiting such purchase  
4 or ownership.

5 **Sec. 2.** NRS 680C.110 is hereby amended to read as follows:

6 680C.110 1. In addition to any other fee or charge, the  
7 Commissioner shall collect in advance and receipt for, and persons  
8 so served must pay to the Commissioner, the fees required by this  
9 section.

10 2. A fee required by this section must be:

11 (a) If an initial fee, paid at the time of an initial application or  
12 issuance of a license, as applicable;

13 (b) If an annual fee, paid on or before March 1 of every year;

14 (c) If a triennial fee, paid on or before the time of continuation,  
15 renewal or other similar action in regard to a certificate, license,  
16 permit or other type of authorization, as applicable; and

17 (d) Deposited in the Fund for Insurance Administration and  
18 Enforcement created by NRS 680C.100.

19 3. The fees required pursuant to this section are not refundable.

20 4. The following fees must be paid by the following persons to  
21 the Commissioner:

22 (a) Associations of self-insured private employers, as  
23 defined in NRS 616A.050:

24 (1) Initial fee.....\$1,300

25 (2) Annual fee.....\$1,300

26 (b) Associations of self-insured public employers, as  
27 defined in NRS 616A.055:

28 (1) Initial fee.....\$1,300

29 (2) Annual fee.....\$1,300

30 (c) Independent review organizations, as provided for  
31 in NRS 616A.469 or 683A.3715, or both:

32 (1) Initial fee.....\$60

33 (2) Annual fee.....\$60

34 (d) Insurers not otherwise provided for in this  
35 subsection:

36 (1) Initial fee.....\$1,300

37 (2) Annual fee.....\$1,300

38 (e) Producers of insurance, as defined in  
39 NRS 679A.117:

40 (1) Initial fee.....\$60

41 (2) Triennial fee.....\$60

42 (f) ~~[Accredited-reinsurers,]~~ **Reinsurers**, as provided  
43 for in NRS 681A.160 ~~[:]~~ **or section 5 of this act, as**  
44 **applicable:**

45 (1) Initial fee.....\$1,300



1	(2) Annual fee.....	\$1,300
2	(g) Intermediaries, as defined in NRS 681A.330:	
3	(1) Initial fee.....	\$60
4	(2) Triennial fee.....	\$60
5	(h) Reinsurers, as defined in NRS 681A.370:	
6	(1) Initial fee.....	\$1,300
7	(2) Annual fee.....	\$1,300
8	(i) Administrators, as defined in NRS 683A.025:	
9	(1) Initial fee.....	\$60
10	(2) Triennial fee.....	\$60
11	(j) Managing general agents, as defined in	
12	NRS 683A.060:	
13	(1) Initial fee.....	\$60
14	(2) Triennial fee.....	\$60
15	(k) Agents who perform utilization reviews, as defined	
16	in NRS 683A.376:	
17	(1) Initial fee.....	\$60
18	(2) Annual fee.....	\$60
19	(l) Insurance consultants, as defined in	
20	NRS 683C.010:	
21	(1) Initial fee.....	\$60
22	(2) Triennial fee.....	\$60
23	(m) Independent adjusters, as defined in	
24	NRS 684A.030:	
25	(1) Initial fee.....	\$60
26	(2) Triennial fee.....	\$60
27	(n) Public adjusters, as defined in NRS 684A.030:	
28	(1) Initial fee.....	\$60
29	(2) Triennial fee.....	\$60
30	(o) Associate adjusters, as defined in NRS 684A.030:	
31	(1) Initial fee.....	\$60
32	(2) Triennial fee.....	\$60
33	(p) Motor vehicle physical damage appraisers, as	
34	defined in NRS 684B.010:	
35	(1) Initial fee.....	\$60
36	(2) Triennial fee.....	\$60
37	(q) Brokers, as defined in NRS 685A.031:	
38	(1) Initial fee.....	\$60
39	(2) Triennial fee.....	\$60
40	(r) <del>Eligible surplus line insurers, as provided for in</del>	
41	<del>NRS 685A.070:</del>	
42	<del>(1) Initial fee.....</del>	<del>\$1,300</del>
43	<del>(2) Annual fee.....</del>	<del>\$1,300</del>
44	<del>(s) Companies, as defined in NRS 686A.330:</del>	
45	<del>(1) Initial fee.....</del>	<del>\$1,300</del>



1	(2) Annual fee.....	\$1,300
2	<del>[(s)]</del> (s) Rate service organizations, as defined in	
3	NRS 686B.020:	
4	(1) Initial fee.....	\$1,300
5	(2) Annual fee.....	\$1,300
6	<del>[(t)]</del> (t) Brokers of viatical settlements, as defined in	
7	NRS 688C.030:	
8	(1) Initial fee.....	\$60
9	(2) Annual fee.....	\$60
10	<del>[(u)]</del> (u) Providers of viatical settlements, as defined in	
11	NRS 688C.080:	
12	(1) Initial fee.....	\$60
13	(2) Annual fee.....	\$60
14	<del>[(v)]</del> (v) Agents for prepaid burial contracts subject to	
15	the provisions of chapter 689 of NRS:	
16	(1) Initial fee.....	\$60
17	(2) Triennial fee.....	\$60
18	<del>[(w)]</del> (w) Agents for prepaid funeral contracts subject	
19	to the provisions of chapter 689 of NRS:	
20	(1) Initial fee.....	\$60
21	(2) Triennial fee.....	\$60
22	<del>[(x)]</del> (x) Sellers of prepaid burial contracts subject to	
23	the provisions of chapter 689 of NRS:	
24	(1) Initial fee.....	\$60
25	(2) Triennial fee.....	\$60
26	<del>[(y)]</del> (y) Sellers of prepaid funeral contracts subject to	
27	the provisions of chapter 689 of NRS:	
28	(1) Initial fee.....	\$60
29	(2) Triennial fee.....	\$60
30	<del>[(z)]</del> (z) Providers, as defined in NRS 690C.070:	
31	(1) Initial fee.....	\$1,300
32	(2) Annual fee.....	\$1,300
33	<del>[(aa)]</del> (aa) Escrow officers, as defined in	
34	NRS 692A.028:	
35	(1) Initial fee.....	\$60
36	(2) Triennial fee.....	\$60
37	<del>[(bb)]</del> (bb) Title agents, as defined in NRS 692A.060:	
38	(1) Initial fee.....	\$60
39	(2) Triennial fee.....	\$60
40	<del>[(cc)]</del> (cc) Captive insurers, as defined in	
41	NRS 694C.060:	
42	(1) Initial fee.....	\$250
43	(2) Annual fee.....	\$250
44	<del>[(dd)]</del> (dd) Fraternal benefit societies, as defined in	
45	NRS 695A.010:	



1	(1) Initial fee.....	\$1,300
2	(2) Annual fee.....	\$1,300
3	<del>[(ff)]</del> <b>(ee)</b> Insurance agents for societies, as provided	
4	for in NRS 695A.330:	
5	(1) Initial fee.....	\$60
6	(2) Triennial fee.....	\$60
7	<del>[(gg)]</del> <b>(ff)</b> Corporations subject to the provisions of	
8	chapter 695B of NRS:	
9	(1) Initial fee.....	\$1,300
10	(2) Annual fee.....	\$1,300
11	<del>[(hh)]</del> <b>(gg)</b> Health maintenance organizations, as	
12	defined in NRS 695C.030:	
13	(1) Initial fee.....	\$1,300
14	(2) Annual fee.....	\$1,300
15	<del>[(ii)]</del> <b>(hh)</b> Organizations for dental care, as defined in	
16	NRS 695D.060:	
17	(1) Initial fee.....	\$1,300
18	(2) Annual fee.....	\$1,300
19	<del>[(jj)]</del> <b>(ii)</b> Purchasing groups, as defined in	
20	NRS 695E.100:	
21	(1) Initial fee.....	\$250
22	(2) Annual fee.....	\$250
23	<del>[(kk)]</del> <b>(jj)</b> Risk retention groups, as defined in	
24	NRS 695E.110:	
25	(1) Initial fee.....	\$250
26	(2) Annual fee.....	\$250
27	<del>[(ll)]</del> <b>(kk)</b> Prepaid limited health service organizations,	
28	as defined in NRS 695F.050:	
29	(1) Initial fee.....	\$1,300
30	(2) Annual fee.....	\$1,300
31	<del>[(mm)]</del> <b>(ll)</b> Medical discount plans, as defined in	
32	NRS 695H.050:	
33	(1) Initial fee.....	\$1,300
34	(2) Annual fee.....	\$1,300
35	<del>[(nn)]</del> <b>(mm)</b> Club agents, as defined in	
36	NRS 696A.040:	
37	(1) Initial fee.....	\$60
38	(2) Triennial fee.....	\$60
39	<del>[(oo)]</del> <b>(nn)</b> Motor clubs, as defined in NRS 696A.050:	
40	(1) Initial fee.....	\$1,300
41	(2) Annual fee.....	\$1,300
42	<del>[(pp)]</del> <b>(oo)</b> Bail agents, as defined in NRS 697.040:	
43	(1) Initial fee.....	\$60
44	(2) Triennial fee.....	\$60



1 ~~[(qq)]~~ (pp) Bail enforcement agents, as defined in  
2 NRS 697.055:

- 3 (1) Initial fee.....\$60
- 4 (2) Triennial fee.....\$60

5 ~~[(rr)]~~ (qq) Bail solicitors, as defined in NRS 697.060:

- 6 (1) Initial fee.....\$60
- 7 (2) Triennial fee.....\$60

8 ~~[(ss)]~~ (rr) General agents, as defined in NRS 697.070:

- 9 (1) Initial fee.....\$60
- 10 (2) Triennial fee.....\$60

11 ~~[(tt)]~~ (ss) Exchange enrollment facilitators, as defined  
12 in NRS 695J.050:

- 13 (1) Initial fee.....\$60
- 14 (2) Triennial fee.....\$60

15 **Sec. 3.** Chapter 681A of NRS is hereby amended by adding  
16 thereto the provisions set forth as sections 4 to 12, inclusive, of this  
17 act.

18 **Sec. 4.** *Credit must be allowed when the reinsurance is ceded*  
19 *to an assuming insurer that has been certified by the*  
20 *Commissioner as a reinsurer in this State and secures its*  
21 *obligations in accordance with the requirements of this chapter.*

22 **Sec. 5.** *To be eligible for certification, an assuming insurer*  
23 *must:*

24 *1. Be domiciled and licensed to transact insurance or*  
25 *reinsurance in a qualified jurisdiction, as determined by the*  
26 *Commissioner pursuant to section 7 of this act;*

27 *2. Maintain minimum capital and surplus, or its equivalent,*  
28 *in an amount to be determined by the Commissioner;*

29 *3. Maintain financial strength ratings from two or more*  
30 *rating agencies deemed acceptable by the Commissioner;*

31 *4. Agree to submit to the jurisdiction of this State, appoint the*  
32 *Commissioner as its agent for service of process in this State and*  
33 *agree to provide security for 100 percent of the assuming insurer's*  
34 *liabilities attributable to reinsurance ceded by ceding insurers in*  
35 *the United States for use if the assuming insurer resists*  
36 *enforcement of a final judgment rendered by any court of*  
37 *competent jurisdiction in the United States;*

38 *5. Agree to meet applicable information filing requirements*  
39 *as determined by the Commissioner, both with respect to an initial*  
40 *application for certification and on an ongoing basis; and*

41 *6. Satisfy any other requirements for certification deemed*  
42 *relevant by the Commissioner.*

43 **Sec. 6.** *An association that includes incorporated and*  
44 *individual unincorporated underwriters may be a certified*





1 *reinsurer. In addition to satisfying the requirements of section 5 of*  
2 *this act, to be eligible for certification:*

3 *1. The association must satisfy its minimum capital and*  
4 *surplus requirements through the capital and surplus equivalents,*  
5 *net of liabilities, of the association and its members, which must*  
6 *include a joint central fund that may be applied to any unsatisfied*  
7 *obligation of the association or any of its members, in an amount*  
8 *determined by the Commissioner to provide adequate protection;*

9 *2. The incorporated members of the association must not*  
10 *engage in any business other than underwriting as a member of*  
11 *the association and are subject to the same level of regulation and*  
12 *solvency control by the association's domiciliary regulator as are*  
13 *the unincorporated members; and*

14 *3. Within 90 days after its financial statements are due to be*  
15 *filed with the association's domiciliary regulator, the association*  
16 *must provide to the Commissioner an annual certification by the*  
17 *association's domiciliary regulator of the solvency of each*  
18 *underwriter member or, if a certification is unavailable, financial*  
19 *statements prepared by independent public accountants of each*  
20 *underwriter member.*

21 **Sec. 7. 1. The Commissioner shall create and publish a list**  
22 **of qualified jurisdictions, pursuant to which an assuming insurer**  
23 **licensed and domiciled in such jurisdiction is eligible to be**  
24 **considered for certification by the Commissioner as a certified**  
25 **reinsurer.**

26 *2. In order to determine whether the domiciliary jurisdiction*  
27 *of an alien assuming insurer is eligible to be recognized as a*  
28 *qualified jurisdiction, the Commissioner shall evaluate the*  
29 *appropriateness and effectiveness of the reinsurance supervisory*  
30 *system of the jurisdiction, both initially and on an ongoing basis,*  
31 *and consider the rights, benefits and extent of reciprocal*  
32 *recognition afforded by the alien jurisdiction to reinsurers*  
33 *licensed and domiciled in the United States. A qualified*  
34 *jurisdiction must agree to share information and cooperate with*  
35 *the Commissioner with respect to all certified reinsurers domiciled*  
36 *within that jurisdiction. A jurisdiction may not be recognized as a*  
37 *qualified jurisdiction if the Commissioner has determined that the*  
38 *jurisdiction does not adequately and promptly enforce final*  
39 *judgments rendered by a court of competent jurisdiction in the*  
40 *United States. Additional factors may be considered at the*  
41 *discretion of the Commissioner.*

42 *3. The Commissioner may consider the list of qualified*  
43 *jurisdictions maintained by the National Association of Insurance*  
44 *Commissioners in determining qualified jurisdictions.*



1       4. Any jurisdictions that meet the requirements for  
2 accreditation pursuant to the National Association of Insurance  
3 Commissioners' financial standards and accreditation program  
4 must be recognized as qualified jurisdictions.

5       5. If a certified reinsurer's domiciliary jurisdiction ceases to  
6 be a qualified jurisdiction, the Commissioner may suspend or  
7 revoke the reinsurer's certification.

8       **Sec. 7.5. The Commissioner shall:**

9       1. Assign a rating to each certified reinsurer, giving due  
10 consideration to the financial strength ratings which have been  
11 assigned to certified reinsurers by rating agencies that the  
12 Commissioner deems acceptable pursuant to regulations adopted  
13 by the Commissioner; and

14       2. Publish a list of all certified reinsurers and the ratings that  
15 he or she has assigned to those certified reinsurers.

16       **Sec. 8. 1. For a domestic ceding insurer to qualify for full**  
17 **financial statement credit for reinsurance ceded to a certified**  
18 **reinsurer, the certified reinsurer shall maintain security in a form**  
19 **acceptable to the Commissioner and consistent with the provisions**  
20 **of NRS 681A.240 or, in a multi-beneficiary trust, pursuant to NRS**  
21 **681A.180 and 681A.190, except as otherwise provided in sections 4**  
22 **to 10, inclusive, of this act.**

23       2. If a certified reinsurer maintains a trust to fully secure its  
24 obligations subject to NRS 681A.180 and 681A.190, and chooses  
25 to secure its obligations incurred as a certified reinsurer in the  
26 form of a multi-beneficiary trust, the certified reinsurer shall  
27 maintain separate trust accounts for its obligations incurred under  
28 reinsurance agreements issued or renewed as a certified reinsurer  
29 with reduced security as permitted by this section or comparable  
30 laws of other jurisdictions in the United States and for its  
31 obligations subject to NRS 681A.180 and 681A.190. It is a  
32 condition of the grant of certification pursuant to sections 4 to 10,  
33 inclusive, of this act that the certified reinsurer shall have bound  
34 itself, by the language of the trust and agreement with the  
35 commissioner of insurance of the state with principal regulatory  
36 authority over each trust account, to fund, upon termination of  
37 any such trust account, out of the remaining surplus of such trust  
38 any deficiency of any other such trust account.

39       3. The minimum trusteed surplus requirements provided in  
40 NRS 681A.180 and 681A.190 are not applicable with respect to a  
41 multi-beneficiary trust maintained by a certified reinsurer for the  
42 purpose of securing obligations incurred pursuant to sections 4 to  
43 10, inclusive, of this act, except that the trust shall maintain a  
44 minimum trusteed surplus of \$10,000,000.



1       4. *With respect to obligations incurred by a certified reinsurer*  
2 *pursuant to sections 4 to 10, inclusive, of this act, if the security is*  
3 *insufficient, the Commissioner shall reduce the allowable credit by*  
4 *an amount proportionate to the deficiency and may impose further*  
5 *reductions in allowable credit upon finding that there is a material*  
6 *risk that the certified reinsurer's obligations will not be paid in*  
7 *full when due.*

8       5. *For the purposes of sections 4 to 10, inclusive, of this act, a*  
9 *certified reinsurer whose certification has been terminated for any*  
10 *reason shall be treated as a certified reinsurer required to secure*  
11 *100 percent of its obligations.*

12       6. *If the Commissioner continues to assign a higher rating as*  
13 *permitted by other provisions of NRS 681A.150 to 681A.190,*  
14 *inclusive, and sections 4 to 10, inclusive, of this act, this*  
15 *requirement does not apply to a certified reinsurer in inactive*  
16 *status or to a reinsurer whose certification has been suspended.*

17       7. *A certified reinsurer shall secure obligations assumed from*  
18 *ceding insurers in the United States under this section at a level*  
19 *consistent with the rating of the certified reinsurer, as specified in*  
20 *regulations adopted by the Commissioner.*

21       8. *As used in this section, "terminated" means the revocation,*  
22 *suspension, voluntary surrender or inactive status of a reinsurer's*  
23 *certification.*

24       **Sec. 9.** *If an applicant for certification has been certified as a*  
25 *reinsurer in a National Association of Insurance Commissioners*  
26 *accredited jurisdiction, the Commissioner has the discretion to*  
27 *defer to that jurisdiction's certification, and has the discretion to*  
28 *defer to the rating assigned by that jurisdiction, and such*  
29 *assuming insurer shall be considered to be certified in this State.*

30       **Sec. 10.** *A certified reinsurer that ceases to assume new*  
31 *business in this State may request to maintain its certification in*  
32 *inactive status to continue to qualify for a reduction in security for*  
33 *its in-force business. An inactive certified reinsurer must continue*  
34 *to comply with all applicable requirements of NRS 681A.150 to*  
35 *681A.190, inclusive, and sections 4 to 10, inclusive, of this act, and*  
36 *the Commissioner shall assign a rating that takes into account, if*  
37 *relevant, the reasons why the reinsurer is not assuming new*  
38 *business.*

39       **Sec. 11.** *Credit must be allowed when the reinsurance is*  
40 *ceded to an assuming insurer not meeting the requirements of*  
41 *NRS 681A.150 to 681A.190, inclusive, and sections 4 to 10,*  
42 *inclusive, of this act, but only as to the insurance of risks located*  
43 *in jurisdictions where the reinsurance is required by applicable*  
44 *law or regulation of that jurisdiction.*



1       **Sec. 12. 1.** *A ceding insurer shall take steps to manage its*  
2 *reinsurance recoverables proportionate to its own book of*  
3 *business. A domestic ceding insurer shall notify the Commissioner*  
4 *within 30 days after reinsurance recoverables from any single*  
5 *assuming insurer, or group of affiliated assuming insurers,*  
6 *exceeds 50 percent of the domestic ceding insurer's last reported*  
7 *surplus to policyholders, or after it is determined that reinsurance*  
8 *recoverables from any single assuming insurer, or group of*  
9 *affiliated assuming insurers, is likely to exceed this limit. The*  
10 *notification must demonstrate that the exposure is safely managed*  
11 *by the domestic ceding insurer.*

12       **2.** *A ceding insurer shall take steps to diversify its*  
13 *reinsurance program. A domestic ceding insurer shall notify the*  
14 *Commissioner within 30 days after ceding to any single assuming*  
15 *insurer, or group of affiliated assuming insurers, more than 20*  
16 *percent of the ceding insurer's gross written premium in the*  
17 *preceding calendar year, or after it has determined that the*  
18 *reinsurance ceded to any single assuming insurer, or group of*  
19 *affiliated assuming insurers, is likely to exceed this limit. The*  
20 *notification must demonstrate that the exposure is safely managed*  
21 *by the domestic ceding insurer.*

22       **Sec. 13.** NRS 681A.130 is hereby amended to read as follows:

23       681A.130 The Commissioner may adopt regulations to carry  
24 out the provisions of NRS 681A.110 to 681A.560, inclusive **[ ]**, *and*  
25 *sections 4 to 12, inclusive, of this act.*

26       **Sec. 14.** NRS 681A.140 is hereby amended to read as follows:

27       681A.140 As used in NRS 681A.140 to 681A.240, inclusive,  
28 *and sections 4 to 12, inclusive, of this act*, “qualified financial  
29 institution in the United States” means an institution that:

30       1. Is organized, or in the case of a branch or agency of a  
31 foreign banking organization in the United States licensed, under the  
32 laws of the United States or any state thereof and has been granted  
33 authority to operate with fiduciary powers;

34       2. Is regulated, supervised and examined by federal or state  
35 authorities having regulatory authority over banks and trust  
36 companies;

37       3. Is determined:

38       (a) By the Commissioner to meet the standards of financial  
39 condition and standing prescribed by the Commissioner; or

40       (b) By the National Association of Insurance Commissioners to  
41 meet the standards of financial condition and standing prescribed by  
42 the National Association of Insurance Commissioners; and

43       4. Is determined by the Commissioner to be otherwise  
44 acceptable.



1       **Sec. 15.** NRS 681A.150 is hereby amended to read as follows:  
2       681A.150 No credit may be taken as an asset or as a deduction  
3 from liability on account of reinsurance unless the reinsurer is  
4 authorized to transact insurance or reinsurance in this state or the  
5 requirements of NRS 681A.160 ~~[, 681A.170, 681A.180 or]~~ to  
6 681A.190, *inclusive, and sections 4 to 10, inclusive, of this act*, and  
7 in any of these cases the requirements of NRS 681A.200 and  
8 681A.210 also are met.

9       **Sec. 16.** NRS 681A.160 is hereby amended to read as follows:  
10       681A.160 1. Except as otherwise provided in subsection 2,  
11 credit must be allowed if reinsurance is ceded to an assuming  
12 insurer which is accredited as a reinsurer in this state. An accredited  
13 reinsurer is one which ~~[:]~~ *satisfies all of the following conditions:*

14       (a) Files with the Commissioner ~~[an]~~ *a properly* executed ~~[form~~  
15 ~~approved by the Commissioner]~~ *Form AR-1, provided on the*  
16 *Internet website of the Division*, as evidence of its submission to  
17 this state's jurisdiction. ~~[:]~~

18       (b) Submits to this state's authority to examine its books and  
19 records. ~~[:]~~

20       (c) Files with the Commissioner a certified copy of a certificate  
21 of authority or other evidence approved by the Commissioner  
22 indicating that it is licensed to transact insurance or reinsurance in at  
23 least one state, or in the case of a branch in the United States of an  
24 alien assuming insurer is entered through and licensed to transact  
25 insurance or reinsurance in at least one state. ~~[:]~~

26       (d) Files annually with the Commissioner a copy of its annual  
27 statement filed with the Division of its state of domicile or entry and  
28 a copy of its most recent audited financial statement. ~~[:]~~

29       (e) ~~[Maintains]~~ *Demonstrates to the satisfaction of the*  
30 *Commissioner that it has adequate financial capacity to meet its*  
31 *reinsurance obligations and is otherwise qualified to assume*  
32 *reinsurance from domestic insurers. An assuming insurer is*  
33 *deemed to meet this requirement as of the time of its application if*  
34 *it maintains* a surplus as regards policyholders in an amount which  
35 is:

36       (1) Not less than \$20,000,000 and whose accreditation has  
37 not been denied by the Commissioner within 90 days after its  
38 submission; or

39       (2) Less than \$20,000,000 and whose accreditation has been  
40 approved by the Commissioner. ~~[; and]~~

41       (f) Pays all applicable fees, including, without limitation, all  
42 applicable fees required pursuant to NRS 680C.110.

43       2. ~~[No credit may be allowed for a domestic ceding insurer if~~  
44 ~~the assuming insurer's accreditation has been revoked by the~~  
45 ~~Commissioner after notice and a hearing.]~~ *If an accredited or*



1 *certified reinsurer ceases to meet the requirements for*  
2 *accreditation or certification, the Commissioner may suspend or*  
3 *revoke the reinsurer's accreditation or certification. Before*  
4 *suspending or revoking the reinsurer's accreditation or*  
5 *certification, the Commissioner must give the reinsurer notice and*  
6 *opportunity for a hearing.*

7 *3. The suspension or revocation of an accreditation or*  
8 *certification may not take effect until after the Commissioner's*  
9 *order on hearing unless:*

10 *(a) The reinsurer waives its right to a hearing;*

11 *(b) The Commissioner's order is based upon regulatory action*  
12 *taken by the reinsurer's domiciliary jurisdiction or the voluntary*  
13 *surrender or termination of the reinsurer's eligibility to transact*  
14 *insurance or reinsurance business in its domiciliary jurisdiction or*  
15 *in the primary certifying state of the reinsurer; or*

16 *(c) The Commissioner finds that an emergency requires*  
17 *immediate action and a court of competent jurisdiction has not*  
18 *stayed the Commissioner's action.*

19 *4. During the period in which a reinsurer's accreditation or*  
20 *certification is suspended, no reinsurance contract issued or*  
21 *renewed after the effective date of the suspension qualifies for*  
22 *credit except to the extent that the reinsurer's obligations under*  
23 *the contract are secured pursuant to NRS 681A.240. If the*  
24 *reinsurer's accreditation or certification is revoked, no credit for*  
25 *reinsurance may be granted after the effective date of the*  
26 *revocation except to the extent that the reinsurer's obligations*  
27 *under the contract are secured pursuant to NRS 681A.240.*

28 **Sec. 17.** NRS 681A.170 is hereby amended to read as follows:

29 681A.170 1. Except as otherwise provided in subsection 2,  
30 credit must be allowed if reinsurance is ceded to an assuming  
31 insurer which is domiciled and licensed in, or in the case of a branch  
32 in the United States of an alien assuming insurer is entered through,  
33 a state which employs standards regarding credit for reinsurance  
34 substantially similar to those applicable under this chapter and the  
35 assuming insurer or branch in the United States of an alien assuming  
36 insurer:

37 (a) Maintains a surplus as regards policyholders in an amount  
38 not less than \$20,000,000; ~~and~~

39 (b) Submits to the authority of this state to examine its books  
40 and records ~~and~~; ~~and~~

41 (c) *Files with the Commissioner a properly executed Form*  
42 *AR-1, provided on the Internet website of the Division, as evidence*  
43 *of its submission to this State's jurisdiction.*



1 2. The requirement of paragraph (a) of subsection 1 does not  
2 apply to reinsurance ceded and assumed pursuant to pooling among  
3 insurers affiliated with the same holding company.

4 **Sec. 18.** NRS 681A.180 is hereby amended to read as follows:

5 681A.180 1. Except as otherwise provided in subsection ~~[4,]~~  
6 **5**, credit must be allowed if reinsurance is ceded to an assuming  
7 insurer which maintains a trust fund in a qualified financial  
8 institution in the United States for the payment of the valid claims of  
9 its policyholders and ceding insurers in the United States, their  
10 assigns and successors in interest. The assuming insurer shall:

11 (a) Report annually to the Commissioner information  
12 substantially the same as that required to be reported on the National  
13 Association of Insurance Commissioners' form of annual statement  
14 by licensed insurers to enable the Commissioner to determine the  
15 sufficiency of the trust fund; and

16 (b) Submit to the authority of the Commissioner to examine its  
17 books and records.

18 2. In the case of a single assuming insurer ~~[, the]~~:

19 (a) *The* trust must consist of an account in trust equal to the  
20 assuming insurer's liabilities attributable to business written in the  
21 United States and the assuming insurer shall maintain a surplus in  
22 trust of not less than \$20,000,000.

23 (b) *Three years after the assuming insurer has permanently*  
24 *discontinued underwriting new business secured by the trust, the*  
25 *commissioner of insurance of the state with principal regulatory*  
26 *authority over the trust may, at any time, authorize a reduction in*  
27 *the required trustee surplus, but only after finding, based on the*  
28 *assessment of the risk, that the new required surplus level is*  
29 *adequate for the protection of ceding insurers, policyholders and*  
30 *claimants in the United States in light of a reasonably adverse loss*  
31 *development. The risk assessment may involve an actuarial review,*  
32 *including an independent analysis of reserves and cash flows, and*  
33 *must consider all material risk factors, including, as applicable,*  
34 *the lines of business involved, the stability of the incurred loss*  
35 *estimates and the effect of the surplus requirements on the*  
36 *assuming insurer's liquidity or solvency. The minimum required*  
37 *trustee surplus may not be reduced to an amount less than 30*  
38 *percent of the assuming insurer's liabilities attributable to*  
39 *reinsurance ceded by ceding insurers domiciled in the United*  
40 *States and covered by the trust.*

41 3. In the case of a group of incorporated and individual  
42 unincorporated underwriters:

43 (a) The trust must consist of an account in trust equal to the  
44 group's liabilities attributable to business written in the United  
45 States.





1 (b) The group shall:

2 (1) Maintain a surplus in trust of which \$100,000,000 must  
3 be held jointly for the benefit of ceding insurers in the United States  
4 to any member of the group; and

5 (2) Make available to the Commissioner an annual  
6 certification of the solvency of each underwriter by the group's  
7 domiciliary regulator and its independent public accountants.

8 (c) The incorporated members of the group:

9 (1) Shall not engage in any business other than underwriting  
10 as a member of the group; and

11 (2) Must be subject to the same level of regulation and  
12 solvency control by the applicable regulatory agency of the state in  
13 which the group is domiciled as the individual unincorporated  
14 members of the group.

15 4. *Credit for reinsurance must not be granted unless the form*  
16 *of the trust and any amendments to the trust have been approved*  
17 *by the commissioner of insurance of the state in which the trust is*  
18 *domiciled or the commissioner of insurance of another state that,*  
19 *under the terms of the trust instrument, has accepted responsibility*  
20 *for regulatory authority over the trust. The form of the trust and*  
21 *any amendments to the trust must also be filed with each state in*  
22 *which the ceding insurer beneficiaries are domiciled or located.*  
23 *The trust instrument must provide that:*

24 (a) *Contested claims become valid and enforceable from*  
25 *money held in the trust to the extent such claims remain*  
26 *unsatisfied within 30 days after the entry of the final order of any*  
27 *court of competent jurisdiction in the United States;*

28 (b) *Legal title to the assets of the trust must be vested in the*  
29 *trustees for the benefit of the grantor's ceding insurers in the*  
30 *United States, their assigns and successors in interest;*

31 (c) *The trust is subject to examination as determined by the*  
32 *Commissioner;*

33 (d) *The trust must remain in effect for as long as the assuming*  
34 *insurers or any member or former member of a group of insurers*  
35 *has outstanding obligations due under the agreements for*  
36 *reinsurance subject to the trust; and*

37 (e) *Not later than February 28 of each year, the trustees of the*  
38 *trust shall report to the Commissioner in writing setting forth the*  
39 *balance of the trust and listing the trust's investments at the end of*  
40 *the preceding year and shall certify the date of termination of the*  
41 *trust or certify that the trust will not expire before the next*  
42 *following December 31.*

43 5. If the assuming insurer does not meet the requirements of  
44 NRS 681A.110, 681A.160 or 681A.170, credit must not be allowed





1 unless the assuming insurer has agreed to the following conditions  
2 set forth in the trust agreement:

3 (a) Notwithstanding any provision to the contrary in the trust  
4 instrument, if the trust fund consists of an amount that is less than  
5 the amount required pursuant to this section, or if the grantor of the  
6 trust fund is declared to be insolvent or placed into receivership,  
7 rehabilitation, liquidation or a similar proceeding in accordance with  
8 the laws of the grantor's state or country of domicile, the trustee of  
9 the trust fund must comply with an order of the commissioner of  
10 insurance or other appropriate person with regulatory authority over  
11 the trust fund in that state or country or a court of competent  
12 jurisdiction requiring the trustee to transfer to that commissioner or  
13 person all the assets of the trust fund;

14 (b) The assets of the trust fund must be distributed by and claims  
15 filed with and valued by the commissioner of insurance or other  
16 appropriate person with regulatory authority over the trust fund in  
17 accordance with the laws of the state in which the trust fund is  
18 domiciled that are applicable to the liquidation of domestic insurers  
19 in that state;

20 (c) If the commissioner of insurance or other appropriate person  
21 with regulatory authority over the trust fund determines that the  
22 assets of the trust fund or any portion of the trust fund are not  
23 required to satisfy any claim of any ceding insurer of the grantor of  
24 the trust fund in the United States, the assets must be returned by  
25 that commissioner or person to the trustee of the trust fund for  
26 distribution in accordance with the trust agreement; and

27 (d) The grantor of the trust must waive any right that:

28 (1) Is otherwise available to the grantor under the laws of the  
29 United States; and

30 (2) Is inconsistent with the provisions of this subsection.

31 **Sec. 19.** NRS 681A.210 is hereby amended to read as follows:

32 681A.210 1. Except as otherwise provided in subsection 2, if  
33 the assuming insurer is not licensed or accredited to transact  
34 insurance or reinsurance in this State, the credit permitted by NRS  
35 681A.170 or 681A.180 must not be allowed unless the assuming  
36 insurer agrees in the agreements for reinsurance:

37 (a) That in the event of the failure of the assuming insurer to  
38 perform its obligations under the terms of the agreement, the  
39 assuming insurer, at the request of the ceding insurer, will submit to  
40 the jurisdiction of any court of competent jurisdiction in any state of  
41 the United States, will comply with all requirements necessary to  
42 give the court jurisdiction, and will abide by the final decision of the  
43 court or of any appellate court in the event of an appeal;

44 (b) To designate the Commissioner or a designated attorney as  
45 its true and lawful attorney upon whom may be served any lawful



1 process in an action, suit or proceeding instituted by or on behalf of  
2 the ceding company; and

3 (c) To comply with the conditions set forth in subsection ~~4~~ 5 of  
4 NRS 681A.180.

5 2. This section does not conflict with or override the obligation  
6 of the parties to an agreement for reinsurance to arbitrate their  
7 disputes if such an obligation is created in the agreement.

8 **Sec. 20.** NRS 681A.220 is hereby amended to read as follows:

9 681A.220 Credit must be allowed if reinsurance is ceded to an  
10 assuming insurer not meeting the requirements of NRS 681A.110 ~~;~~  
11 *and* 681A.150  ~~[, 681A.160, 681A.170, 681A.180 or] to~~ 681A.190,  
12 *inclusive, and sections 4 to 10, inclusive, of this act*, but only with  
13 respect to the insurance of risks located in jurisdictions where such  
14 reinsurance is required by applicable law or regulation of that  
15 jurisdiction.

16 **Sec. 21.** NRS 681A.230 is hereby amended to read as follows:

17 681A.230 1. Credit must be allowed as an asset or as a  
18 deduction from liability to any ceding insurer for reinsurance  
19 lawfully ceded to an assuming insurer qualified therefor pursuant to  
20 NRS 681A.110 ~~;~~ *and* 681A.150  ~~[, 681A.160, 681A.170, 681A.180~~  
21  ~~or] to~~ 681A.190, *inclusive, and sections 4 to 10, inclusive, of this*  
22 *act*, but no such credit may be allowed unless the contract for  
23 reinsurance provides in substance that, in the event of the insolvency  
24 of the ceding insurer, the reinsurance is payable pursuant to a  
25 contract reinsured by the assuming insurer on the basis of reported  
26 claims allowed in any liquidation proceedings, subject to court  
27 approval, without diminution because of the insolvency of the  
28 ceding insurer. Except as otherwise provided in NRS 686C.223,  
29 those payments must be made directly to the ceding insurer or to its  
30 domiciliary liquidator unless:

31 (a) The contract of reinsurance or other written contract  
32 specifically designates another payee of the payments in the event of  
33 the insolvency of the ceding insurer; or

34 (b) The assuming insurer, with the consent of the persons  
35 directly insured, has assumed the obligations from the policies  
36 issued by the ceding insurer as direct obligations of the assuming  
37 insurer, and in substitution for the obligations of the ceding insurer,  
38 to the payees under those policies.

39 2. The domiciliary liquidator of an insolvent ceding insurer  
40 shall give written notice to the assuming insurer of the pendency of  
41 any claim against the ceding insurer on any contract reinsured  
42 within a reasonable time after such a claim is filed in the liquidation  
43 proceeding. During the pendency of the claim, the assuming insurer  
44 may investigate the claim and, at its own expense, interpose in the  
45 proceeding in which the claim is to be adjudicated any defense that



1 the assuming insurer deems available to the ceding insurer or its  
2 liquidator.

3 **Sec. 22.** Chapter 681B of NRS is hereby amended by adding  
4 thereto the provisions set forth as sections 23 to 39.5, inclusive, of  
5 this act.

6 **Sec. 23.** *As used in this chapter, unless the context otherwise  
7 requires, the words and terms defined in sections 24 to 32,  
8 inclusive, of this act have the meanings ascribed to them in those  
9 sections.*

10 **Sec. 24.** *“Accident and health insurance” means a contract  
11 that incorporates morbidity risk and provides protection against  
12 economic loss resulting from accident, sickness or medical  
13 conditions, and as may further be specified in the Valuation  
14 Manual.*

15 **Sec. 25.** *“Applicable company” means an insurer that:*

16 1. *Has written, issued or reinsured life insurance, accident  
17 and health insurance or deposit-type contracts in this State and  
18 has at least one such policy in force or on claim; or*

19 2. *Has written, issued or reinsured life insurance, accident  
20 and health insurance or deposit-type contracts in any state and is  
21 required to hold a certificate of authority to write life insurance,  
22 accident and health insurance or deposit-type contracts in this  
23 State.*

24 **Sec. 26.** *“Appointed actuary” means a qualified actuary who  
25 is appointed in accordance with the Valuation Manual to prepare  
26 the actuarial opinion required by section 33.5 of this act.*

27 **Sec. 27.** *“Confidential information” means any information  
28 which qualifies as confidential under section 33 of this act.*

29 **Sec. 28.** *“Deposit-type contract” means a contract that does  
30 not incorporate mortality or morbidity risks, and as may further be  
31 specified in the Valuation Manual.*

32 **Sec. 28.3.** *“Life insurance” means a contract that  
33 incorporates mortality risk, including, without limitation, an  
34 annuity and pure endowment contract, and as may further be  
35 specified in the Valuation Manual.*

36 **Sec. 28.5.** *“NAIC” means the National Association of  
37 Insurance Commissioners or its successor organization.*

38 **Sec. 28.7.** *“Operative date of the Valuation Manual” means  
39 the date determined pursuant to subsection 2 of section 33.7 of this  
40 act.*

41 **Sec. 29.** *“Policyholder behavior” includes any action a  
42 policyholder, contract holder or any other person with the right to  
43 elect options, such as a certificate holder, may take pursuant to a  
44 policy or contract subject to this chapter, including, without  
45 limitation, lapse, withdrawal, transfer, deposit, premium payment,*



1 *loan, annuitization or benefit elections prescribed by the policy or*  
2 *contract. The term does not include events of mortality or*  
3 *morbidity that result in benefits prescribed in their essential*  
4 *aspects by the terms of the policy or contract.*

5 **Sec. 30.** *“Principle-based valuation” means a reserve*  
6 *valuation that uses one or more methods or one or more*  
7 *assumptions determined by the insurer and is required to comply*  
8 *with sections 34, 35 and 36 of this act, and as may further be*  
9 *specified in the Valuation Manual.*

10 **Sec. 30.5.** *“Qualified actuary” means a natural person who:*

11 *1. Is qualified to sign the applicable statement of actuarial*  
12 *opinion in accordance with the standards that are established by*  
13 *the American Academy of Actuaries, or its successor organization,*  
14 *to determine the qualification of an actuary to sign such a*  
15 *statement; and*

16 *2. Meets the applicable requirements set forth in the*  
17 *Valuation Manual.*

18 **Sec. 31.** *“Tail risk” means a risk that occurs either where the*  
19 *frequency of low probability events is higher than expected under*  
20 *a normal probability distribution or where there are observed*  
21 *events of very significant size or magnitude.*

22 **Sec. 32.** *“Valuation Manual” means the Valuation Manual*  
23 *adopted by the National Association of Insurance Commissioners*  
24 *on December 2, 2012, and as subsequently amended by the NAIC.*

25 **Sec. 33.** *1. The following types of information shall qualify*  
26 *as confidential information:*

27 *(a) A memorandum in support of an opinion submitted*  
28 *pursuant to NRS 681B.200 to 681B.260, inclusive, or section 33.5*  
29 *of this act and any other documents, materials and other*  
30 *information, including, without limitation, all working papers, and*  
31 *copies thereof, created, produced or obtained by or disclosed to the*  
32 *Commissioner or any other person in connection with such*  
33 *memorandum;*

34 *(b) All documents, materials and other information, including,*  
35 *without limitation, all working papers, and copies thereof, created,*  
36 *produced or obtained by or disclosed to the Commissioner or any*  
37 *other person in the course of an examination authorized by*  
38 *subsection 2 of NRS 679B.230 or subsection 7 of section 33.7 of*  
39 *this act, provided that if an examination report or other material*  
40 *prepared in connection with an examination authorized by NRS*  
41 *679B.230 to 679B.300, inclusive, is not held as private and*  
42 *confidential information in accordance with the provisions of NRS*  
43 *679B.230 to 679B.300, inclusive, an adopted examination report*  
44 *created in accordance with the provisions of subsection 2 of*



1 *NRS 679B.230 or subsection 7 of section 33.7 of this act shall not*  
2 *be deemed confidential information;*

3 (c) *Any reports, documents, materials and other information*  
4 *developed by an applicable company in support of, or in*  
5 *connection with, an annual certification by the applicable*  
6 *company in accordance with the provisions of paragraph (b) of*  
7 *subsection 1 of section 35 of this act evaluating the effectiveness*  
8 *of the company's internal controls with respect to a principle-*  
9 *based valuation, and any other documents, materials and other*  
10 *information, including, without limitation, all working papers, and*  
11 *copies thereof, created, produced or obtained by or disclosed to the*  
12 *Commissioner or any other person in connection with such*  
13 *reports, documents, materials and other information;*

14 (d) *Any principle-based valuation report developed in*  
15 *accordance with paragraph (c) of subsection 1 of section 35 of this*  
16 *act, and any other documents, materials and other information,*  
17 *including, without limitation, all working papers, and copies*  
18 *thereof, created, produced or obtained by or disclosed to the*  
19 *Commissioner or any other person in connection with such report;*  
20 *and*

21 (e) *Any experience data and experience materials, and any*  
22 *other documents, materials, data and other information,*  
23 *including, without limitation, all working papers, and copies*  
24 *thereof, created, produced or obtained by or disclosed to the*  
25 *Commissioner or any other person in connection with such data*  
26 *and materials.*

27 2. *As used in this section:*

28 (a) *"Experience data" means all documents, materials, data*  
29 *and other information submitted by an applicable company to the*  
30 *Commissioner, a designated experience reporting agent or other*  
31 *such person authorized to act on behalf of the Commissioner*  
32 *pursuant to sections 37 and 37.5 of this act.*

33 (b) *"Experience materials" means all documents, materials,*  
34 *data and other information, including, without limitation, all*  
35 *working papers, and copies thereof, created or produced in*  
36 *connection with experience data including, without limitation, any*  
37 *potentially company-identifying or personally identifiable*  
38 *information, that is provided to or obtained by the Commissioner,*  
39 *a designated experience reporting agent or other such person*  
40 *authorized to act on behalf of the Commissioner pursuant to*  
41 *sections 37 and 37.5 of this act.*

42 **Sec. 33.3.** 1. *For policies and contracts issued on or after*  
43 *the operative date of the Valuation Manual:*

44 (a) *The Commissioner shall annually value, or cause to be*  
45 *valued, the reserve liabilities (hereinafter called reserves) for all*



1 *outstanding life insurance contracts, annuity and pure endowment*  
2 *contracts, accident and health contracts, and deposit-type*  
3 *contracts of every applicable company doing business in this State.*

4 (b) *In lieu of the valuation of the reserves required of a foreign*  
5 *or alien applicable company, the Commissioner may accept a*  
6 *valuation made, or caused to be made, by the insurance*  
7 *supervisory official of any state or other jurisdiction when the*  
8 *valuation complies with the minimum standard provided in*  
9 *sections 23 to 39.5, inclusive, of this act, and NRS 681B.110 to*  
10 *681B.150, inclusive, and 681B.200 to 681B.270, inclusive.*

11 2. *The provisions set forth in sections 33.7 to 36, inclusive, of*  
12 *this act apply to all policies and contracts issued on or after the*  
13 *operative date of the Valuation Manual.*

14 3. *Except as otherwise provided in section 39.5 of this act, the*  
15 *provisions of this section apply only to, or in connection with,*  
16 *policies and contracts issued on or after the operative date of the*  
17 *Valuation Manual.*

18 **Sec. 33.5. I. For actuarial opinions of reserves prepared**  
19 **after the operative date of the Valuation Manual:**

20 (a) *Every company with outstanding life insurance contracts,*  
21 *accident and health insurance contracts or deposit-type contracts*  
22 *in this State and subject to regulation by the Commissioner shall*  
23 *annually submit the opinion of the appointed actuary as to*  
24 *whether the reserves and related actuarial items held in support of*  
25 *the policies and contracts are computed appropriately, are based*  
26 *on assumptions that satisfy contractual provisions, are consistent*  
27 *with prior reported amounts and comply with applicable laws of*  
28 *this State. The Valuation Manual will prescribe the specifics of*  
29 *this opinion including any items deemed to be necessary to its*  
30 *scope.*

31 (b) *Every applicable company with outstanding life insurance*  
32 *contracts, accident and health insurance contracts or deposit-type*  
33 *contracts in this State and subject to regulation by the*  
34 *Commissioner, except as exempted in the Valuation Manual, must*  
35 *also annually include in the opinion required by paragraph (a), an*  
36 *opinion of the same appointed actuary as to whether the reserves*  
37 *and related actuarial items held in support of the policies and*  
38 *contracts specified in the Valuation Manual, when considered in*  
39 *light of the assets held by the company with respect to the reserves*  
40 *and related actuarial items, including, but not limited to, the*  
41 *investment earnings on the assets and the considerations*  
42 *anticipated to be received and retained under the policies and*  
43 *contracts, make adequate provision for the company's obligations*  
44 *under the policies and contracts, including, but not limited to, the*



1 *benefits under and expenses associated with the policies and*  
2 *contracts.*

3 *(c) Each opinion required by paragraphs (a) and (b) must be*  
4 *governed by the following provisions:*

5 *(1) A memorandum, in the form and substance as specified*  
6 *in the Valuation Manual, and acceptable to the Commissioner,*  
7 *must be prepared to support each actuarial opinion.*

8 *(2) If the insurance company fails to provide a supporting*  
9 *memorandum at the request of the Commissioner within a period*  
10 *specified in the Valuation Manual or the Commissioner*  
11 *determines that the supporting memorandum provided by the*  
12 *insurance company fails to meet the standards prescribed by*  
13 *the Valuation Manual or is otherwise unacceptable to the*  
14 *Commissioner, the Commissioner may engage a qualified actuary*  
15 *at the expense of the company to review the opinion and the basis*  
16 *for the opinion and prepare the supporting memorandum required*  
17 *by the Commissioner.*

18 *(d) In addition to the requirements of paragraph (c), each*  
19 *opinion required by paragraphs (a) and (b) must be governed by*  
20 *the following provisions:*

21 *(1) The opinion must be in the form and substance as*  
22 *specified in the Valuation Manual and acceptable to the*  
23 *Commissioner.*

24 *(2) The opinion must be submitted with the annual*  
25 *statement reflecting the valuation of the reserve liabilities for each*  
26 *year ending on or after the operative date of the Valuation*  
27 *Manual.*

28 *(3) The opinion must apply to all policies and contracts*  
29 *subject to paragraph (b) plus other actuarial liabilities as may be*  
30 *specified in the Valuation Manual.*

31 *(4) The opinion must be based on standards adopted from*  
32 *time to time by the Actuarial Standards Board, or its successor*  
33 *organization, and on such additional standards as may be*  
34 *prescribed in the Valuation Manual.*

35 *(5) In the case of an opinion required to be submitted by a*  
36 *foreign or alien applicable company, the Commissioner may*  
37 *accept the opinion filed by that company with the insurance*  
38 *supervisory official of another state if the Commissioner*  
39 *determines that the opinion reasonably meets the requirements*  
40 *applicable to a company domiciled in this State.*

41 *(6) Except in cases of fraud or willful misconduct, the*  
42 *appointed actuary is not liable for damages to any person, other*  
43 *than the insurance company and the Commissioner, for any act,*  
44 *error, omission, decision or conduct with respect to the appointed*  
45 *actuary's opinion.*





1 (7) *Disciplinary action by the Commissioner against the*  
2 *company or the appointed actuary must be defined in regulations*  
3 *by the Commissioner.*

4 2. *Except as otherwise provided in section 39.5 of this act, the*  
5 *provisions of this section apply only on or after the operative date*  
6 *of the Valuation Manual.*

7 **Sec. 33.7. 1.** *For policies issued on or after the operative*  
8 *date of the Valuation Manual, the standard prescribed in the*  
9 *Valuation Manual is the minimum standard of valuation required*  
10 *under section 33.3 of this act, except as otherwise provided in*  
11 *subsection 6 or 8.*

12 2. *The operative date of the Valuation Manual is January 1*  
13 *of the first calendar year following the first July 1 as of which all*  
14 *of the following have occurred:*

15 (a) *The Valuation Manual has been adopted by the NAIC by*  
16 *an affirmative vote of at least 42 members, or three-fourths of the*  
17 *members voting, whichever is greater.*

18 (b) *The Standard Valuation Law, as amended by the NAIC in*  
19 *2009, or legislation including substantially similar terms and*  
20 *provisions, has been enacted by states representing greater than 75*  
21 *percent of the direct premiums written as reported in the following*  
22 *annual statements submitted for 2008:*

- 23 (1) *Life, accident and health annual statements;*  
24 (2) *Health annual statements; or*  
25 (3) *Fraternal annual statements.*

26 (c) *The Standard Valuation Law, as amended by the NAIC in*  
27 *2009, or legislation including substantially similar terms and*  
28 *provisions, has been enacted by at least 42 of the following 55*  
29 *jurisdictions:*

- 30 (1) *The 50 states of the United States;*  
31 (2) *American Samoa;*  
32 (3) *The American Virgin Islands;*  
33 (4) *The District of Columbia;*  
34 (5) *Guam; and*  
35 (6) *Puerto Rico.*

36 (d) *The Valuation Manual is adopted in accordance with*  
37 *regulations adopted by the Commissioner.*

38 3. *Within 90 days after all the events described in paragraphs*  
39 *(a) to (d), inclusive, of subsection 2 have taken place, the*  
40 *Commissioner shall issue a bulletin to inform insurers and the*  
41 *public of that fact.*

42 4. *Unless a change in the Valuation Manual specifies a later*  
43 *effective date, changes to the Valuation Manual are effective on*  
44 *January 1 following the date when the change to the Valuation*





1 Manual is adopted by the NAIC by an affirmative vote  
2 representing:

3 (a) At least three-fourths of the members of the NAIC voting,  
4 but not less than a majority of the total membership; and

5 (b) Members of the NAIC representing jurisdictions totaling  
6 greater than 75 percent of the direct premiums as reported  
7 in the following annual statements most recently available before  
8 the vote in subparagraph (1):

9 (1) Life, accident and health annual statements;

10 (2) Health annual statements; or

11 (3) Fraternal annual statements.

12 5. The Valuation Manual must specify all of the following:

13 (a) Minimum valuation standards for and definitions of the  
14 policies or contracts subject to section 33.3 of this act, including:

15 (1) The Commissioner's reserve valuation method for life  
16 insurance contracts, other than annuity contracts, subject to  
17 section 33.3 of this act;

18 (2) The Commissioner's annuity reserve valuation method  
19 for annuity contracts subject to section 33.3 of this act; and

20 (3) Minimum reserves for all other policies or contracts  
21 subject to section 33.3 of this act;

22 (b) Which policies or contracts or types of policies or contracts  
23 that are subject to the requirements of a principle-based valuation  
24 in section 34 of this act and the minimum valuation standards  
25 consistent with those requirements;

26 (c) For policies and contracts subject to a principle-based  
27 valuation under sections 34, 35 and 36 of this act:

28 (1) Requirements for the format of the reports provided to  
29 the Commissioner pursuant to paragraph (c) of subsection 1 of  
30 section 35 of this act and which must include information  
31 necessary to determine if the valuation is appropriate and in  
32 compliance with sections 23 to 39.5, inclusive, of this act, and  
33 NRS 681B.110 to 681B.150, inclusive, and 681B.200 to 681B.270,  
34 inclusive;

35 (2) Assumptions must be prescribed for risks over which the  
36 company does not have significant control or influence; and

37 (3) Procedures for corporate governance and oversight of  
38 the actuarial function, and a process for appropriate waiver or  
39 modification of such procedures;

40 (d) For policies not subject to a principle-based valuation  
41 under sections 34, 35 and 36 of this act, the minimum valuation  
42 standard must:

43 (1) Be consistent with the minimum standard of valuation  
44 before the operative date of the Valuation Manual; or



1 (2) *Develop reserves that quantify the benefits and*  
2 *guarantees, and the funding, associated with the contracts and*  
3 *their risks at a level of conservatism that reflects conditions which*  
4 *include unfavorable events that have a reasonable probability of*  
5 *occurring during the lifetime of the contracts;*

6 (e) *Other requirements, including, but not limited to, those*  
7 *relating to reserve methods, models for measuring risk, generation*  
8 *of economic scenarios, assumptions, margins, use of company*  
9 *experience, risk measurement, disclosure, certifications, reports,*  
10 *actuarial opinions and memorandums, transition rules and*  
11 *internal controls; and*

12 (f) *The data and form of the data required pursuant to section*  
13 *37 of this act, with whom the data must be submitted, and may*  
14 *specify other requirements including data analyses and reporting*  
15 *of such analyses.*

16 6. *In the absence of a specific valuation requirement or if a*  
17 *specific valuation requirement in the Valuation Manual is not, in*  
18 *the opinion of the Commissioner, in compliance with sections 23*  
19 *to 39.5, inclusive, of this act, and NRS 681B.110 to 681B.150,*  
20 *inclusive, and 681B.200 to 681B.270, inclusive, the company must,*  
21 *with respect to such requirements, comply with minimum*  
22 *valuation standards prescribed by the Commissioner by*  
23 *regulation.*

24 7. *The Commissioner may engage a qualified actuary, at the*  
25 *expense of the company, to perform an actuarial examination of*  
26 *the company and opine on the appropriateness of any reserve*  
27 *assumption or method used by the company, or to review and*  
28 *opine on a company's compliance with any requirement set forth*  
29 *in sections 23 to 39.5, inclusive, of this act, and NRS 681B.110 to*  
30 *681B.150, inclusive, and 681B.200 to 681B.270, inclusive. The*  
31 *Commissioner may rely upon the opinion, regarding provisions*  
32 *contained within sections 23 to 39.5, inclusive, of this act, and*  
33 *NRS 681B.110 to 681B.150, inclusive, and 681B.200 to 681B.270,*  
34 *inclusive, of a qualified actuary engaged by the Commissioner of*  
35 *another state, district or territory of the United States. As used in*  
36 *this subsection, "engage" includes employment and contracting.*

37 8. *The Commissioner may require a company to change any*  
38 *assumption or method that, in the opinion of the Commissioner, is*  
39 *necessary in order to comply with the requirements of the*  
40 *Valuation Manual or sections 23 to 39.5, inclusive, of this act, and*  
41 *NRS 681B.110 to 681B.150, inclusive, and 681B.200 to 681B.270,*  
42 *inclusive, and the company shall adjust the reserves as required by*  
43 *the Commissioner. The Commissioner may take other disciplinary*  
44 *action as allowed pursuant to regulations adopted by the*  
45 *Commissioner.*



1 **9.** *Except as otherwise provided in section 39.5 of this act, the*  
2 *provisions of this section apply only to, or in connection with,*  
3 *policies and contracts issued on or after the operative date of the*  
4 *Valuation Manual.*

5 **Sec. 33.9.** *1. For accident and health insurance policies*  
6 *and contracts issued on or after the operative date of the*  
7 *Valuation Manual, the standard prescribed in the Valuation*  
8 *Manual is the minimum standard of valuation required under*  
9 *section 33.3 of this act.*

10 **2.** *Except as otherwise provided in section 39.5 of this act, the*  
11 *provisions of this section apply only to, or in connection with,*  
12 *policies and contracts issued on or after the operative date of the*  
13 *Valuation Manual.*

14 **Sec. 34.** *1. An applicable company using a principle-based*  
15 *valuation must establish reserves that:*

16 (a) *Quantify the benefits and guarantees, and the funding,*  
17 *associated with the contracts and their risks at a level of*  
18 *conservatism that reflects conditions which include unfavorable*  
19 *events that have a reasonable probability of occurring during the*  
20 *lifetime of the contracts. For policies or contracts with significant*  
21 *tail risk, the valuation must reflect conditions appropriately*  
22 *adverse to quantify the tail risk.*

23 (b) *Incorporate assumptions, risk analysis methods and*  
24 *financial models and management techniques that are consistent*  
25 *with, but not necessarily identical to, those utilized within the*  
26 *company's overall risk assessment process while recognizing*  
27 *potential differences in financial reporting structures and any*  
28 *prescribed assumptions or methods.*

29 (c) *Incorporate assumptions that are:*

30 (1) *Prescribed in the Valuation Manual; or*

31 (2) *Established utilizing the company's available*  
32 *experience, to the extent that it is relevant and statistically credible*  
33 *or established utilizing other relevant, statistically credible*  
34 *experience.*

35 (d) *Provide margins for uncertainty, including adverse*  
36 *deviation and estimation error, such that the greater the*  
37 *uncertainty the larger the margin and resulting reserve.*

38 **2.** *Except as otherwise provided in section 39.5 of this act, the*  
39 *provisions of this section apply only on or after the operative date*  
40 *of the Valuation Manual.*

41 **Sec. 35.** *1. An applicable company using a principle-based*  
42 *valuation for one or more policies or contracts subject to this*  
43 *chapter, and as specified in the Valuation Manual, shall:*



1 (a) Establish procedures for corporate governance and  
2 oversight of the actuarial valuation function consistent with those  
3 described in the Valuation Manual.

4 (b) Provide to the Commissioner, and the company's board of  
5 directors, an annual certification of the effectiveness of the  
6 internal controls with respect to the principle-based valuation.  
7 Such controls must be designed to ensure that all material risks  
8 inherent in the liabilities and associated assets subject to such  
9 valuation are included in the valuation, and that valuations are  
10 made pursuant to the Valuation Manual. The certification must be  
11 based on the controls in place as of the end of the preceding  
12 calendar year.

13 (c) Develop and, upon request, provide to the Commissioner a  
14 principle-based valuation report that complies with the standards  
15 prescribed in the Valuation Manual.

16 2. Except as otherwise provided in section 39.5 of this act, the  
17 provisions of this section apply only on or after the operative date  
18 of the Valuation Manual.

19 **Sec. 36. 1.** A principle-based valuation may include a  
20 prescribed formulaic reserve component.

21 2. Except as otherwise provided in section 39.5 of this act, the  
22 provisions of this section apply only to, or in connection with,  
23 policies and contracts issued on or after the operative date of the  
24 Valuation Manual.

25 **Sec. 37. 1.** An applicable company shall submit to the  
26 Commissioner, to an appropriately appointed experience reporting  
27 agent or to such other person authorized to act on behalf of the  
28 Commissioner pursuant to section 37.5 of this act, and as specified  
29 in the Valuation Manual, mortality, morbidity, policyholder  
30 behavior or expense experience and other data as prescribed in the  
31 Valuation Manual.

32 2. Except as otherwise provided in section 39.5 of this act, the  
33 provisions of this section apply only on or after the operative date  
34 of the Valuation Manual.

35 **Sec. 37.5. 1.** The Commissioner may designate a person to  
36 act as the experience reporting agent of the Commissioner and to  
37 assist the Commissioner in compiling relevant mortality,  
38 morbidity, policyholder behavior or expense experience and other  
39 data pursuant to section 37 of this act and as prescribed in the  
40 Valuation Manual.

41 2. Except as otherwise provided in section 39.5 of this act, the  
42 provisions of this section apply only on or after the operative date  
43 of the Valuation Manual.

44 **Sec. 38. 1.** Except as otherwise provided in this section and  
45 NRS 239.0115 and sections 33 and 39 of this act, an applicable



1 *company's confidential information is confidential by law and*  
2 *privileged, and is not:*

- 3 (a) *Subject to subpoena or other forms of civil discovery; or*
- 4 (b) *Admissible in evidence in any private civil action.*

5 2. *Neither the Commissioner nor any person who received*  
6 *confidential information while acting under the authority of the*  
7 *Commissioner may be permitted or required to testify in any*  
8 *private civil action concerning the confidential information.*

9 3. *To assist in the performance of the Commissioner's duties,*  
10 *the Commissioner may share confidential information with other*  
11 *state, federal and international regulatory agencies and the NAIC,*  
12 *provided that the recipient agrees, and has the legal authority to*  
13 *agree, to maintain the confidentiality and privileged status of such*  
14 *confidential information in the same manner and to the same*  
15 *extent as required of the Commissioner.*

16 4. *To assist in the performance of the Commissioner's duties,*  
17 *the Commissioner may share confidential information specified in*  
18 *paragraphs (a) and (d) of subsection 1 of section 33 of this act*  
19 *with state, federal and international law enforcement officials or*  
20 *the Actuarial Board for Counseling and Discipline, or its*  
21 *successor, if the confidential information is provided for the*  
22 *purpose of professional disciplinary hearings and the recipient*  
23 *agrees, and has the legal authority to agree, to maintain the*  
24 *confidentiality and privileged status of such confidential*  
25 *information in the same manner and to the same extent as*  
26 *required of the Commissioner.*

27 5. *The Commissioner may receive documents, materials, data*  
28 *and other information, including, without limitation, confidential*  
29 *information and privileged documents, materials, data or other*  
30 *information from the NAIC, and its affiliates and subsidiaries,*  
31 *from regulatory or law enforcement officials of other foreign or*  
32 *domestic jurisdictions and from the Actuarial Board for*  
33 *Counseling and Discipline, or its successor, and shall maintain as*  
34 *confidential or privileged any document, material, data or other*  
35 *information received with notice, or the understanding, that the*  
36 *information is confidential or privileged under the laws of the*  
37 *jurisdiction which is the source of the document, material, data or*  
38 *other information.*

39 6. *The Commissioner may enter into agreements governing*  
40 *the sharing and use of confidential information consistent with*  
41 *this section.*

42 7. *No waiver of any applicable privilege or claim of*  
43 *confidentiality in confidential information shall occur as a result*  
44 *of the disclosure of the confidential information to the*



1 *Commissioner pursuant to this section or as a result of sharing as*  
2 *authorized in subsections 3 and 4.*

3 8. *A privilege established under the law of any state or*  
4 *jurisdiction that is substantially similar to the privilege established*  
5 *under this section may be available and enforced in any*  
6 *proceeding in, and in any court of, this State.*

7 9. *Except as otherwise provided in section 39.5 of this act, the*  
8 *provisions of this section apply only on or after the operative date*  
9 *of the Valuation Manual.*

10 **Sec. 39. 1.** *Notwithstanding any provisions of section 38 of*  
11 *this act to the contrary, any confidential information specified in*  
12 *subsection 1 and 5 of section 38 of this act:*

13 (a) *May be subject to subpoena for the purpose of defending*  
14 *an action seeking damages from the appointed actuary submitting*  
15 *the related memorandum in support of an opinion submitted in*  
16 *accordance with the provisions of NRS 681B.200 to 681B.260,*  
17 *inclusive, or a principle-based valuation report developed in*  
18 *accordance with paragraph (c) of subsection 1 of section 35 of this*  
19 *act by reason of an action required by sections 33 to 39.5,*  
20 *inclusive, of this act or any regulations adopted pursuant thereto;*

21 (b) *May otherwise be released by the Commissioner with the*  
22 *written consent of the applicable company; and*

23 (c) *Is no longer confidential if any portion of a memorandum*  
24 *in support of an opinion submitted in accordance with the*  
25 *provisions of NRS 681B.200 to 681B.260, inclusive, or a principle-*  
26 *based valuation report developed in accordance with paragraph*  
27 *(c) of subsection 1 of section 35 of this act, is:*

28 (1) *Cited by the applicable company in its marketing;*

29 (2) *Publicly volunteered to or before a government agency*  
30 *other than the Division or an insurance department of another*  
31 *state; or*

32 (3) *Released by the applicable company to the news media.*

33 2. *Except as otherwise provided in section 39.5 of this act, the*  
34 *provisions of this section apply only on or after the operative date*  
35 *of the Valuation Manual.*

36 **Sec. 39.5. 1.** *The Commissioner may exempt specific*  
37 *product forms or product lines of a domestic company that is*  
38 *licensed and doing business only in this State from the*  
39 *requirements of section 33.7 of this act, if:*

40 (a) *The Commissioner has issued to the company a written*  
41 *exemption and has not subsequently revoked that written*  
42 *exemption; and*

43 (b) *The company computes reserves using assumptions and*  
44 *methods that were used before the operative date of the Valuation*  
45 *Manual, in addition to complying with any applicable*



1 *requirements established in regulations adopted by the*  
2 *Commissioner.*

3 *2. If a company is granted an exemption as described in*  
4 *subsection 1, the provisions of NRS 681B.110 to 681B.150,*  
5 *inclusive, and 681B.200 to 681B.270, inclusive, apply to that*  
6 *company.*

7 *3. The provisions of this section apply only on or after the*  
8 *operative date of the Valuation Manual.*

9 **Sec. 40.** NRS 681B.020 is hereby amended to read as follows:

10 681B.020 1. In addition to assets impliedly excluded by the  
11 provisions of NRS 681B.010, the following expressly may not be  
12 allowed as assets in any determination of the financial condition of  
13 an insurer:

14 (a) Goodwill, trade names and other like intangible assets.

15 (b) Advances to officers, other than policy loans, whether  
16 secured or not, and advances to employees, agents and other persons  
17 on personal security only.

18 (c) Stock of such insurer, owned by it, or any equity therein or  
19 loans secured thereby, or any proportionate interest in such stock  
20 acquired or held through the ownership by such insurer of an  
21 interest in another firm, corporation or business unit.

22 (d) Furniture, fixtures, furnishings, safes, vehicles, libraries,  
23 stationery, literature and supplies, other than data processing,  
24 recordkeeping and accounting systems authorized under subsection  
25 13 of NRS 681B.010, except ~~†~~:

26 ~~— (1) In the case of title insurers such materials and plants as~~  
27 ~~the insurer is expressly authorized to invest in under NRS~~  
28 ~~682A.220; and~~

29 ~~— (2) In the case of any insurer,] such personal property as the~~  
30 insurer is permitted to hold pursuant to chapter 682A of NRS, or  
31 which is reasonably necessary for the maintenance and operation of  
32 real property lawfully acquired and held by the insurer other than  
33 real property used by it for home office, branch office and similar  
34 purposes.

35 (e) The amount, if any, by which the aggregate book value of  
36 investments as carried in the ledger assets of the insurer exceeds the  
37 aggregate value thereof as determined under this Code.

38 2. If any successor organization to the State Industrial  
39 Insurance System that was established by section 79 of chapter 642,  
40 Statutes of Nevada 1981, at page 1449, wishes to transact in this  
41 state property or casualty insurance other than industrial insurance,  
42 the money required to be held in trust by that organization pursuant  
43 to NRS 616B.042 may not be allowed as assets of the successor  
44 organization in determining its financial condition to transact such  
45 insurance.





1     **Sec. 40.15.** NRS 681B.110 is hereby amended to read as  
2 follows:

3     681B.110 1. The Commissioner shall, in the manner  
4 provided by NRS 681B.110 to 681B.150, inclusive, annually value,  
5 or cause to be valued, the reserve liabilities (hereinafter called  
6 reserves) for all outstanding life insurance policies and annuity and  
7 pure endowment contracts of every life insurer doing business in  
8 this state, *issued on or after January 1, 1972, and before the*  
9 *operative date of the Valuation Manual*, except that in the case of  
10 an alien insurer, the valuation must be limited to its United States  
11 business.

12     2. ~~[The Commissioner may certify the amount of any such~~  
13 ~~reserves, specifying the mortality table or tables, rate or rates of~~  
14 ~~interest and methods used in the calculation of the reserves.~~

15 ~~—3.]~~ The Commissioner may:

16     (a) Use any method, including group methods and the net level  
17 premium method, in the calculation of the reserves.

18     (b) Use approximate averages for fractions of a year or other  
19 period to calculate the reserves.

20     (c) In lieu of the valuation of the reserves required of any  
21 foreign or alien company, accept any valuation made, or caused to  
22 be made, by an insurance supervisory officer of any other state or  
23 jurisdiction if the valuation by the insurance supervisory officer  
24 complies with the minimum standard required by NRS 681B.110 to  
25 681B.150, inclusive. ~~[, and if the insurance officer of the other state~~  
26 ~~or jurisdiction accepts as sufficient and valid for all legal purposes~~  
27 ~~the certificate of valuation of the Commissioner when the certificate~~  
28 ~~states the valuation to have been made in a specified manner~~  
29 ~~according to which the aggregate reserves would be at least as large~~  
30 ~~as if they had been computed in the manner prescribed by the law of~~  
31 ~~that state or jurisdiction.~~

32 ~~—4. Any such insurer which at any time has adopted any~~  
33 ~~standard of valuation producing greater aggregate reserves than~~  
34 ~~those calculated according to the minimum standard provided in~~  
35 ~~NRS 681B.110 to 681B.150, inclusive, may, with the approval of~~  
36 ~~the Commissioner, adopt any lower standard of valuation, but not~~  
37 ~~lower than the minimum provided in those sections.]~~

38     3. *The provisions set forth in NRS 681B.110 to 681B.150,*  
39 *inclusive, and 681B.270 apply to all policies and contracts, as*  
40 *appropriate, issued on or after January 1, 1972, and before the*  
41 *operative date of the Valuation Manual. The provisions set forth*  
42 *in sections 33.7 to 36, inclusive, of this act do not apply to any*  
43 *such policies and contracts.*





1       4. *The minimum standard for the valuation of policies and*  
2 *contracts issued before January 1, 1972, must be that provided by*  
3 *the laws in effect immediately preceding that date.*

4       5. *Except as otherwise provided in section 39.5 of this act, the*  
5 *provisions of this section apply only to, or in connection with,*  
6 *policies and contracts issued on or after January 1, 1972, and*  
7 *before the operative date of the Valuation Manual.*

8       **Sec. 40.2.** NRS 681B.120 is hereby amended to read as  
9 follows:

10       681B.120 1. Except as otherwise provided in subsection 3  
11 and in NRS 681B.125, the minimum standards for the valuation of  
12 all policies and contracts issued before January 1, 1972, are as  
13 follows:

14       (a) The legal minimum standard for valuation of contracts  
15 issued before January 1, 1942, is a basis not lower than that used for  
16 the annual statement of the year during which the policies were  
17 issued, and for contracts issued on and after January 1, 1942, is the  
18 American Experience Table of Mortality with either Craig's or  
19 Buttolph's Extension for ages under 10, with interest at not more  
20 than 3.5 percent per annum. Annuities and pure endowments  
21 purchased under group annuity and pure endowment contracts must  
22 be valued in the same manner, with interest at not more than 5  
23 percent. Such policies may provide for not more than 1-year  
24 preliminary term insurance by incorporating therein a clause plainly  
25 showing that the first year's insurance under the contract is term  
26 insurance purchased by the whole or part of the premiums to be  
27 received during the first year of the contract.

28       (b) The legal minimum standard for the valuation of group life  
29 insurance policies under which the premium rates are not guaranteed  
30 for more than 5 years is the American Men Ultimate Table of  
31 Mortality with interest at not more than 3.5 percent per annum.

32       (c) The legal minimum standard for the valuation of industrial  
33 policies is the American Experience Table of Mortality or the  
34 Standard Industrial Mortality Table or the Substandard Industrial  
35 Mortality Table with interest at not more than 3.5 percent per  
36 annum by the net level premium method, or in accordance with their  
37 terms by the modified preliminary term method described in this  
38 section.

39       (d) Reserves for all such policies and contracts may be  
40 calculated, at the option of the insurer, according to any standards  
41 which produce greater aggregate reserves than the minimum  
42 reserves required by this subsection.

43       2. Except as otherwise provided in subsection 3 and in NRS  
44 681B.125, the minimum standards for the valuation of all policies  
45 and contracts issued on or after January 1, 1972, are the



1 Commissioners reserve valuation methods defined in NRS  
2 681B.130 and 681B.150, 5 percent interest for group annuity and  
3 pure endowment contracts and 3.5 percent interest for all other such  
4 policies and contracts or, in the case of policies and contracts other  
5 than annuity and pure endowment contracts issued on or after  
6 July 1, 1973, 4 percent interest for such policies issued before  
7 July 1, 1977, 5.5 percent interest for single premium life insurance  
8 policies and 4.5 percent for all other such policies issued on and  
9 after July 1, 1977, and the following tables:

10 (a) For all ordinary policies of life insurance issued on the  
11 standard basis, excluding any disability and accidental death  
12 benefits in such policies, the Commissioners 1941 Standard  
13 Ordinary Mortality Table until the operative date of NRS 688A.340,  
14 and, for all such policies issued on and after the operative date of  
15 NRS 688A.340 and before the operative date of NRS 688A.325, the  
16 Commissioners 1958 Standard Ordinary Mortality Table, except  
17 that for any category of such policies issued on female risks all  
18 modified net premiums and present values referred to in NRS  
19 681B.110 to 681B.150, inclusive, may be calculated according to an  
20 age not more than 6 years younger than the actual age of the  
21 insured. For policies issued on or after the operative date of  
22 NRS 688A.325:

23 (1) The Commissioners 1980 Standard Ordinary Mortality  
24 Table;

25 (2) At the election of the insurer for any one or more  
26 specified plans of life insurance, the Commissioners 1980 Standard  
27 Ordinary Mortality Table with Ten-Year Select Mortality Factors;  
28 or

29 (3) Any ordinary mortality table which is adopted after 1980  
30 by the ~~[National Association of Insurance Commissioners]~~ NAIC  
31 and is approved by a regulation adopted by the Commissioner,  
32 ↪ may be used in determining the minimum standard of valuation  
33 for such policies.

34 (b) For all industrial life insurance policies issued on the  
35 standard basis, excluding any disability and accidental death  
36 benefits in such policies, the 1941 Standard Industrial Mortality  
37 Table for such policies issued before the operative date of NRS  
38 688A.330, and for such policies issued on or after that date, the  
39 Commissioners 1961 Standard Industrial Mortality Table or any  
40 industrial mortality table which is adopted after 1980 by the  
41 ~~[National Association of Insurance Commissioners]~~ NAIC  
42 and is approved by a regulation adopted by the Commissioner for  
43 use in determining the minimum standard of valuation for such  
44 policies.



1 (c) For individual annuity and pure endowment contracts,  
2 excluding any disability and accidental death benefits in such  
3 policies, the 1937 Standard Annuity Mortality Table, or, at the  
4 option of the insurer, the Annuity Mortality Table for 1949,  
5 Ultimate, or any modification of either of these tables approved by  
6 the Commissioner.

7 (d) For group annuity and pure endowment contracts, excluding  
8 any disability and accidental death benefits in such policies, the  
9 Group Annuity Mortality Table for 1951, any modification of that  
10 table approved by the Commissioner, or, at the option of the insurer,  
11 any of the tables or modifications of tables specified for individual  
12 annuity and pure endowment contracts.

13 (e) For total and permanent disability benefits in or  
14 supplementary to ordinary policies or contracts, for policies or  
15 contracts issued on or after January 1, 1966, the tables of Period 2  
16 disablement rates and the 1930 to 1950 termination rates of the 1952  
17 Disability Study of the Society of Actuaries, with due regard to the  
18 type of benefit, or any tables of disablement rates and termination  
19 rates which are adopted after 1980 by the ~~[National Association of~~  
20 ~~Insurance Commissioners]~~ NAIC and are approved by a regulation  
21 adopted by the Commissioner for use in determining the minimum  
22 standard of valuation for such policies; and for policies or contracts  
23 issued on or after January 1, 1961, and before January 1, 1966,  
24 either such tables or, at the option of the insurer, the Class (3)  
25 Disability Table (1926).

26 (f) Benefits for accidental death in or supplementary to policies,  
27 for policies issued on or after January 1, 1966, the 1959 Accidental  
28 Death Benefits Table, or any accidental death benefits table which is  
29 adopted after 1980 by the ~~[National Association of Insurance~~  
30 ~~Commissioners]~~ NAIC and is approved by a regulation adopted by  
31 the Commissioner for use in determining the minimum standard of  
32 valuation for such policies; and for policies issued on or after  
33 January 1, 1961, and before January 1, 1966, either such table or, at  
34 the option of the insurer, the Inter-Company Double Indemnity  
35 Mortality Table. Either table must be combined with a mortality  
36 table permitted for calculating the reserves for life insurance  
37 policies.

38 (g) For group life insurance, for life insurance issued on the  
39 substandard basis and for special benefits, such tables as may be  
40 approved by the Commissioner.

41 3. Except as provided in NRS 681B.125, the minimum  
42 standards for the valuation of all individual annuity and pure  
43 endowment contracts issued on or after the valuation operative date  
44 defined in subsection 4 and for all annuities and pure endowments  
45 purchased on or after that date, under group annuity and pure



1 endowment contracts, are the Commissioners reserve valuation  
2 methods defined in NRS 681B.130 and the following tables and  
3 interest rates:

4 (a) For individual annuity and pure endowment contracts issued  
5 before July 1, 1977, excluding any disability and accidental death  
6 benefits in such contracts, the 1971 Individual Annuity Mortality  
7 Table, or any modification of the table approved by the  
8 Commissioner, and 6 percent interest for single premium immediate  
9 annuity contracts, and 4 percent interest for all other individual  
10 annuity and pure endowment contracts.

11 (b) For individual single premium immediate annuity contracts  
12 issued on or after July 1, 1977, excluding any disability and  
13 accidental death benefits in such contracts, the 1971 Individual  
14 Annuity Mortality Table, or any individual annuity mortality table  
15 which is adopted after 1980 by the ~~{National Association of~~  
16 ~~Insurance Commissioners}~~ NAIC and is approved by a regulation  
17 adopted by the Commissioner for use in determining the minimum  
18 standard of valuation for such contracts, or any modification of  
19 those tables approved by the Commissioner, and 7.5 percent  
20 interest.

21 (c) For individual annuity and pure endowment contracts issued  
22 on or after July 1, 1977, other than single premium immediate  
23 annuity contracts, excluding any disability and accidental death  
24 benefits in such contracts, the 1971 Individual Annuity Mortality  
25 Table or any individual annuity mortality table which is adopted  
26 after 1980 by the ~~{National Association of Insurance~~  
27 ~~Commissioners}~~ NAIC and is approved by a regulation adopted by  
28 the Commissioner for use in determining the minimum standard of  
29 valuation for such contracts, or any modification of those tables  
30 approved by the Commissioner, and 5.5 percent interest for single  
31 premium deferred annuity and pure endowment contracts and 4.5  
32 percent interest for all other such individual annuity and pure  
33 endowment contracts.

34 (d) For all annuities and pure endowments purchased before  
35 July 1, 1977, under group annuity and pure endowment contracts,  
36 excluding any disability and accidental death benefits purchased  
37 under such contracts, the 1971 Group Annuity Mortality Table, or  
38 any modification of that table approved by the Commissioner, and 6  
39 percent interest.

40 (e) For all annuities and pure endowments purchased on or after  
41 July 1, 1977, under group annuity and pure endowment contracts,  
42 excluding any disability and accidental death benefits purchased  
43 under such contracts, the 1971 Group Annuity Mortality Table, or  
44 any group annuity mortality table which is adopted after 1980 by the  
45 ~~{National Association of Insurance Commissioners}~~ NAIC and is



1 approved by a regulation adopted by the Commissioner for use in  
2 determining the minimum standard of valuation for such annuities  
3 and pure endowments, or any modification of those tables approved  
4 by the Commissioner, and 7.5 percent interest.

5 4. After July 1, 1973, any insurer may file with the  
6 Commissioner a written notice of its election to comply with the  
7 provisions of subsection 3 after a specified date before January 1,  
8 1979, which then becomes the valuation operative date for the  
9 insurer, but an insurer may elect a different valuation operative date  
10 for individual annuity and pure endowment contracts from that  
11 elected for group annuity and pure endowment contracts. If an  
12 insurer makes no such election, the valuation operative date for the  
13 insurer is January 1, 1979.

14 ***5. Except as otherwise provided in section 39.5 of this act, the***  
15 ***provisions of this section apply only to, or in connection with,***  
16 ***policies and contracts issued before the operative date of the***  
17 ***Valuation Manual.***

18 **Sec. 40.25.** NRS 681B.125 is hereby amended to read as  
19 follows:

20 681B.125 1. This section sets forth the interest rates used in  
21 determining the minimum standard for valuation of:

22 (a) All life insurance policies issued in a particular calendar year  
23 on or after the operative date of NRS 688A.325;

24 (b) All individual annuity and pure endowment contracts issued  
25 in a particular calendar year on or after January 1, 1984;

26 (c) All annuities and pure endowments purchased in a particular  
27 calendar year on or after January 1, 1984, under group annuity and  
28 pure endowment contracts; and

29 (d) The net increase, if any, in a particular calendar year after  
30 January 1, 1984, in amounts held under contract which have  
31 guaranteed interest.

32 2. The interest rates for valuation must be determined as  
33 follows, and the results rounded to the nearer one-quarter of 1  
34 percent:

35 (a) For life insurance:

36  
37 
$$I = .03 + W (R_1 - .03) + W/2 (R_2 - .09)$$
  
38

39 (b) For single-premium immediate annuities and for annuity  
40 benefits involving life contingencies arising from other annuities  
41 with options for cash settlement and from contracts which have  
42 guaranteed interest with options for cash settlement:



1             $I = .03 + W (R - .03)$

2  
3 where

- 4             $R_1$  is the lesser of  $R$  and  $.09$ ,  
5             $R_2$  is the greater of  $R$  and  $.09$ ,  
6             $R$  is the reference interest rate defined in this  
7            section, and  
8             $W$  is the weighting factor defined in this section.  
9

10        (c) For other annuities with options for cash settlement and  
11 contracts which have guaranteed interest with options for cash  
12 settlement, valued on the basis of the year issued, except as stated in  
13 paragraph (b), the formula for life insurance set forth in paragraph  
14 (a) applies to annuities and contracts which have guaranteed interest  
15 with a guaranteed duration in excess of 10 years, and the formula for  
16 single-premium immediate annuities stated in paragraph (b) applies  
17 to annuities and contracts which have guaranteed interest with  
18 guaranteed durations of 10 years or less.

19        (d) For other annuities with no options for cash settlement and  
20 for contracts which have guaranteed interest with no options for  
21 cash settlement, the formula for single-premium immediate  
22 annuities set forth in paragraph (b) applies.

23        (e) For other annuities with options for cash settlement and  
24 contracts which have guaranteed interest with no options for cash  
25 settlement which are valued on the basis of a change in its fund the  
26 formula for single-premium immediate annuities stated in paragraph  
27 (b) applies.

28        (f) If the interest rate for valuation for any life insurance policies  
29 issued in any calendar year determined without reference to this  
30 sentence differs from the corresponding actual rate for similar  
31 policies issued in the immediately preceding calendar year by less  
32 than one-half of 1 percent, the interest rate for the valuation of such  
33 life insurance policies is equal to the corresponding actual rate for  
34 the immediately preceding calendar year. The interest rate for the  
35 valuation of life insurance policies issued in a calendar year must be  
36 determined for 1980 using the reference interest rate defined for  
37 1979 and must be determined for each subsequent calendar year  
38 regardless of when NRS 688A.325 becomes operative with respect  
39 to the insurer.

40        3. The weighting factors referred to in the formulas set forth in  
41 subsection 2 are given in the following tables:

42        (a) Weighting Factors for Life Insurance:



1	Guarantee	
2	Duration	Weighting
3	(Years)	Factors
4		
5	10 or less.....	.50
6	More than 10 but not more than 20 .....	.45
7	More than 20 .....	.35

8

9 For life insurance, the duration of the guarantee is the maximum  
 10 number of years the life insurance can remain in force on a basis  
 11 guaranteed in the policy or under options to convert to plans of life  
 12 insurance with premium rates or nonforfeiture values, or both,  
 13 which are guaranteed in the original policy;

14 (b) The weighting factor for single-premium immediate  
 15 annuities and for annuity benefits involving life contingencies  
 16 arising from other annuities with options for cash settlement and  
 17 contracts which have guaranteed interest with options for cash  
 18 settlement is .80; and

19 (c) Weighting factors for other annuities and for contracts which  
 20 have guaranteed interest except as stated in paragraph (b), are  
 21 specified in the tables in subparagraphs (1), (2) and (3), according to  
 22 the rules and definitions in subparagraphs (4), (5) and (6) as  
 23 follows:

24 (1) For annuities and contracts which have guaranteed  
 25 interest valued on the basis of the year issued:

26

27	Guarantee		Weighting Factor		
28	Duration		for Plan Type		
29	(Years)		A	B	C
30					
31					
32	5 or less.....	.80	.60	.50	
33	More than 5, but not more than 10 .....	.75	.60	.50	
34	More than 10, but not more than 20 .....	.65	.50	.45	
35	More than 2 .....	.45	.35	.35	

36

37 (2) For annuities and contracts which have guaranteed  
 38 interest valued on a change in fund basis, the factors shown in  
 39 subparagraph (1):

40

41			Weighting Factor		
42			for Plan Type		
43			A	B	C
44					
45	Increased by.....	.15	.25	.05	



1 (3) For annuities and contracts which have guaranteed  
2 interest valued on the basis of the year issued, (other than those with  
3 no options for cash settlement) which do not guarantee interest on  
4 considerations received more than 1 year after issue or purchase and  
5 for annuities and contracts which have guaranteed interest valued on  
6 a change in fund basis which do not guarantee interest rates on  
7 considerations received more than 12 months beyond the valuation  
8 date, the factors shown in subparagraph (1) or derived in  
9 subparagraph (2) increased by .05.

10 (4) For other annuities with options for cash settlement and  
11 contracts which have guaranteed interest with options for cash  
12 settlement, the guaranteed duration is the number of years for which  
13 the contract guarantees interest rates in excess of the interest rate for  
14 the valuation of life insurance policies with a guaranteed duration in  
15 excess of 20 years. For other annuities with no options for cash  
16 settlement and for contracts which have guaranteed interest with no  
17 options for cash settlement, the guaranteed duration is the number of  
18 years from the date of issue or date of purchase to the date on which  
19 the annuity benefits are scheduled to commence.

20 (5) The types of plans listed in this subsection have the  
21 following characteristics:

22 Plan Type A

23 Under this plan the policyholder:

24 (I) May withdraw money only with an adjustment to  
25 reflect changes in interest rates or the value of assets since the  
26 insurer's receipt of the money, or without such an adjustment but in  
27 installments payable over 5 years or more;

28 (II) May withdraw money as an immediate life annuity;  
29 or

30 (III) Is not permitted to withdraw money.

31 Plan Type B

32 Under this plan, before expiration of the guaranteed interest  
33 rate, the policyholder:

34 (I) May withdraw money only with an adjustment to  
35 reflect changes in interest rates or the value of assets since the  
36 insurer's receipt of the money, or without such an adjustment but in  
37 installments payable over 5 years or more; or

38 (II) Is not permitted to withdraw money.

39 ↪ At the end of the guaranteed interest rate, the policyholder may  
40 withdraw money without such an adjustment in a single sum or in  
41 installments over a period of less than 5 years.

42 Plan Type C

43 Under this plan the policyholder may withdraw money before  
44 expiration of the guaranteed interest rate in a single sum or in  
45 installments over a period of less than 5 years:





1 (I) Without any adjustment to reflect changes in interest  
2 rates or the value of assets since the insurer's receipt of the money;  
3 or

4 (II) Subject only to a fixed charge for surrender which is  
5 stipulated in the contract as a percentage of the fund.

6 (6) An insurer may elect to value contracts which have  
7 guaranteed interest with options for cash settlement and annuities  
8 with options for cash settlement on the basis of the year issued or a  
9 change in fund basis. Contracts which have guaranteed interest but  
10 no options for cash settlement and annuities with no options for cash  
11 settlement must be valued on the basis of the year issued. As used in  
12 this section, "valuation on the basis of the year issued" means a  
13 basis of valuation under which the interest rate used to determine the  
14 minimum standard of valuation for the entire duration of an annuity  
15 or contract with guaranteed interest is the interest rate of valuation  
16 for the year of issue or the year of purchase of the annuity or  
17 contract, and "change in fund basis of valuation" means a basis of  
18 valuation under which the interest rate used to determine the  
19 minimum standard of valuation applicable to each change in the  
20 fund held under the annuity or contract is the interest rate for  
21 valuation for the year of the change in the fund.

22 4. For purposes of subsection 2, "reference interest rate"  
23 means:

24 (a) For all life insurance, the lesser of the average over 36  
25 months and the average over 12 months, ending on June 30 of the  
26 calendar year next preceding the year of issue, of Moody's  
27 Corporate Bond Yield Average—Monthly Average Corporates, as  
28 published by Moody's Investors Service, Inc.

29 (b) For single-premium immediate annuities, annuity benefits  
30 involving life contingencies arising from other annuities with  
31 options for cash settlement and contracts which have guaranteed  
32 interest with options for cash settlement, the average over 12  
33 months, ending on June 30 of the calendar year of issue or year of  
34 purchase, of Moody's Corporate Bond Yield Average—Monthly  
35 Average Corporates, as published by Moody's Investors Service,  
36 Inc.

37 (c) For other annuities with options for cash settlement and  
38 contracts which have guaranteed interest with options for cash  
39 settlement, valued on the basis of the year issued, except as stated in  
40 paragraph (b), with a guaranteed duration of more than 10 years, the  
41 lesser of the average over 36 months and the average over 12  
42 months, ending on June 30 of the calendar year of issue or purchase,  
43 of Moody's Corporate Bond Yield Average—Monthly Average  
44 Corporates, as published by Moody's Investors Service, Inc.



1 (d) For other annuities with options for cash settlement and  
2 guaranteed interest with options for cash settlement, valued on the  
3 basis of the year issued, except as stated in paragraph (b), with a  
4 guaranteed duration of 10 years or less, the average over 12 months,  
5 ending on June 30 of the calendar year issued or purchased, of  
6 Moody's Corporate Bond Yield Average—Monthly Average  
7 Corporates, as published by Moody's Investors Service, Inc.

8 (e) For other annuities with no options for cash settlement and  
9 for contracts which have guaranteed interest with no option for cash  
10 settlement, the average over 12 months, ending on June 30 of the  
11 calendar year issued or purchased, of Moody's Corporate Bond  
12 Yield Average—Monthly Average Corporates, as published by  
13 Moody's Investors Service, Inc.

14 (f) For other annuities with options for cash settlement and  
15 contracts which have guaranteed interest with options for cash  
16 settlement valued on a change in fund basis, except as stated in  
17 paragraph (b), the average over 12 months, ending on June 30 of the  
18 calendar year of the change in the fund, of Moody's Corporate Bond  
19 Yield Average—Monthly Average Corporates, as published by  
20 Moody's Investors Service, Inc.

21 5. If the publication of Moody's Corporate Bond Yield  
22 Average—Monthly Average Corporates by Moody's Investors  
23 Service, Inc., ends or the National Association of Insurance  
24 Commissioners determines that Moody's Corporate Bond Yield  
25 Average—Monthly Average Corporates is no longer appropriate for  
26 determination of the reference interest rate, an alternative method  
27 for determination of the reference interest rate which is adopted by  
28 the ~~[National Association of Insurance Commissioners]~~ NAIC and  
29 approved by regulation of the Commissioner may be substituted.

30 *6. The minimum standard for the valuation of policies and*  
31 *contracts issued before January 1, 1972, must be that provided by*  
32 *the laws in effect immediately preceding that date.*

33 *7. Except as otherwise provided in section 39.5 of this act, the*  
34 *provisions of this section apply only to, or in connection with,*  
35 *policies and contracts issued on or after January 1, 1972, and*  
36 *before the operative date of the Valuation Manual.*

37 **Sec. 40.3.** NRS 681B.130 is hereby amended to read as  
38 follows:

39 681B.130 1. Except as otherwise provided in subsection 4  
40 and in NRS 681B.150, reserves, according to the Commissioners'  
41 reserve valuation method, for the life insurance and endowment  
42 benefits of policies providing for a uniform amount of insurance and  
43 requiring the payment of uniform premiums must be the excess, if  
44 any, of the present value, at the date of valuation, of the future  
45 guaranteed benefits provided for by the policies over the then



1 present value of any future modified net premiums therefor. The  
2 modified net premiums for the policy must be such a uniform  
3 percentage of the respective contract premiums for those benefits  
4 that the present value, at the date of issue of the policy, of all the  
5 modified net premiums are equal to the sum of the then present  
6 value of the benefits provided for by the policy and the excess of the  
7 premium set forth in paragraph (a) over that set forth in paragraph  
8 (b), as follows:

9 (a) A net level annual premium equal to the present value, at the  
10 date of issue, of such benefits provided for after the first policy year,  
11 divided by the present value, at the date of issue, of an annuity of  
12 one per annum payable on the first and each subsequent anniversary  
13 of such policy on which a premium falls due. The net level annual  
14 premium must not exceed the net level annual premium on the 19-  
15 year premium whole life plan for insurance of the same amount at  
16 an age 1 year higher than the age at the time the policy is issued.

17 (b) A net 1-year term premium for such benefits provided for in  
18 the first policy year.

19 2. If any life insurance policy issued on or after January 1,  
20 1987, for which the contract premium in the first policy year  
21 exceeds that of the second year, and for which no comparable  
22 additional benefit is provided in the first year in return for the excess  
23 premium and which provides an endowment benefit or a cash  
24 surrender value or a combination thereof in an amount greater than  
25 the excess premium, the reserve according to the Commissioners'  
26 reserve valuation method as of any policy anniversary occurring on  
27 or before the assumed ending date, which is the first policy  
28 anniversary on which the sum of any endowment benefit and any  
29 cash surrender value then available is greater than the excess  
30 premium, must, except as otherwise provided in NRS 681B.150, be  
31 the greater of:

32 (a) The reserve as of the policy anniversary calculated as  
33 described in subsection 1; and

34 (b) The reserve as of the policy anniversary calculated as  
35 described in subsection 1, but with:

36 (1) The value defined in paragraph (a) of subsection 1 being  
37 reduced by 15 percent of the amount of the excess first-year  
38 premium;

39 (2) All present values of benefits and premiums being  
40 determined without reference to premiums or benefits provided for  
41 by the policy after the assumed ending date;

42 (3) The policy being assumed to mature on such date as an  
43 endowment; and

44 (4) The cash surrender value provided on that date being  
45 considered as an endowment benefit. In making the above



1 comparison, the mortality and interest bases stated in NRS  
2 681B.120 and 681B.125 must be used.

3 3. Reserves according to the Commissioners' reserve valuation  
4 method for:

5 (a) Life insurance policies providing for a varying amount of  
6 insurance or requiring the payment of varying premiums;

7 (b) Group annuity and pure endowment contracts purchased  
8 under a retirement plan or plan of deferred compensation,  
9 established or maintained by an employer (including a partnership  
10 or sole proprietorship), by an employee organization or by both,  
11 other than a plan providing individual retirement accounts or  
12 individual retirement annuities under section 408 of the Internal  
13 Revenue Code, as amended;

14 (c) Disability and accidental death benefits in all policies and  
15 contracts; and

16 (d) All other benefits, except life insurance and endowment  
17 benefits in life insurance policies and benefits provided by all other  
18 annuity and pure endowment contracts,

19 ↪ must be calculated by a method consistent with the principles of  
20 subsection 1 and this subsection, except that any extra premiums  
21 charged because of impairments or special hazards must be  
22 disregarded in the determination of modified net premiums.

23 4. This subsection applies to all annuity and pure endowment  
24 contracts except those group annuity and pure endowment contracts  
25 for which reserves according to the Commissioners' reserve  
26 valuation method are to be calculated by a method consistent with  
27 the principles of subsections 1, 2 and 3. Reserves according to the  
28 Commissioners' annuity reserve method for benefits under annuity  
29 or pure endowment contracts, excluding any disability and  
30 accidental death benefits in those contracts must be the greatest of  
31 the respective excesses of the present values, at the date of  
32 valuation, of the future guaranteed benefits, including guaranteed  
33 nonforfeiture benefits, provided for by those contracts at the end of  
34 each respective contract year, over the present value, at the date of  
35 valuation, of any future valuation considerations derived from future  
36 gross considerations, required by the terms of the contract, which  
37 become payable before the end of such respective contract year. The  
38 future guaranteed benefits must be determined by using the  
39 mortality table, if any, and the interest rate or rates specified in such  
40 contracts for determining guaranteed benefits. The valuation  
41 considerations are the portions of the respective gross considerations  
42 applied under the terms of the contracts to determine nonforfeiture  
43 values.

44 5. An insurer's aggregate reserves for all life insurance  
45 policies, excluding disability and accidental death benefits, issued



1 on or after January 1, 1972, must not be less than the aggregate  
2 reserves calculated in accordance with the methods set forth in this  
3 section, NRS 681B.145 and 681B.150, and the mortality table or  
4 tables and rate or rates of interest used in calculating nonforfeiture  
5 benefits for those policies.

6 6. An insurer's aggregate reserves for all policies, contracts and  
7 benefits must not be less than the aggregate reserves determined by  
8 a qualified actuary to be necessary for a favorable opinion under  
9 NRS 681B.210 and 681B.220.

10 7. *The minimum standard for the valuation of policies and*  
11 *contracts issued before January 1, 1972, must be that provided by*  
12 *the laws in effect immediately preceding that date.*

13 8. *Except as otherwise provided in section 39.5 of this act, the*  
14 *provisions of this section apply only to, or in connection with,*  
15 *policies and contracts issued on or after January 1, 1972, and*  
16 *before the operative date of the Valuation Manual.*

17 **Sec. 40.35.** NRS 681B.140 is hereby amended to read as  
18 follows:

19 681B.140 1. Reserves for any category of policies, contracts  
20 or benefits as established by the Commissioner, issued on or after  
21 January 1, 1972, may be calculated, at the option of the insurer,  
22 according to any standards which produce greater aggregate  
23 reserves for the category than those calculated according to the  
24 minimum standards provided by subsections 2 and 3 of NRS  
25 681B.120 and 681B.125, but the rate or rates of interest used for  
26 policies and contracts other than the annuity and pure endowment  
27 contracts must not be higher than the corresponding rate or rates of  
28 interest used in calculating any nonforfeiture benefits provided for  
29 in such policies.

30 2. Any insurer which has adopted a standard of valuation  
31 producing greater aggregate reserves as described in subsection 1  
32 may, with the approval of the Commissioner, adopt a lower standard  
33 of valuation, but not lower than the minimum described in  
34 subsection 1.

35 3. *The minimum standard for the valuation of policies and*  
36 *contracts issued before January 1, 1972, must be that provided by*  
37 *the laws in effect immediately preceding that date.*

38 4. *Except as otherwise provided in section 39.5 of this act, the*  
39 *provisions of this section apply only to, or in connection with,*  
40 *policies and contracts issued on or after January 1, 1972, and*  
41 *before the operative date of the Valuation Manual.*

42 **Sec. 40.4.** NRS 681B.145 is hereby amended to read as  
43 follows:

44 681B.145 1. For any plan of life insurance which provides  
45 for the determination of a future premium, the amounts of which are



1 to be determined by the insurer based on estimates of future  
2 experience, or for any plan of life insurance or annuity which is of  
3 such a nature that the minimum reserves cannot be determined by  
4 the methods described in NRS 681B.130 and 681B.150, the reserves  
5 which are held under the plan must be:

6 ~~[1-]~~ (a) Appropriate in relation to the benefits and the pattern of  
7 premiums for the plan; and

8 ~~[2-]~~ (b) Computed by a method which is consistent with the  
9 principles of standard valuation contained in this chapter.

10 **2. *The minimum standard for the valuation of policies and***  
11 ***contracts issued before January 1, 1972, must be that provided by***  
12 ***the laws in effect immediately preceding that date.***

13 **3. *Except as otherwise provided in section 39.5 of this act, the***  
14 ***provisions of this section apply only to, or in connection with,***  
15 ***policies and contracts issued on or after January 1, 1972, and***  
16 ***before the operative date of the Valuation Manual.***

17 **Sec. 40.43.** NRS 681B.150 is hereby amended to read as  
18 follows:

19 681B.150 **1.** If in any contract year the gross premium  
20 charged by any life insurer on any policy or contract issued on or  
21 after January 1, 1972, is less than the valuation net premium for the  
22 policy or contract calculated by the method used in calculating the  
23 reserve thereon but using the minimum valuation standards of  
24 mortality and rate of interest, the minimum reserve required for the  
25 policy or contract is the greater of:

26 ~~[1-]~~ (a) The reserve calculated according to the mortality table,  
27 rate of interest and method actually used for the policy or contract;  
28 or

29 ~~[2-]~~ (b) The reserve calculated by the method actually used for  
30 the policy or contract, but using the minimum valuation standards of  
31 mortality and rate of interest, and replacing the valuation net  
32 premium by the actual gross premium in each contract year for  
33 which the valuation net premium exceeds the actual gross premium.  
34 The minimum valuation standards of mortality and rate of interest  
35 referred to in this ~~[section]~~ **subsection** are the standards stated in  
36 NRS 681B.120 and 681B.125.

37 ~~[3-]~~ **2.** If any life insurance policy is issued on or after  
38 January 1, 1987, for which the gross premium in the first policy year  
39 exceeds that of the second year and no comparable additional  
40 benefit is provided in the first year in return for the excess premium,  
41 and which provides an endowment benefit or a cash surrender value,  
42 or a combination thereof, in an amount greater than the excess  
43 premium, the provisions of this section must be applied as if the  
44 method actually used in calculating the reserve for the policy were  
45 the method described in NRS 681B.130 other than in subsection 2



1 of that section. The minimum reserve required at each policy  
2 anniversary of such a policy is the greater of the minimum reserve  
3 calculated in accordance with NRS 681B.130, including subsection  
4 2 of that section, and the minimum reserve calculated in accordance  
5 with this ~~[section.]~~ *subsection and subsection 1.*

6 *3. The minimum standard for the valuation of policies and*  
7 *contracts issued before January 1, 1972, must be that provided by*  
8 *the laws in effect immediately preceding that date.*

9 *4. Except as otherwise provided in section 39.5 of this act, the*  
10 *provisions of this section apply only to, or in connection with,*  
11 *policies and contracts issued on or after January 1, 1972, and*  
12 *before the operative date of the Valuation Manual.*

13 **Sec. 40.45.** NRS 681B.160 is hereby amended to read as  
14 follows:

15 681B.160 1. Except as otherwise provided in subsection 5,  
16 all bonds or other evidences of debt having a fixed term and rate of  
17 interest held by an insurer may, if amply secured and not in default  
18 as to principal or interest, be valued as follows:

19 (a) If purchased at par, at the par value.

20 (b) If purchased above or below par, on the basis of the purchase  
21 price adjusted so as to bring the value to par at maturity and so as to  
22 yield in the meantime the effective rate of interest at which the  
23 purchase was made or, in lieu of that method, according to an  
24 accepted method of valuation that is approved by the Commissioner.

25 2. The purchase price must not be taken at a higher figure than  
26 the actual market value at the time of purchase, plus actual  
27 brokerage, transfer, postage or express charges paid in the  
28 acquisition of such securities.

29 3. Unless otherwise provided by a valuation established or  
30 approved by the Commissioner, the security must not be carried at  
31 above the call price for the entire issue during any period within  
32 which the security may be so called.

33 4. The Commissioner has full discretion in determining the  
34 method of calculating values pursuant to this section.

35 5. A valuation determined pursuant to this section must not be  
36 inconsistent with any applicable valuation or method then currently  
37 formulated or approved by the ~~[National Association of Insurance~~  
38 ~~Commissioners or its successor organization.]~~ **NAIC.**

39 **Sec. 40.47.** NRS 681B.170 is hereby amended to read as  
40 follows:

41 681B.170 1. Except as otherwise provided in subsection 4,  
42 securities, other than those specified in NRS 681B.160, held by an  
43 insurer must be valued, in the discretion of the Commissioner, at  
44 their market value, or at their appraised value, or at prices



1 determined by the Commissioner as representing their fair market  
2 value.

3 2. Preferred or guaranteed stocks or shares while paying full  
4 dividends may be carried at a fixed value in lieu of market value, at  
5 the discretion of the Commissioner and in accordance with a method  
6 of computation approved by the Commissioner.

7 3. The stock of a subsidiary of an insurer must be valued on the  
8 basis of the value of only those assets of the subsidiary as would  
9 constitute lawful investments of the insurer if acquired or held  
10 directly by the insurer.

11 4. A valuation determined pursuant to this section must not be  
12 inconsistent with any applicable valuation or method then currently  
13 formulated or approved by the ~~[National Association of Insurance  
14 Commissioners or its successor organization.] NAIC.~~

15 **Sec. 40.5.** NRS 681B.200 is hereby amended to read as  
16 follows:

17 681B.200 *1.* As used in NRS 681B.200 to 681B.260,  
18 inclusive, “qualified actuary” means a *natural* person who is  
19 qualified to sign the applicable statement of actuarial opinion in  
20 accordance with the qualification standards set by the American  
21 Academy of Actuaries for an actuary signing such a statement.

22 *2. Except as otherwise provided in section 39.5 of this act, the*  
23 *provisions of this section apply only before the operative date of*  
24 *the Valuation Manual.*

25 **Sec. 40.55.** NRS 681B.210 is hereby amended to read as  
26 follows:

27 681B.210 *1.* Every insurer doing business in this state shall  
28 annually submit the opinion of a qualified actuary as to whether the  
29 reserves and related actuarial items held in support of the policies  
30 and contracts specified by the Commissioner by regulation are  
31 computed appropriately, are based on assumptions which satisfy  
32 contractual provisions, are consistent with prior reported amounts,  
33 and comply with applicable laws of this state. The Commissioner by  
34 regulation may further define or enlarge the scope of this opinion.

35 *2. Except as otherwise provided in section 39.5 of this act, the*  
36 *provisions of this section apply only before the operative date of*  
37 *the Valuation Manual.*

38 **Sec. 40.6.** NRS 681B.220 is hereby amended to read as  
39 follows:

40 681B.220 *1.* Every such insurer, unless exempted by or  
41 pursuant to regulation, shall also annually submit an opinion of the  
42 same qualified actuary as to whether the reserves and related  
43 actuarial items held in support of the policies and contracts specified  
44 by the Commissioner by regulation, when considered in light of the  
45 assets held by the insurer with respect to the reserves and related





1 actuarial items, including the earnings on the assets invested and the  
2 considerations anticipated to be received and retained under the  
3 policies and contracts, make adequate provision for the insurer's  
4 obligations under the policies and contracts, including the benefits  
5 under and expenses associated with the policies and contracts.

6 2. The Commissioner may provide by regulation for a period  
7 of transition for establishing any higher reserves which the qualified  
8 actuary may deem necessary in order to render the opinion required  
9 by this section and NRS 681B.210.

10 3. The holding of additional reserves determined by a qualified  
11 actuary to be necessary to render the opinion required by this section  
12 or NRS 681B.210, shall not be deemed to be the adoption of a  
13 higher standard of valuation for the purposes of NRS 681B.120 or  
14 681B.140.

15 *4. Except as otherwise provided in section 39.5 of this act, the*  
16 *provisions of this section apply only before the operative date of*  
17 *the Valuation Manual.*

18 **Sec. 40.65.** NRS 681B.230 is hereby amended to read as  
19 follows:

20 681B.230 1. Each opinion required by NRS 681B.220 must  
21 be supported by memorandum, in form and substance acceptable to  
22 the Commissioner as specified by regulation.

23 2. If an insurer fails to provide a supporting memorandum at  
24 the request of the Commissioner within a period specified by  
25 regulation, or the Commissioner determines that the supporting  
26 memorandum provided by the insurer fails to meet the standards  
27 prescribed by the regulations or is otherwise unacceptable to the  
28 Commissioner, the Commissioner may engage a qualified actuary at  
29 the expense of the insurer to review the opinion and the basis for the  
30 opinion and prepare such supporting memorandum as is required by  
31 the Commissioner.

32 *3. Except as otherwise provided in section 39.5 of this act, the*  
33 *provisions of this section apply only before the operative date of*  
34 *the Valuation Manual.*

35 **Sec. 40.7.** NRS 681B.240 is hereby amended to read as  
36 follows:

37 681B.240 1. Every opinion must:

38 (a) Be submitted with the annual statement reflecting the  
39 valuation of reserve liabilities for each year ending on or after  
40 December 31, 1996.

41 (b) Apply to all business in force including, without limitation,  
42 individual and group health insurance plans, in form and substance  
43 acceptable to the Commissioner as specified by regulation.

44 (c) Be based on standards adopted from time to time by the  
45 Actuarial Standards Board or a successor organization approved by



1 the Commissioner and on such additional standards as the  
2 Commissioner may by regulation prescribe.

3 2. In the case of an opinion required to be submitted by a  
4 foreign or alien company, the Commissioner may accept the opinion  
5 filed by that company with the commissioner of insurance of  
6 another state if the Commissioner determines that the opinion  
7 reasonably meets the requirements applicable to an insurer  
8 domiciled in this state.

9 **3. *Except as otherwise provided in section 39.5 of this act, the***  
10 ***provisions of this section apply only before the operative date of***  
11 ***the Valuation Manual.***

12 **Sec. 40.75.** NRS 681B.250 is hereby amended to read as  
13 follows:

14 681B.250 1. Except in a case of fraud or willful misconduct,  
15 a qualified actuary who is appointed by an insurer to issue an  
16 opinion pursuant to this chapter or any regulation adopted pursuant  
17 thereto is not liable for damages to any person other than an affected  
18 insurer or the Commissioner for any act, error, omission, decision or  
19 conduct with respect to the actuary's opinion.

20 2. Disciplinary action by the Commissioner against an actuary  
21 must be prescribed by regulation by the Commissioner.

22 **3. *Except as otherwise provided in section 39.5 of this act, the***  
23 ***provisions of this section apply only before the operative date of***  
24 ***the Valuation Manual.***

25 **Sec. 41.** NRS 681B.260 is hereby amended to read as follows:

26 681B.260 1. Except as otherwise provided in this section and  
27 NRS 239.0115, ***and sections 33, 38 and 39 of this act, [an opinion,]***  
28 ***any documents*** and ***[any]*** other material ***or information*** provided by  
29 an insurer to the Commissioner, ***which constitute a memorandum***  
30 ***in support of an opinion, and any other material provided to the***  
31 ***Commissioner*** in connection ***[therewith,]*** ***with such a***  
32 ***memorandum,*** must be kept confidential by the Commissioner, is  
33 not open to the public, and is not subject to subpoena, except for the  
34 purpose of defending an action seeking damages from any person by  
35 reason of any action required by NRS 681B.200 to 681B.260,  
36 inclusive, or by ***any*** regulation adopted under those sections.

37 2. A memorandum or other material may be released by the  
38 Commissioner with the written consent of the insurer or to the  
39 American Academy of Actuaries or its successor organization upon  
40 request stating that the memorandum or other material is required  
41 for the purpose of professional disciplinary proceedings and setting  
42 forth procedures satisfactory to the Commissioner for preserving the  
43 confidentiality of the memorandum or other material.

44 3. If any portion of a confidential memorandum is cited by the  
45 insurer in its marketing or is cited before any governmental agency



1 other than a state commissioner of insurance or is released by an  
2 insurer to the public, all portions of the memorandum are no longer  
3 confidential.

4 *4. The Commissioner may use the documents, materials and*  
5 *other information described in this section in the furtherance of*  
6 *any regulatory or legal action brought as part of the*  
7 *Commissioner's official duties.*

8 *5. Neither the Commissioner nor any other person in receipt*  
9 *of documents, materials or other information obtained while*  
10 *acting under the authority of the Commissioner may be permitted*  
11 *or required to testify in any private civil action concerning any*  
12 *confidential documents, materials or information subject to this*  
13 *section.*

14 *6. No waiver of any applicable privilege or claim of*  
15 *confidentiality in the documents, materials or other information*  
16 *described in this section shall occur as a result of disclosure to the*  
17 *Commissioner pursuant to this section or as a result of sharing as*  
18 *authorized in subsection 8 of NRS 679B.190.*

19 *7. A memorandum in support of an opinion, and any other*  
20 *material provided by the applicable company or insurer to the*  
21 *Commissioner in connection with the memorandum, may be*  
22 *subject to subpoena for the purpose of defending an action*  
23 *seeking damages from the actuary submitting the memorandum by*  
24 *reason of an action required by this section.*

25 *8. Except as otherwise provided in section 39.5 of this act, the*  
26 *provisions of this section apply only before the operative date of*  
27 *the Valuation Manual.*

28 **Sec. 41.3.** NRS 681B.270 is hereby amended to read as  
29 follows:

30 681B.270 ~~{The Commissioner shall adopt by regulation~~  
31 ~~minimum standards for the valuation of reserves of other insurers~~  
32 ~~offering}~~

33 *1. For health insurance contracts of any kind ~~{}~~ issued on or*  
34 *after January 1, 1972, and before the operative date of the*  
35 *Valuation Manual, by health insurers, corporations for hospital,*  
36 *medical and dental service, health maintenance organizations and*  
37 *plans for dental care ~~{}~~, the minimum standard of valuation is the*  
38 *standard adopted by the Commissioner by regulation.*

39 *2. The minimum standard for the valuation of policies and*  
40 *contracts issued before January 1, 1972, must be that provided by*  
41 *the laws in effect immediately preceding that date.*

42 *3. Except as otherwise provided in section 39.5 of this act, the*  
43 *provisions of this section apply only before the operative date of*  
44 *the Valuation Manual.*



1     **Sec. 41.7.** NRS 681B.290 is hereby amended to read as  
2 follows:

3     681B.290 1. Except as otherwise provided in subsection 3,  
4 on or before March 1 of each year, each domestic insurer, and each  
5 foreign insurer domiciled in a state which does not have  
6 requirements for reporting risk-based capital, that transacts property,  
7 casualty, life or health insurance in this state shall prepare and  
8 submit to the Commissioner, and to each person designated by the  
9 Commissioner, a report of the level of the risk-based capital of the  
10 insurer as of the end of the immediately preceding calendar year.  
11 The report must be in such form and contain such information as  
12 required by the regulations adopted by the Commissioner pursuant  
13 to this section.

14     2. The Commissioner shall adopt regulations concerning the  
15 amount of risk-based capital required to be maintained by each  
16 insurer licensed to do business in this state that is transacting  
17 property, casualty, life or health insurance in this state. The  
18 regulations must be consistent with the instructions for reporting  
19 risk-based capital adopted by the ~~[National Association of Insurance~~  
20 ~~Commissioners,] NAIC~~, as those instructions existed on January 1,  
21 1997. If the instructions are amended, the Commissioner may  
22 amend the regulations to maintain consistency with the instructions  
23 if the Commissioner determines that the amended instructions are  
24 appropriate for use in this state.

25     3. The Commissioner may exempt from the provisions of this  
26 section:

27     (a) A domestic insurer who:

28         (1) Does not transact insurance in any other state;

29         (2) Does not assume reinsurance that is more than 5 percent  
30 of the direct premiums written by the insurer; and

31         (3) Writes annual premiums of not more than \$2,000,000.

32     (b) A prepaid limited health service organization that provides  
33 or arranges for the provision of limited health services to fewer than  
34 1,000 enrollees.

35     4. As used in this section, "prepaid limited health service  
36 organization" has the meaning ascribed to it in NRS 695F.050.

37     **Sec. 42.** Chapter 682A of NRS is hereby amended by adding  
38 thereto the provisions set forth as sections 43 to 230, inclusive, of  
39 this act.

40     **Sec. 43.** *As used in this chapter, unless the context otherwise*  
41 *requires, the words and terms defined in sections 44 to 130,*  
42 *inclusive, of this act, have the meanings ascribed to them in those*  
43 *sections.*

44     **Sec. 44.** *"Acceptable collateral" means:*



1       1. As to securities lending transactions, and for the purpose  
2 of calculating counterparty exposure amount, cash, cash  
3 equivalents, letters of credit, direct obligations of, or securities that  
4 are fully guaranteed as to principal and interest by, the Federal  
5 Government or any agency thereof, or by the Federal National  
6 Mortgage Association or the Federal Home Loan Mortgage  
7 Corporation and, as to lending foreign securities, sovereign debt  
8 rated 1 by the SVO;

9       2. As to repurchase transactions, cash, cash equivalents and  
10 direct obligations of, or securities that are fully guaranteed as to  
11 principal and interest by, the Federal Government or any agency  
12 thereof, or by the Federal National Mortgage Association or the  
13 Federal Home Loan Mortgage Corporation; and

14       3. As to reverse repurchase transactions, cash and cash  
15 equivalents.

16       **Sec. 45.** “Acceptable private mortgage insurance” means  
17 insurance written by a private insurer protecting a mortgage  
18 lender against loss occasioned by a mortgage loan default and  
19 issued by a licensed mortgage insurance company with a rating of  
20 1 by the SVO, or a rating issued by a nationally recognized  
21 statistical rating organization equivalent to a rating of 1 by the  
22 SVO, that covers losses up to an 80 percent loan-to-value ratio.

23       **Sec. 46.** “Accident and health insurance” means protection  
24 which provides payment of benefits for covered sickness or  
25 accidental injury. The term does not include credit insurance,  
26 disability insurance, accidental death and dismemberment  
27 insurance and long-term care insurance.

28       **Sec. 47.** “Accident and health insurer” means a licensed life  
29 or health insurer or health services corporation whose insurance  
30 premiums and required statutory reserves for accident and health  
31 insurance constitute at least 95 percent of the total premium  
32 considerations or total statutory required reserves, respectively.

33       **Sec. 48.** “Admitted asset” means an asset permitted to be  
34 reported as an admitted asset on the statutory financial statement  
35 of the insurer most recently required to be filed with the  
36 Commissioner. The term does not include assets of separate  
37 accounts, the investments of which are not subject to the  
38 provisions of this chapter.

39       **Sec. 49.** “Affiliate” means, as to any person, another person  
40 that, directly or indirectly through one or more intermediaries,  
41 controls, is controlled by or is under common control with the  
42 person.

43       **Sec. 50.** “Asset-backed security” means a security or other  
44 instrument, excluding a mutual fund, evidencing an interest in, or  
45 the right to receive payments from, or payable from distributions



1 *on, an asset, a pool of assets or specifically divisible cash flows*  
2 *which are legally transferred to a trust, or another special purpose*  
3 *bankruptcy-remote business entity, which meets the conditions set*  
4 *forth in section 131 of this act.*

5 **Sec. 51.** *“Business entity” includes, without limitation, a sole*  
6 *proprietorship, corporation, limited-liability company, association,*  
7 *partnership, joint-stock company, joint venture, mutual fund,*  
8 *trust, joint tenancy or other similar form of business organization,*  
9 *whether organized for-profit or not-for-profit.*

10 **Sec. 52.** *“Cap” means an agreement obligating the seller to*  
11 *make payments to the buyer, with each payment based on the*  
12 *amount by which a reference price or level, or the performance or*  
13 *value of one or more underlying interests, exceeds a*  
14 *predetermined number, sometimes referred to as the strike rate or*  
15 *strike price.*

16 **Sec. 53.** *“Capital and surplus” means the sum of the capital*  
17 *and surplus of the insurer which is required to be shown on the*  
18 *statutory financial statement of the insurer most recently required*  
19 *to be filed with the Commissioner.*

20 **Sec. 54.** *“Cash equivalents” means short-term, highly rated*  
21 *and highly liquid investments or securities that are readily*  
22 *convertible to known amounts of cash without penalty and so near*  
23 *maturity that they present insignificant risk of change in value.*  
24 *The term includes, without limitation, government money market*  
25 *mutual funds and class one money market mutual funds. As used*  
26 *in this section:*

27 1. *“Highly rated” means an investment rated:*

28 (a) *“P-1” by Moody’s Investor Service, Inc., or its successor*  
29 *organization;*

30 (b) *“A-1” by Standard and Poor’s division of The McGraw*  
31 *Hill Companies, Inc., or its successor organization; or*

32 (c) *An equivalent rating by a nationally recognized statistical*  
33 *rating organization recognized by the SVO.*

34 2. *“Short-term” means investments with a remaining term to*  
35 *maturity of 90 days or less.*

36 **Sec. 55.** *“Class one bond mutual fund” means a mutual fund*  
37 *that at all times qualifies for investment using the bond class one*  
38 *reserve factor contained in the Purposes and Procedures Manual*  
39 *of the SVO.*

40 **Sec. 56.** *“Class one money market mutual fund” means a*  
41 *money market mutual fund that at all times qualifies for*  
42 *investment using the bond class one reserve factor under the*  
43 *Purposes and Procedures Manual of the SVO.*



1     **Sec. 57.** *“Collar” means an agreement to receive payments*  
2 *as the buyer of an option, cap or floor and to make payments as*  
3 *the seller of a different option, cap or floor.*

4     **Sec. 58.** *“Commercial mortgage loan” means any mortgage*  
5 *loan other than a residential mortgage loan.*

6     **Sec. 59.** *“Construction loan” means a loan of less than 3*  
7 *years in term, made for financing the costs of construction of a*  
8 *building or other improvement to real estate and that is secured by*  
9 *the real estate.*

10    **Sec. 60.** *“Control” means the possession, directly or*  
11 *indirectly, of the power to direct or cause the direction of the*  
12 *management and policies of a person, whether through ownership*  
13 *of voting securities, by contract, other than a commercial contract*  
14 *for goods or nonmanagement services, or otherwise, unless the*  
15 *power is the result of an official position with or corporate office*  
16 *held by the person.*

17    **Sec. 61.** *“Counterparty exposure amount” means the amount*  
18 *calculated pursuant to section 133 of this act.*

19    **Sec. 62.** *“Covered” means that an insurer owns or can*  
20 *immediately acquire, through the exercise of options, warrants or*  
21 *conversion rights already owned, the underlying interest to fulfill*  
22 *or secure its obligations under a call option, cap or floor it has*  
23 *written, or has set aside in accordance with a custodial or escrow*  
24 *agreement, cash or cash equivalents with a market value equal to*  
25 *the amount required to fulfill its obligations in accordance with a*  
26 *put option it has written, in an income generation transaction.*

27    **Sec. 63.** *“Credit tenant loan” means a mortgage loan which*  
28 *is made primarily in reliance on the credit standing of a major*  
29 *tenant, structured with an assignment of the rental payments to*  
30 *the lender with real estate pledged as collateral in the form of a*  
31 *first position lien.*

32    **Sec. 64.** 1. *“Derivative instrument” means an agreement,*  
33 *option or instrument, or a series or combination thereof:*

34    (a) *To make or take delivery of, or assume or relinquish, a*  
35 *specified amount of one or more underlying interests, or to make a*  
36 *cash settlement in lieu thereof; or*

37    (b) *That has a price, performance, value or cash flow based*  
38 *primarily upon the actual or expected price, level, performance,*  
39 *value or cash flow of one or more underlying interests.*

40    2. *The term includes, without limitation, options, warrants*  
41 *used in a hedging transaction and not attached to another*  
42 *financial instrument, caps, floors, collars, swaps, forwards,*  
43 *futures and any other agreements, options or instruments*  
44 *substantially similar thereto, or any series or combination thereof,*





1 *and any agreements, options or instruments allowed pursuant to*  
2 *the regulations adopted under section 158 of this act.*

3 3. *The term does not include an investment authorized by*  
4 *sections 163 to 183, inclusive, 189, and 203 to 223, inclusive, of*  
5 *this act.*

6 **Sec. 65.** *“Derivative transaction” means a transaction*  
7 *involving the use of one or more derivative instruments.*

8 **Sec. 66.** *“Direct” or “directly,” when used in connection*  
9 *with an obligation, means that the designated obligor is primarily*  
10 *liable on the instrument representing the obligation.*

11 **Sec. 67.** *“Dollar roll transaction” means two simultaneous*  
12 *transactions with different settlement dates, not more than 96 days*  
13 *apart, such that in the transaction with the earlier settlement date,*  
14 *an insurer sells to a business entity, and in the other transaction*  
15 *the insurer is obligated to purchase from the same business entity*  
16 *substantially similar securities of the following types:*

17 1. *Asset-backed securities issued, assumed or guaranteed by*  
18 *the Government National Mortgage Association, the Federal*  
19 *National Mortgage Association or the Federal Home Loan*  
20 *Mortgage Corporation, or their respective successors; and*

21 2. *Other asset-backed securities referred to in section 106 of*  
22 *title 1 of the Secondary Mortgage Market Enhancement Act of*  
23 *1984, 15 U.S.C. § 77r-1, as amended.*

24 **Sec. 68.** *“Domestic jurisdiction” means the United States,*  
25 *Canada, any state of the United States, any province of Canada or*  
26 *any political subdivision of any of the foregoing.*

27 **Sec. 69.** *“Equity interest” means any of the following that*  
28 *are not rated credit instruments:*

29 1. *Common stock;*

30 2. *Preferred stock;*

31 3. *A trust certificate;*

32 4. *An equity investment in an investment company, other*  
33 *than a money market mutual fund or a class one bond mutual*  
34 *fund;*

35 5. *An investment in a common trust fund of a bank regulated*  
36 *by a federal or state agency;*

37 6. *An ownership interest in minerals, oil or gas, the rights to*  
38 *which have been separated from the underlying fee interest in the*  
39 *real estate where the minerals, oil or gas are located;*

40 7. *Instruments which are mandatorily, or at the option of the*  
41 *issuer, convertible to equity;*

42 8. *Limited partnership interests and those general*  
43 *partnership interests authorized pursuant to paragraph (d) of*  
44 *subsection 1 of section 154 of this act;*

45 9. *Member interests in a limited-liability company;*





1     **10. Warrants or other rights to acquire equity interests that**  
2 **are created by the person that owns or would issue the equity to be**  
3 **acquired; and**

4     **11. Instruments that would be rated credit instruments.**

5     **Sec. 70. "Equivalent securities" means any securities which**  
6 **meet the qualifications of section 134 of this act.**

7     **Sec. 71. "Floor" means an agreement obligating the seller to**  
8 **make payments to the buyer in which each payment is based on**  
9 **the amount by which a predetermined number, sometimes called**  
10 **the floor rate or price, exceeds a reference price, level,**  
11 **performance or value of one or more underlying interests.**

12     **Sec. 72. "Foreign currency" means a currency other than**  
13 **that of a domestic jurisdiction.**

14     **Sec. 73. "Foreign investment" means an investment in a**  
15 **foreign jurisdiction, or an investment in a person, real estate or**  
16 **asset domiciled in a foreign jurisdiction, that is substantially of the**  
17 **same type as those eligible for investment in accordance with this**  
18 **chapter, other than an investment made in accordance with**  
19 **sections 179 to 183, inclusive, and 219 to 223, inclusive, of this**  
20 **act.**

21     **Sec. 74. "Foreign jurisdiction" means a jurisdiction other**  
22 **than a domestic jurisdiction.**

23     **Sec. 75. "Forward" means an agreement, other than a**  
24 **future, to make or take delivery of or effect a cash settlement based**  
25 **on the actual or expected price, level, performance or value of one**  
26 **or more underlying interests.**

27     **Sec. 76. "Future" means an agreement, traded on a**  
28 **qualified exchange or qualified foreign exchange, to make or take**  
29 **delivery of, or effect a cash settlement based on the actual or**  
30 **expected price, level, performance or value of one or more**  
31 **underlying interests.**

32     **Sec. 77. "Government money market mutual fund" means a**  
33 **money market mutual fund that at all times:**

34     **1. Invests only in obligations issued, guaranteed or insured**  
35 **by the Federal Government or collateralized repurchase**  
36 **agreements composed of these obligations; and**

37     **2. Qualifies for investment without a reserve in accordance**  
38 **with the Purposes and Procedures Manual of the SVO.**

39     **Sec. 78. "Government-sponsored enterprise" means a:**

40     **1. Governmental agency; or**

41     **2. Corporation, limited-liability company, association,**  
42 **partnership, joint stock company, joint venture, trust or other**  
43 **entity or instrumentality organized in accordance with the laws of**  
44 **any domestic jurisdiction to accomplish a public policy or other**  
45 **governmental purpose.**



1       **Sec. 79.** *“Guaranteed or insured,” when used in connection*  
2 *with an obligation acquired in accordance with the provisions of*  
3 *this chapter, means that the guarantor or insurer has agreed to:*

4       1. *Perform or insure the obligation of the obligor or purchase*  
5 *the obligation; or*

6       2. *Be unconditionally obligated until the obligation is repaid*  
7 *to maintain in the obligor a minimum net worth, fixed charge*  
8 *coverage, stockholder’s equity or sufficient liquidity to enable the*  
9 *obligor to pay the obligation in full.*

10       **Sec. 80.** *“Hedging transaction” means a derivative*  
11 *transaction which is entered into and maintained to reduce:*

12       1. *The risk of a change in the value, yield, price, cash flow or*  
13 *quantity of assets or liabilities which the insurer has acquired or*  
14 *incurred or anticipates acquiring or incurring; or*

15       2. *The currency exchange rate risk or the degree of exposure*  
16 *as to assets or liabilities which an insurer has acquired or*  
17 *incurred or anticipates acquiring or incurring.*

18       **Sec. 81.** *“High grade investment” means a rated credit*  
19 *instrument rated 1 or 2 by the SVO.*

20       **Sec. 82.** *“Income” means, as to a security, interest, accrual*  
21 *of discount, dividends or other distributions, including, without*  
22 *limitation, rights, tax or assessment credits, warrants and*  
23 *distributions in kind.*

24       **Sec. 83.** *“Income generation transaction” means a derivative*  
25 *transaction involving the writing of covered call options, covered*  
26 *put options, covered caps or covered floors that is intended to*  
27 *generate income or enhance returns.*

28       **Sec. 84.** *“Insurance future” means a future relating to an*  
29 *index or pool that is based on insurance-related claims.*

30       **Sec. 85.** *“Insurance future option” means an option on an*  
31 *insurance future.*

32       **Sec. 86.** *“Investment company” has the meaning ascribed to*  
33 *it in 15 U.S.C. § 80a-3, as amended, and a person described in*  
34 *section 3(c) of that Act.*

35       **Sec. 87.** *“Investment company series” means an investment*  
36 *portfolio of an investment company that is organized as a series*  
37 *company and to which assets of the investment company have*  
38 *been specifically allocated.*

39       **Sec. 88.** *“Investment practices” means transactions of the*  
40 *types described in sections 178, 184 to 188, inclusive, 218 and 224*  
41 *to 228, inclusive, of this act.*

42       **Sec. 89.** *“Investment strategy” means the techniques and*  
43 *methods used by an insurer to meet its investment objectives,*  
44 *including, without limitation, active bond portfolio management,*



1 *passive bond portfolio management, interest rate anticipation,*  
2 *growth investing and value investing.*

3 **Sec. 90.** *“Investment subsidiary” means a subsidiary of an*  
4 *insurer engaged or organized to engage exclusively in the*  
5 *ownership and management of assets authorized as investments*  
6 *for the insurer where the subsidiary limits its investment in any*  
7 *asset so that its investments will not cause the amount of the total*  
8 *investment of the insurer to exceed any of the investment*  
9 *limitations or avoid any other provisions of this chapter applicable*  
10 *to the insurer. As used in this section, “total investment of the*  
11 *insurer” includes:*

12 1. *Direct investment by the insurer in an asset; and*

13 2. *The insurer’s proportionate share of an investment in an*  
14 *asset by an investment subsidiary of the insurer, calculated by*  
15 *multiplying the amount of the subsidiary’s investment by the*  
16 *percentage of the insurer’s ownership interest in the subsidiary.*

17 **Sec. 91.** *“Letter of credit” means a clean, irrevocable and*  
18 *unconditional document that serves as a guaranty for payments*  
19 *made to a specified person under specified conditions, issued or*  
20 *confirmed by, and payable and presentable at, a financial*  
21 *institution on the list of financial institutions meeting the*  
22 *standards for issuing letters of credit in accordance with the*  
23 *Purposes and Procedures Manual of the SVO.*

24 **Sec. 92.** *“Limited-liability company” means a business*  
25 *organization, excluding partnerships and ordinary business*  
26 *corporations, that is organized or operating in accordance with*  
27 *the laws of the United States, or any state thereof, and that limits*  
28 *the personal liability of investors to the equity investment of the*  
29 *investor in the business organization.*

30 **Sec. 93.** *“Lower grade investment” means a rated credit*  
31 *instrument that is rated 4, 5 or 6 by the SVO.*

32 **Sec. 94.** *“Market value” means:*

33 1. *As to cash and letters of credit, the face amounts thereof;*  
34 *and*

35 2. *As to a security as of any date, the price for the security on*  
36 *that date obtained from a generally recognized source or the most*  
37 *recent quotation from such a source or, to the extent no generally*  
38 *recognized source exists, the price for the security as determined*  
39 *in good faith by the parties to a transaction, plus accrued but*  
40 *unpaid income thereon to the extent not included in the price on*  
41 *that date.*

42 **Sec. 95.** *“Medium grade investment” means a rated credit*  
43 *instrument that is rated 3 by the SVO.*

44 **Sec. 96.** *“Money market mutual fund” means a mutual fund*  
45 *that meets the conditions of 17 C.F.R. § 270.2a-7, adopted in*



1 *accordance with the provisions of the Investment Company Act of*  
2 *1940, 15 U.S.C. §§ 80a-1 et seq., as amended.*

3 **Sec. 97.** *“Mortgage loan” means an obligation secured by a*  
4 *mortgage, deed of trust, trust deed or other consensual lien on real*  
5 *estate.*

6 **Sec. 98.** *“Multilateral development bank” means an*  
7 *international development organization of which the United States*  
8 *is a member.*

9 **Sec. 99.** *“Mutual fund” means an investment company or, in*  
10 *the case of an investment company that is organized as a series*  
11 *company, an investment company series, that, in either case, is*  
12 *registered with the United States Securities and Exchange*  
13 *Commission in accordance with the provisions of the Investment*  
14 *Company Act of 1940, 15 U.S.C. §§ 80a-1 et seq., as amended.*

15 **Sec. 100.** *“NAIC” means the National Association of*  
16 *Insurance Commissioners, or its successor organization.*

17 **Sec. 101.** *“Obligation” means evidence of indebtedness for*  
18 *the payment of money or other consideration, whether constituting*  
19 *a general obligation of the issuer or payable only out of certain*  
20 *revenues or certain funds pledged or otherwise dedicated for*  
21 *payment. The term includes, without limitation, a bond, note,*  
22 *debenture, trust certificate, including an equipment certificate,*  
23 *production payment, negotiable bank certificate of deposit,*  
24 *banker’s acceptance, credit tenant loan or loan secured by*  
25 *financing net leases.*

26 **Sec. 102.** *“Option” means an agreement giving the buyer the*  
27 *right to buy or receive, sell or deliver, enter into, extend or*  
28 *terminate, or effect a cash settlement based on the actual or*  
29 *expected price, level, performance or value of one or more*  
30 *underlying interests.*

31 **Sec. 103.** *“Over-the-counter derivative instrument” means a*  
32 *derivative instrument entered into with a business entity other*  
33 *than through a qualified exchange or qualified foreign exchange,*  
34 *or cleared through a qualified clearinghouse.*

35 **Sec. 104.** *“Person” means an individual, a business entity, a*  
36 *multilateral development bank or a government or quasi-*  
37 *governmental body, including, without limitation, a political*  
38 *subdivision or a government sponsored enterprise.*

39 **Sec. 105.** *“Potential exposure” means the amount*  
40 *determined in accordance with the Annual Statement Instructions*  
41 *for the type of insurer to be reported on as adopted by the NAIC.*

42 **Sec. 106.** *“Preferred stock” means the stock of a business*  
43 *entity authorized to issue the stock and that has a preference in*  
44 *liquidation over the common stock of the business entity.*

45 **Sec. 107.** *“Qualified bank” means:*



1 *1. A national bank, state bank or trust company that at all*  
2 *times is not less than adequately capitalized as determined by the*  
3 *standards adopted by United States banking regulators and that is*  
4 *either regulated by state banking laws or is a member of the*  
5 *Federal Reserve System; or*

6 *2. A bank or trust company incorporated or organized in*  
7 *accordance with the laws of a country other than the United States*  
8 *that is regulated as a bank or trust company by that country's*  
9 *government, or an agency thereof, and that at all times is not less*  
10 *than adequately capitalized as determined by the standards*  
11 *adopted by international banking authorities.*

12 **Sec. 108.** *“Qualified business entity” means a business entity*  
13 *that is:*

14 *1. An issuer of obligations or preferred stock that is rated 1 or*  
15 *2 by the SVO or an issuer of obligations, preferred stock or*  
16 *derivative instruments that are rated the equivalent of 1 or 2 by the*  
17 *SVO or by a nationally recognized statistical rating organization*  
18 *recognized by the SVO; or*

19 *2. A primary dealer in United States government securities,*  
20 *recognized by the Federal Reserve Bank of New York.*

21 **Sec. 109.** *“Qualified clearinghouse” means a clearinghouse*  
22 *for, and subject to the rules of, a qualified exchange or qualified*  
23 *foreign exchange, which provides clearing services, including*  
24 *acting as a counterparty to each of the parties to a transaction*  
25 *such that the parties no longer have credit risk as to each other.*

26 **Sec. 110.** *“Qualified exchange” means:*

27 *1. A securities exchange registered as a national securities*  
28 *exchange or a securities market regulated in accordance with the*  
29 *Securities Exchange Act of 1934, 15 U.S.C. §§ 78a et seq., as*  
30 *amended;*

31 *2. A board of trade or commodities exchange designated as a*  
32 *contract market by the United States Commodity Futures Trading*  
33 *Commission or any successor thereof;*

34 *3. Private Offerings, Resales and Trading through*  
35 *Automated Linkages, otherwise known as PORTAL;*

36 *4. A designated offshore securities market as defined in*  
37 *Securities Exchange Commission Regulation S, 17 C.F.R. Part*  
38 *230, as amended; or*

39 *5. A qualified foreign exchange.*

40 **Sec. 111.** *“Qualified foreign exchange” means a foreign*  
41 *exchange, board of trade or contract market located outside the*  
42 *United States, its territories or possessions:*

43 *1. That has received regulatory comparability relief in*  
44 *accordance with Commodity Futures Trading Commission Rule*  
45 *30.10, as set forth in 17 C.F.R. Part 30, Appendix C, as amended;*



1 2. That is, or its members are, subject to the jurisdiction of a  
2 foreign futures authority that has received regulatory  
3 comparability relief in accordance with Commodity Futures  
4 Trading Commission Rule 30.10, as set forth in 17 C.F.R. Part 30,  
5 Appendix C, as amended, as to futures transactions in the  
6 jurisdiction where the exchange, board of trade or contract market  
7 is located; or

8 3. Upon which foreign stock index futures contracts are listed  
9 that are the subject of no-action relief issued by the Commodity  
10 Futures Trading Commission's Office of General Counsel,  
11 provided that an exchange, board of trade or contract market that  
12 qualifies as a qualified foreign exchange only in accordance with  
13 this section is a qualified foreign exchange as to foreign stock  
14 index futures contracts that are the subject of no-action relief.

15 **Sec. 112. 1. "Rated credit instrument" means a contractual**  
16 **right to receive cash or another rated credit instrument from**  
17 **another entity which instrument:**

18 (a) Is rated or required to be rated by the SVO;

19 (b) In the case of an instrument with a maturity of 397 days or  
20 less, is issued, guaranteed or insured by an entity that is rated by,  
21 or another obligation of such entity is rated by, the SVO or by a  
22 nationally recognized statistical rating organization recognized by  
23 the SVO;

24 (c) In the case of an instrument with a maturity of 90 days or  
25 less, is issued by a qualified bank;

26 (d) Is a share of a class one bond mutual fund; or

27 (e) Is a share of a money market mutual fund.

28 2. The term does not include:

29 (a) An instrument that is mandatorily, or at the option of the  
30 issuer, convertible to an equity interest; or

31 (b) A security that has a par value and whose terms provide  
32 that the issuer's net obligation to repay all or part of the security's  
33 par value is determined by reference to the performance of an  
34 equity, a commodity, a foreign currency or an index of equities,  
35 commodities, foreign currencies, or any combination thereof.

36 **Sec. 113. 1. "Real estate" means:**

37 (a) Real property;

38 (b) Interests in real property, including, without limitation,  
39 leaseholds, minerals and oil and gas that have not been separated  
40 from the underlying fee interest;

41 (c) Improvements and fixtures located on or in real property;  
42 and

43 (d) The seller's equity in a contract providing for a deed of real  
44 estate.



1 2. As to a mortgage on real estate, the term includes the  
2 leasehold estate only if it has an unexpired term, including,  
3 without limitation, renewal options exercisable at the option of the  
4 lessee, extending beyond the scheduled maturity date of the  
5 obligation that is secured by a mortgage on the leasehold estate for  
6 the greater of:

7 (a) A period equal to at least 20 percent of the original term of  
8 the obligation; or

9 (b) Ten years.

10 **Sec. 114.** "Replication transaction" means a derivative  
11 transaction that is intended to replicate the performance of one or  
12 more assets which an insurer is authorized to acquire in  
13 accordance with the provisions of this chapter. The term does not  
14 include a derivative transaction that is entered into as a hedging  
15 transaction.

16 **Sec. 115.** "Repurchase transaction" means a transaction in  
17 which an insurer purchases securities from a business entity that  
18 is obligated to repurchase the purchased securities, or equivalent  
19 securities, from the insurer at a specified price, either within a  
20 specified period of time or upon demand.

21 **Sec. 116.** "Required liabilities" means the total liabilities  
22 required to be reported on the statutory financial statement of the  
23 insurer most recently required to be filed with the Commissioner.

24 **Sec. 117.** "Residential mortgage loan" means a mortgage  
25 loan primarily secured by real estate which is improved with at  
26 least one but not more than four residential dwelling units.

27 **Sec. 118.** "Reverse repurchase transaction" means a  
28 transaction in which an insurer sells securities to a business entity  
29 and is obligated to repurchase the sold securities, or equivalent  
30 securities, from the business entity at a specified price, either  
31 within a specified period of time or on demand.

32 **Sec. 119.** "Secured location" means the contiguous real  
33 estate owned by one person.

34 **Sec. 120.** "Securities lending transaction" means a  
35 transaction in which securities are loaned by an insurer to a  
36 business entity that is obligated to return the loaned securities, or  
37 equivalent securities, to the insurer, either within a specified  
38 period of time or upon demand.

39 **Sec. 121.** "Series company" means an investment company  
40 that is organized as a series company, as defined in 17 C.F.R. §  
41 270.18f-2.

42 **Sec. 122.** "Sinking fund stock" means preferred stock that:  
43 1. Is subject to a mandatory sinking fund or similar  
44 arrangement that will provide for the redemption or open market





1 *purchase of the entire issue over a period not greater than 40*  
2 *years after the date of acquisition; and*

3 2. *Provides for mandatory sinking fund installments or open*  
4 *market purchases commencing not more than 10.5 years after the*  
5 *date of issue, with the sinking fund installments providing for the*  
6 *purchase or redemption, on a cumulative basis commencing 10*  
7 *years after the date of issue, of at least 2.5 percent per year of the*  
8 *original number of shares of that issue of preferred stock.*

9 **Sec. 123.** *“Special rated credit instrument” means a rated*  
10 *credit instrument that meets the requirements of section 136 of*  
11 *this act.*

12 **Sec. 124.** *“State” means a state, territory or possession of the*  
13 *United States, the District of Columbia or the Commonwealth of*  
14 *Puerto Rico.*

15 **Sec. 125.** *“Substantially similar securities” means securities*  
16 *that meet all criteria for “substantially similar” specified in the*  
17 *Accounting Practices and Procedures Manual adopted by the*  
18 *NAIC, as amended, and in an amount that constitutes good*  
19 *delivery form as determined from time to time by the Public*  
20 *Securities Administration, or its successor organization.*

21 **Sec. 126.** *“SVO” means the Securities Valuation Office of*  
22 *the NAIC, or any successor office established by the NAIC.*

23 **Sec. 127.** *“Swap” means an agreement to exchange or to net*  
24 *payments at one or more times based on the actual or expected*  
25 *price, level, performance or value of one or more underlying*  
26 *interests.*

27 **Sec. 128.** *“Underlying interest” means the assets, liabilities,*  
28 *other interests or a combination thereof underlying a derivative*  
29 *instrument, including, without limitation, any one or more*  
30 *securities, currencies, rates, indices, commodities or derivative*  
31 *instruments.*

32 **Sec. 129.** *“Unrestricted surplus” means the amount by which*  
33 *total admitted assets exceed 125 percent of the insurer’s required*  
34 *liabilities.*

35 **Sec. 130.** *“Warrant” means an instrument that:*

36 1. *Gives the holder the right to purchase an underlying*  
37 *financial instrument at a given price and time or at a series of*  
38 *prices and times outlined in the warrant agreement; and*

39 2. *Is issued alone or in connection with the sale of other*  
40 *securities, including, without limitation, as part of a merger or*  
41 *recapitalization agreement, or to facilitate the divestiture of the*  
42 *securities of another business entity.*

43 **Sec. 131.** *To qualify as an asset-backed security, a trust or*  
44 *other special purpose bankruptcy-remote business entity must*  
45 *meet the following conditions:*





1       1. *The trust or other business entity is established solely for*  
2 *the purpose of acquiring specific types of assets or rights to cash*  
3 *flows, issuing securities and other instruments representing an*  
4 *interest in or right to receive cash flows from those assets or*  
5 *rights, and engaging in activities required to service the assets or*  
6 *rights and any credit enhancement or support features held by the*  
7 *trust or other business entity; and*

8       2. *The assets of the trust or other business entity consist*  
9 *solely of interest-bearing obligations or other contractual*  
10 *obligations representing the right to receive payment from the*  
11 *cash flows from the assets or rights. The existence of credit*  
12 *enhancements, including, without limitation, letters of credit or*  
13 *guarantees, or support features, including, without limitation,*  
14 *swap agreements, do not cause a security or other instrument to be*  
15 *ineligible as an asset-backed security.*

16       **Sec. 132.** 1. *Control, as defined in section 60 of this act,*  
17 *shall be deemed to exist if a person, directly or indirectly, owns,*  
18 *controls, holds with the power to vote or holds proxies*  
19 *representing 10 percent or more of the voting securities of another*  
20 *person.*

21       2. *A presumption of control may be rebutted by a showing*  
22 *that control does not exist in fact.*

23       3. *The Commissioner may determine, after furnishing all*  
24 *interested persons notice and an opportunity to be heard and*  
25 *making specific findings of fact to support the determination, that*  
26 *control exists in fact, notwithstanding the absence of a*  
27 *presumption to that effect.*

28       **Sec. 133.** 1. *Except as otherwise provided in this section,*  
29 *the counterparty exposure amount is the net amount of credit risk*  
30 *attributable to an over-the-counter derivative instrument. The*  
31 *amount of credit risk equals:*

32       (a) *The market value of the over-the-counter derivative*  
33 *instrument if the liquidation of the derivative instrument would*  
34 *result in a final cash payment to the insurer; or*

35       (b) *Zero, if the liquidation of the derivative instrument would*  
36 *not result in a final cash payment to the insurer.*

37       2. *If over-the-counter derivative instruments are entered into*  
38 *in accordance with a written master agreement which provides for*  
39 *netting of payments owed by the respective parties, and the*  
40 *domiciliary jurisdiction of the counterparty is either within the*  
41 *United States or, if not within the United States, within a foreign*  
42 *jurisdiction listed in the Purposes and Procedures Manual of the*  
43 *SVO as eligible for netting, the net amount of credit risk is the*  
44 *greater of zero or the net sum of:*



1 (a) *The market value of the over-the-counter derivative*  
2 *instruments entered into in accordance with the agreement, the*  
3 *liquidation of which would result in a final cash payment to the*  
4 *insurer; and*

5 (b) *The market value of the over-the-counter derivative*  
6 *instruments entered into in accordance with the agreement, the*  
7 *liquidation of which would result in a cash payment by the insurer*  
8 *to the business entity.*

9 3. *For open transactions, market value must be determined at*  
10 *the end of the most recent quarter of the insurer's fiscal year and*  
11 *must be reduced by the market value of acceptable collateral held*  
12 *by the insurer or placed in escrow by one or both parties.*

13 **Sec. 134.** *To qualify as equivalent securities, the securities*  
14 *must be:*

15 1. *In a securities lending transaction, securities that are*  
16 *identical to the loaned securities in all features including the*  
17 *amount of the loaned securities, except as to certificate number if*  
18 *held in physical form, but if any different security is exchanged for*  
19 *a loaned security by recapitalization, merger, consolidation or*  
20 *other corporate action, the different security shall be deemed to be*  
21 *the loaned security;*

22 2. *In a repurchase transaction, securities that are identical to*  
23 *the purchased securities in all features including the amount of*  
24 *the purchased securities, except as to the certificate number if held*  
25 *in physical form; or*

26 3. *In a reverse repurchase transaction, securities that are*  
27 *identical to the sold securities in all features including the amount*  
28 *of the sold securities, except as to the certificate number if held in*  
29 *physical form.*

30 **Sec. 135.** 1. *An investment shall not be deemed a foreign*  
31 *investment if the issuing person, qualified primary credit source or*  
32 *qualified guarantor is a domestic jurisdiction or a person*  
33 *domiciled in a domestic jurisdiction unless:*

34 (a) *The issuing person is a shell business entity; and*

35 (b) *The investment is not assumed, accepted, guaranteed or*  
36 *insured or otherwise backed by a domestic jurisdiction or a*  
37 *person, that is not a shell business entity, domiciled in a domestic*  
38 *jurisdiction.*

39 2. *For the purposes of this section:*

40 (a) *"Qualified guarantor" means a guarantor against which*  
41 *an insurer has a direct claim for full and timely payment,*  
42 *evidenced by a contractual right for which an enforcement action*  
43 *can be brought in a domestic jurisdiction; and*

44 (b) *"Qualified primary credit source" means the credit source*  
45 *to which an insurer looks for payment as to an investment and*



1 *against which an insurer has a direct claim for full and timely*  
2 *payment, evidenced by a contractual right for which an*  
3 *enforcement action can be brought in a domestic jurisdiction.*

4 (c) *“Shell business entity” means a business entity having no*  
5 *economic substance, except as a vehicle for owning interests in*  
6 *assets issued, owned or previously owned by a person domiciled in*  
7 *a foreign jurisdiction;*

8 **Sec. 136. 1.** *To qualify as a special rated credit instrument*  
9 *the instrument must be:*

10 (a) *An instrument that is structured so that, if it is held until*  
11 *retired by or on behalf of the issuer, its rate of return, based on its*  
12 *purchase cost and any cash flow stream possible in accordance*  
13 *with the structure of the transaction, may become negative*  
14 *because of reasons other than the credit risk associated with the*  
15 *issuer of the instrument. A rated credit instrument is not a special*  
16 *rated credit instrument for the purposes of this section if it is:*

17 (1) *A share in a class one bond mutual fund;*

18 (2) *An instrument, other than an asset-backed security,*  
19 *with payments of par value fixed as to amount and timing, or*  
20 *callable but in any event payable only at par or greater, and*  
21 *interest or dividend cash flows that are based on either a fixed or*  
22 *variable rate determined by reference to a specified rate or index;*

23 (3) *An instrument, other than an asset-backed security, that*  
24 *has a par value and is purchased at a price not more than 110*  
25 *percent of par;*

26 (4) *An instrument, including an asset-backed security,*  
27 *whose rate of return would become negative only as a result of a*  
28 *prepayment due to casualty, condemnation, economic*  
29 *obsolescence of collateral or change of law;*

30 (5) *An asset-backed security that relies on collateral that*  
31 *meets the requirements of subparagraph (2), the par value of*  
32 *which collateral:*

33 (I) *Is not allowed to be paid sooner than one-half of the*  
34 *remaining term to maturity from the date of acquisition;*

35 (II) *Is allowed to be paid before maturity only at a*  
36 *premium sufficient to provide a yield to maturity for the*  
37 *investment, considering the amount prepaid and reinvestment*  
38 *rates at the time of early repayment, at least equal to the yield to*  
39 *maturity of the initial investment; or*

40 (III) *Is allowed to be paid before maturity at a premium*  
41 *at least equal to the yield of a treasury issue of comparable*  
42 *remaining life; or*

43 (6) *An asset-backed security that relies on cash flows from*  
44 *assets that are not prepayable at any time at par, but is not*  
45 *otherwise governed by subparagraph (5), if the asset-backed*



1 security has a par value reflecting principal payments to be  
2 received if held until retired by or on behalf of the issuer and is  
3 purchased at a price not more than 105 percent of such par  
4 amount.

5 (b) An asset-backed security that:

6 (1) Relies on cash flows from assets that are prepayable at  
7 par at any time;

8 (2) Does not make payments of par that are fixed as to  
9 amount and timing; and

10 (3) Has a negative rate of return at the time of acquisition  
11 if a prepayment threshold assumption is used. As used in this  
12 subsection, "prepayment threshold assumption" includes:

13 (I) Two times the prepayment expectation reported by a  
14 recognized, publicly available source as being the median of  
15 expectations contributed by broker dealers or other entities, except  
16 insurers, engaged in the business of selling or evaluating such  
17 securities or assets. The prepayment expectation used in this  
18 calculation is, at the insurer's election, the prepayment  
19 expectation for pass-through securities of the Federal National  
20 Mortgage Association, the Federal Home Loan Mortgage  
21 Corporation or the Government National Mortgage Association,  
22 or, for other assets of the same type as the assets that underlie the  
23 asset-backed security, in either case with a gross weighted average  
24 coupon of the assets that underlie the asset-backed security.

25 (II) Another prepayment threshold assumption specified  
26 by the Commissioner by regulation adopted pursuant to section  
27 158 of this act.

28 2. For the purposes of paragraph (b) of subsection 1, if the  
29 asset-backed security is purchased in combination with one or  
30 more other asset-backed securities that are supported by identical  
31 underlying collateral, the insurer may calculate the rate of return  
32 for these specific combined asset-backed securities in  
33 combination. The insurer shall maintain documentation  
34 demonstrating that such securities were acquired and are  
35 continuing to be held in combination.

36 **Sec. 137.** Subject to the provisions of section 138 of this act,  
37 an insurer shall not acquire or hold an investment as an admitted  
38 asset unless at the time of acquisition the investment is:

39 1. Eligible for the payment or accrual of interest or a  
40 discount, whether in cash or securities, eligible to receive  
41 dividends or other distributions or is otherwise income producing;  
42 or

43 2. Acquired in accordance with sections 168, 170, 176 to 180,  
44 inclusive, 182 to 185, inclusive, 208, 210, 216 to 220, inclusive, or



1 221 and 222 of this act or pursuant to the authority of this title,  
2 other than this chapter.

3 **Sec. 138.** *An insurer may acquire or hold as admitted assets*  
4 *investments that do not otherwise qualify as provided in this*  
5 *chapter if:*

6 1. *The insurer has not acquired them for the purpose of*  
7 *circumventing any limitations contained in this chapter;*

8 2. *The insurer complies with the provisions of sections 154*  
9 *and 157 of this act as to the investments; and*

10 3. *The insurer acquires the investments in the following*  
11 *circumstances:*

12 (a) *As payment on account of existing indebtedness or in*  
13 *connection with the refinancing, restructuring or workout of*  
14 *existing indebtedness, if taken to protect the insurer's interest in*  
15 *that investment;*

16 (b) *As realization on collateral for an obligation;*

17 (c) *In connection with an otherwise qualified investment or*  
18 *investment practice, as interest on, or a dividend or other*  
19 *distribution related to, the investment or investment practice, or in*  
20 *connection with the refinancing of the investment, in each case*  
21 *for no additional or only nominal consideration;*

22 (d) *Under a lawful and bona fide agreement of recapitalization*  
23 *or voluntary or involuntary reorganization in connection with an*  
24 *investment held by the insurer; or*

25 (e) *Under a bulk reinsurance, merger or consolidation*  
26 *transaction approved by the Commissioner if the assets constitute*  
27 *admissible investments for the ceding, merged or consolidated*  
28 *companies.*

29 **Sec. 139.** 1. *An investment, or portion of an investment,*  
30 *acquired by an insurer in accordance with section 138 of this act*  
31 *becomes a nonadmitted asset 3 years, or 5 years in the case of*  
32 *mortgage loans and real estate, after the date of its acquisition,*  
33 *unless within that period the investment has become a qualified*  
34 *investment in accordance with a provision of this chapter, other*  
35 *than section 138 of this act, but an investment acquired in*  
36 *accordance with an agreement of bulk reinsurance, merger or*  
37 *consolidation may be qualified for a longer period if so provided*  
38 *in the plan for reinsurance, merger or consolidation as approved*  
39 *by the Commissioner.*

40 2. *Upon application by the insurer, and a showing that the*  
41 *nonadmission of an asset held in accordance with section 138 of*  
42 *this act would materially injure the interests of the insurer, the*  
43 *Commissioner may extend the period of admissibility for an*  
44 *additional reasonable period of time.*



1     **Sec. 140.** *Except as otherwise provided in sections 141 and*  
2 *143 of this act, an investment shall be deemed to qualify pursuant*  
3 *to this chapter if, on the date the insurer committed to acquire the*  
4 *investment or on the date of its acquisition, it would have qualified*  
5 *pursuant to this chapter. For the purposes of determining*  
6 *limitations contained in this chapter, an insurer shall give*  
7 *appropriate recognition to any commitments to acquire*  
8 *investments.*

9     **Sec. 141.** *1. An investment, held as an admitted asset by an*  
10 *insurer on July 1, 2015, which qualified pursuant to this chapter*  
11 *before July 1, 2015, shall be deemed to remain qualified as an*  
12 *admitted asset pursuant to this chapter.*

13     *2. Each specific transaction constituting an investment*  
14 *practice of the type described in this chapter that was lawfully*  
15 *entered into by an insurer, and was in effect on July 1, 2015, must*  
16 *continue to be allowed in accordance with the provisions of this*  
17 *chapter until its expiration or termination in accordance with its*  
18 *terms.*

19     **Sec. 142.** *Unless otherwise specified, an investment*  
20 *limitation computed on the basis of an insurer's admitted assets or*  
21 *capital and surplus shall relate to the amount required to be*  
22 *shown on the statutory balance sheet of the insurer most recently*  
23 *required to be filed with the Commissioner. For purposes of*  
24 *computing any limitation based on admitted assets, the insurer*  
25 *shall deduct from the amount of its admitted assets the amount of*  
26 *the liability recorded on its statutory balance sheet for:*

27     *1. The return of acceptable collateral received in a reverse*  
28 *repurchase transaction or a securities lending transaction;*

29     *2. Cash received in a dollar roll transaction; and*

30     *3. The amount reported as borrowed money in the most*  
31 *recently filed financial statement to the extent not included in*  
32 *subsections 1 and 2.*

33     **Sec. 143.** *An investment qualified, in whole or in part, for*  
34 *acquisition or holding as an admitted asset may be qualified or*  
35 *prequalified at the time of acquisition or a later date, in whole or*  
36 *in part, in accordance with any section of this chapter if the*  
37 *relevant conditions contained in that section are satisfied at the*  
38 *time of qualification or requalification.*

39     **Sec. 144.** *An insurer shall maintain documentation*  
40 *demonstrating that investments were acquired in accordance with*  
41 *the provisions of this chapter, and specifying the section of this*  
42 *chapter pursuant to which they were acquired.*

43     **Sec. 145.** *An insurer shall not enter into an agreement to*  
44 *purchase securities in advance of their issuance for resale to the*  
45 *public as part of a distribution of the securities by the issuer, or*



1 *otherwise guarantee the distribution, except that an insurer may*  
2 *acquire privately placed securities with registration rights.*

3 **Sec. 146.** *Notwithstanding the provisions of this chapter, the*  
4 *Commissioner, for good cause, may, in accordance with the*  
5 *provisions of chapter 233B of NRS, order an insurer to nonadmit,*  
6 *limit, dispose of, withdraw from or discontinue an investment or*  
7 *investment practice. The authority of the Commissioner pursuant*  
8 *to this section is in addition to any other authority of the*  
9 *Commissioner.*

10 **Sec. 147.** *Insurance futures and insurance future options are*  
11 *not considered investments or investment practices for the*  
12 *purposes of this chapter.*

13 **Sec. 148.** *An insurer's board of directors shall adopt a*  
14 *written plan for acquiring and holding investments and for*  
15 *engaging in investment practices that specifies guidelines as to the*  
16 *quality, maturity and diversification of investments and other*  
17 *specifications, including, without limitation, investment strategies*  
18 *intended to ensure that the investments and investment practices*  
19 *are appropriate for the business conducted by the insurer, its*  
20 *liquidity needs and its capital and surplus. The board of directors*  
21 *shall review and assess the insurer's technical investment and*  
22 *administrative capabilities and expertise before adopting a written*  
23 *plan concerning an investment strategy or practice.*

24 **Sec. 149.** *Investments acquired and held pursuant to this*  
25 *chapter must be acquired and held under the supervision and*  
26 *direction of the board of directors of the insurer. The board of*  
27 *directors shall evidence by formal resolution, at least annually,*  
28 *that it has determined whether all investments have been made in*  
29 *accordance with delegations, standards, limitations and*  
30 *investment objectives prescribed by the board or a committee of*  
31 *the board charged with the responsibility to direct the insurer's*  
32 *investments.*

33 **Sec. 150.** *On no less than a quarterly basis, and more often if*  
34 *deemed appropriate, an insurer's board of directors or a*  
35 *committee of the board shall:*

36 1. *Receive and review a summary report on the insurer's*  
37 *investment portfolio, its investment activities and practices*  
38 *engaged in pursuant to delegated authority, in order to determine*  
39 *whether the investment activity or practice of the insurer is*  
40 *consistent with its written plan; and*

41 2. *Review and revise, as appropriate, the written plan.*

42 **Sec. 151.** *In discharging its duties pursuant to sections 148*  
43 *to 153, inclusive, of this act, the board of directors shall require*  
44 *that the records of any authorizations or approvals, other*  
45 *documentation as the board may require and reports of any action*





1 *taken pursuant to authority delegated in accordance with the*  
2 *written plan referred to in section 148 of this act be made available*  
3 *on a regular basis to the board of directors.*

4 **Sec. 152.** *In discharging its duties pursuant to sections 148*  
5 *to 153, inclusive, of this act, the board of directors of an insurer*  
6 *shall perform its duties in good faith and with that degree of care*  
7 *that ordinarily prudent individuals in like positions would use*  
8 *under similar circumstances.*

9 **Sec. 153.** *If an insurer does not have a board of directors, all*  
10 *references to the board of directors in this chapter shall be deemed*  
11 *to be references to the governing body of the insurer having*  
12 *authority equivalent to that of a board of directors.*

13 **Sec. 154.** 1. *An insurer shall not, directly or indirectly:*

14 (a) *Invest in an obligation or security, or make a guarantee for*  
15 *the benefit of or in favor of an officer or director of the insurer,*  
16 *except as provided in sections 155 and 156 of this act;*

17 (b) *Invest in an obligation or security, make a guarantee for*  
18 *the benefits of or in favor of, or make other investments in a*  
19 *business entity of which 10 percent or more of the voting securities*  
20 *or equity interests are owned directly or indirectly by, or for the*  
21 *benefit of, one or more officers or directors of the insurer, except*  
22 *as authorized in chapter 692C of NRS or provided in sections 155*  
23 *and 156 of this act;*

24 (c) *Engage on its own behalf, or through one or more*  
25 *affiliates, in a transaction or series of transactions designed to*  
26 *evade the prohibitions of this chapter;*

27 (d) *Invest in a partnership as a general partner, except that an*  
28 *insurer may make an investment as a general partner:*

29 (1) *If all other partners are subsidiaries of the insurer;*

30 (2) *For the purpose of:*

31 (I) *Meeting cash calls committed to before July 1, 2015;*

32 (II) *Completing those specific projects or activities of the*  
33 *partnership in which the insurer was a general partner on July 1,*  
34 *2015, that had been undertaken as of that date; or*

35 (III) *Making capital improvements to property owned by*  
36 *the partnership on July 1, 2015, if the insurer was a general*  
37 *partner as of that date; or*

38 (3) *Pursuant to section 138 of this act; or*

39 (e) *Invest in or lend its funds upon the security of shares of its*  
40 *own stock, except that an insurer may acquire shares of its own*  
41 *stock for the following purposes:*

42 (1) *Conversion of a stock insurer into a mutual or*  
43 *reciprocal insurer or a mutual or reciprocal insurer into a stock*  
44 *insurer;*





1           (2) *Issuance to the insurer's officers, employees or agents*  
2 *in connection with a plan approved by the Commissioner for*  
3 *converting a publicly held insurer into a privately held insurer*  
4 *pursuant to NRS 693A.400 to 693A.540, inclusive, or in*  
5 *connection with other stock option and employee benefit plans; or*

6           (3) *In accordance with any other plan approved by the*  
7 *Commissioner.*

8           2. *Nothing contained in paragraph (d) of subsection 1 shall*  
9 *be construed to prohibit a subsidiary or other affiliate of the*  
10 *insurer from becoming a general partner.*

11           3. *Any investment or loan made by an insurer in accordance*  
12 *with the provisions of paragraph (e) of subsection 1 must not be*  
13 *an admitted asset of the insurer.*

14           **Sec. 155.** 1. *Except as otherwise provided in section 156 of*  
15 *this act, an insurer shall not, without the prior written approval of*  
16 *the Commissioner, directly or indirectly:*

17           (a) *Make a loan to, or another investment in, an officer or*  
18 *director of the insurer, or a person in which the officer or director*  
19 *has any direct or indirect financial interest;*

20           (b) *Make a guarantee for the benefit of, or in favor of, an*  
21 *officer or director of the insurer, or a person in which the officer*  
22 *or director has any direct or indirect financial interest; or*

23           (c) *Enter into an agreement for the purchase or sale of*  
24 *property from or to an officer or director of the insurer, or a*  
25 *person in which the officer or director has any direct or indirect*  
26 *financial interest.*

27           2. *For the purposes of this section, an officer or director shall*  
28 *not be deemed to have a financial interest by reason of an interest*  
29 *that is held directly or indirectly through the ownership of equity*  
30 *interests representing less than 2 percent of all outstanding equity*  
31 *interests issued by a person that is a party to the transaction, or*  
32 *solely by reason of that individual's position as a director or*  
33 *officer of a person that is a party to the transaction.*

34           3. *This section does not allow an investment that is prohibited*  
35 *by section 154 of this act.*

36           4. *This section does not apply to a transaction between an*  
37 *insurer and any of its subsidiaries or affiliates that is entered into*  
38 *in compliance with the provisions of chapter 692C of NRS, other*  
39 *than a transaction between an insurer and its officer or director.*

40           **Sec. 156.** *An insurer may, without the prior written approval*  
41 *of the Commissioner, make:*

42           1. *Policy loans in accordance with the terms of the policy or*  
43 *contract and section 189 of this act;*

44           2. *Advances to officers or directors for expenses reasonably*  
45 *expected to be incurred in the ordinary course of the insurer's*



1 *business or guarantees associated with credit or charge cards*  
2 *issued, or credit extended, for the purpose of financing these*  
3 *expenses;*

4 3. *Loans secured by the principal residence of an existing or*  
5 *new officer of the insurer made in connection with the officer's*  
6 *relocation at the insurer's request, if the loans comply with the*  
7 *requirements of sections 174 to 177, inclusive, or 214 to 217,*  
8 *inclusive, of this act and the terms and conditions otherwise are*  
9 *the same as those generally available from unaffiliated third*  
10 *parties;*

11 4. *Secured loans to an existing or new officer of the insurer*  
12 *made in connection with the officer's relocation at the insurer's*  
13 *request, if the loans:*

14 (a) *Do not have a term exceeding 2 years;*

15 (b) *Are required to finance mortgage loans outstanding at the*  
16 *same time on the prior and new residences of the officer;*

17 (c) *Do not exceed an amount equal to the equity of the officer*  
18 *in the prior residence; and*

19 (d) *Are required to be fully repaid upon the earlier of the end*  
20 *of the 2-year period or the sale of the prior residence; or*

21 5. *Loans and advances to officers or directors made in*  
22 *compliance with state or federal law specifically related to the*  
23 *loans and advances by a regulated noninsurance subsidiary or*  
24 *affiliate of the insurer in the ordinary course of business and on*  
25 *terms not more favorable than available to other customers of the*  
26 *entity.*

27 **Sec. 157.** *For the purposes of this chapter, the value or*  
28 *amount of an investment acquired or held, or an investment*  
29 *practice engaged in, pursuant to this chapter, unless otherwise*  
30 *specified in this title, is the value at which assets of an insurer are*  
31 *required to be reported for statutory accounting purposes as*  
32 *determined in accordance with procedures prescribed in published*  
33 *accounting and valuation standards of the NAIC, including,*  
34 *without limitation, the Purposes and Procedures Manual of the*  
35 *SVO and the Valuation of Securities Manual, the Accounting*  
36 *Practices and Procedures Manual, the Annual Statement*  
37 *Instructions or any successor valuation procedures officially*  
38 *adopted by the NAIC.*

39 **Sec. 158.** *The Commissioner may, pursuant to chapter 233B*  
40 *of NRS, adopt regulations to carry out the provisions of this*  
41 *chapter.*

42 **Sec. 159.** *Sections 159 to 193, inclusive, of this act apply to*  
43 *the investments and investment practices of life and health*  
44 *insurers.*



1     **Sec. 160.** 1. *Except as otherwise specified in this chapter,*  
2 *an insurer shall not acquire, directly or indirectly through an*  
3 *investment subsidiary, an investment in accordance with the*  
4 *provisions of this chapter if, as a result of and after giving effect to*  
5 *the investment, the insurer would hold more than 3 percent of its*  
6 *admitted assets in investments of all kinds issued, assumed,*  
7 *accepted, insured or guaranteed by a single person, or 5 percent of*  
8 *its admitted assets in investments in the voting securities of a*  
9 *depository institution or any company that controls the institution.*

10     2. *The limitations in subsection 1 do not apply to the*  
11 *aggregate amounts insured by a single financial guaranty insurer*  
12 *with the highest generic rating issued by a nationally recognized*  
13 *statistical rating organization.*

14     3. *Asset-backed securities are not subject to the limitations in*  
15 *subsection 1. However, an insurer shall not acquire an asset-*  
16 *backed security if, as a result of and after giving effect to the*  
17 *investment, the aggregate amount of asset-backed securities*  
18 *secured by, or evidencing an interest in, a single asset or single*  
19 *pool of assets held by a trust or other business entity held by the*  
20 *insurer would exceed 3 percent of its admitted assets.*

21     **Sec. 161.** 1. *An insurer shall not acquire, directly or*  
22 *indirectly through an investment subsidiary, an investment in*  
23 *accordance with the provisions of sections 163, 169 to 173,*  
24 *inclusive, or 179 to 183, inclusive, of this act, or counterparty*  
25 *exposure in accordance with the provisions of section 187 of this*  
26 *act if, as a result of and after giving effect to the investment:*

27     (a) *The aggregate amount of medium and lower grade*  
28 *investments held by the insurer would exceed 20 percent of its*  
29 *admitted assets;*

30     (b) *The aggregate amount of lower grade investments held by*  
31 *the insurer would exceed 10 percent of its admitted assets;*

32     (c) *The aggregate amount of investments rated 5 or 6 by the*  
33 *SVO held by the insurer would exceed 3 percent of its admitted*  
34 *assets;*

35     (d) *The aggregate amount of investments rated 6 by the SVO*  
36 *held by the insurer would exceed 1 percent of its admitted assets;*

37     (e) *The aggregate amount of medium and lower grade*  
38 *investments held by the insurer that receive as cash income less*  
39 *than the equivalent yield for United States Treasury issues with a*  
40 *comparative average life, would exceed 1 percent of its admitted*  
41 *assets;*

42     (f) *The aggregate amount of medium and lower grade*  
43 *investments issued, assumed, guaranteed, accepted or insured by*  
44 *any one person or, as to asset-backed securities secured by or*



1 *evidencing an interest in a single asset or pool of assets, held by*  
2 *the insurer would exceed 1 percent of its admitted assets; or*

3 (g) *The aggregate amount of lower grade investments issued,*  
4 *assumed, guaranteed, accepted or insured by any one person or,*  
5 *as to asset-backed securities secured by or evidencing an interest*  
6 *in a single asset or pool of assets, held by the insurer would exceed*  
7 *0.5 percent of its admitted assets.*

8 2. *If an insurer attains or exceeds the limit of any one rating*  
9 *category referred to in this section, the insurer is not precluded*  
10 *from acquiring investments in other rating categories subject to*  
11 *the specific and multicategory limits applicable to those*  
12 *investments.*

13 **Sec. 162.** 1. *An insurer shall not acquire, directly or*  
14 *indirectly through an investment subsidiary, a Canadian*  
15 *investment authorized by the provisions of this chapter if, as a*  
16 *result of and after giving effect to the investment, the aggregate*  
17 *amount of these investments held by the insurer would exceed 40*  
18 *percent of its admitted assets, or if the aggregate amount of*  
19 *Canadian investments not acquired in accordance with the*  
20 *provisions of paragraph (c) or (d) of subsection 2 of section 163 of*  
21 *this act held by the insurer would exceed 25 percent of its admitted*  
22 *assets.*

23 2. *As to an insurer that is authorized to do business in*  
24 *Canada or that has outstanding insurance, annuity or reinsurance*  
25 *contracts on lives or risks resident or located in Canada and*  
26 *denominated in Canadian currency, the limitations in subsection 1*  
27 *must be increased by the greater of:*

28 (a) *The amount the insurer is required by Canadian law to*  
29 *invest in Canada or to be denominated in Canadian currency; or*

30 (b) *An amount not to exceed 115 percent of the amount of its*  
31 *reserves and other obligations under contracts on lives or risks*  
32 *resident or located in Canada.*

33 **Sec. 163.** 1. *Subject to the limitations of section 161 of this*  
34 *act, but not to the limitations of section 160 of this act, an insurer*  
35 *may acquire rated credit instruments issued, assumed, guaranteed*  
36 *or insured by:*

37 (a) *The United States;*

38 (b) *A government-sponsored enterprise of the United States, if*  
39 *the instruments of the government-sponsored enterprise are*  
40 *assumed, guaranteed or insured by the United States or are*  
41 *otherwise backed or supported by the full faith and credit of the*  
42 *United States;*

43 (c) *Canada; or*

44 (d) *A government-sponsored enterprise of Canada, if the*  
45 *instruments of the government-sponsored enterprise are assumed,*



1 *guaranteed or insured by Canada or are otherwise backed or*  
2 *supported by the full faith and credit of Canada.*

3 2. *An insurer shall not acquire an instrument in accordance*  
4 *with paragraph (c) or (d) of subsection 1 if, as a result of and after*  
5 *giving effect to the investment, the aggregate amount of*  
6 *investments held by the insurer in accordance with paragraph (c)*  
7 *or (d) of subsection 1 would exceed 40 percent of its admitted*  
8 *assets.*

9 3. *Subject to the limitations of section 161 of this act, but not*  
10 *to the limitations of section 160 of this act, an insurer may acquire*  
11 *credit rated instruments, excluding asset-backed securities:*

12 (a) *Issued by a government money market mutual fund, a class*  
13 *one money market mutual fund or a class one bond mutual fund;*

14 (b) *Issued, assumed, guaranteed or insured by a government-*  
15 *sponsored enterprise of the United States other than those eligible*  
16 *under subsection 1;*

17 (c) *Issued, assumed, guaranteed or insured by a state, if the*  
18 *instruments are general obligations of the state; or*

19 (d) *Issued by a multilateral development bank.*

20 4. *An insurer shall not acquire an instrument of any one*  
21 *fund, any one enterprise or entity or any one state as described in*  
22 *subsection 3 if, as a result of and after giving effect to the*  
23 *investment, the aggregate amount of investments held in any one*  
24 *fund, enterprise or entity, or state would exceed 10 percent of the*  
25 *insurer's admitted assets.*

26 5. *Subject to the limitations of sections 160, 161 and 162 of*  
27 *this act, an insurer may acquire preferred stocks that are not*  
28 *foreign investments and which meet the requirements of rated*  
29 *credit instruments if, as a result of and after giving effect to the*  
30 *investment:*

31 (a) *The aggregate amount of preferred stocks held by the*  
32 *insurer in accordance with this section does not exceed 20 percent*  
33 *of the insurer's admitted assets; and*

34 (b) *The aggregate amount of preferred stocks held by the*  
35 *insurer in accordance with this section which are not sinking fund*  
36 *stocks or rated P1 or P2 by the SVO does not exceed 10 percent of*  
37 *the insurer's admitted assets.*

38 6. *Subject to the limitations of sections 160, 161 and 162 of*  
39 *this act, in addition to those investments eligible pursuant to*  
40 *subsections 1 to 5, inclusive, an insurer may acquire rated credit*  
41 *instruments that are not foreign investments.*

42 7. *An insurer shall not acquire special rated credit*  
43 *instruments as described in this section if, as a result of and after*  
44 *giving effect to the investment, the aggregate amount of special*



1 *rated credit instruments held by the insurer would exceed 5*  
2 *percent of the insurer's admitted assets.*

3 **Sec. 164.** 1. *An insurer may acquire investments in*  
4 *investment pools that invest only in:*

5 (a) *Obligations with an SVO rating of 1 or 2, or the equivalent*  
6 *of an SVO rating of 1 or 2 by a nationally recognized statistical*  
7 *rating organization recognized by the SVO, or, in the absence of*  
8 *an equivalent rating, the issuer has outstanding obligations with*  
9 *the equivalent of an SVO rating of 1 or 2, or an equivalent rating,*  
10 *and have:*

11 (1) *A remaining maturity of 397 days or less or a put option*  
12 *that entitles the holder to receive the principal amount of the*  
13 *obligation with the ability to exercise the put option through*  
14 *maturity at specified intervals not exceeding 397 days; or*

15 (2) *A remaining maturity less than or equal to 3 years and*  
16 *a floating interest rate that resets not less frequently than*  
17 *quarterly on the basis of a current short-term index and is not*  
18 *subject to a maximum limit, if the obligations do not have an*  
19 *interest rate that varies inversely to market interest rate changes.*  
20 *For the purposes of this subparagraph, qualifying short-term*  
21 *indexes include, without limitation, the federal funds rate, prime*  
22 *rate, treasury bills rates, the London Interbank Offered Rate or*  
23 *commercial paper rates.*

24 (b) *Government money market mutual funds or class one*  
25 *money market mutual funds.*

26 (c) *Securities lending, repurchase and reverse repurchase*  
27 *transactions that meet all the requirements of section 178 of this*  
28 *act, except the quantitative limitations of subsection 4 of section*  
29 *178 of this act.*

30 (d) *Investments which an insurer may acquire pursuant to this*  
31 *chapter if the insurer's proportionate interest in the amount*  
32 *invested in these investments does not exceed the applicable limits*  
33 *of this chapter.*

34 2. *For an investment in an investment pool to be qualified*  
35 *pursuant to this chapter, the investment pool must not:*

36 (a) *Acquire securities issued, assumed, guaranteed or insured*  
37 *by the insurer or an affiliate of the insurer;*

38 (b) *Borrow or incur any indebtedness for borrowed money,*  
39 *except for securities lending and reverse repurchase transactions*  
40 *that meet the requirements of section 178 of this act, except the*  
41 *quantitative limitations of subsection 4 of section 178 of this act;*  
42 *or*

43 (c) *Permit the aggregate value of securities loaned or sold to,*  
44 *purchased from or invested in any one business entity in*



1 *accordance with this section to exceed 10 percent of the total*  
2 *assets of the investment pool.*

3 *3. The limitations of section 160 of this act do not apply to an*  
4 *insurer's investment in an investment pool, however an insurer*  
5 *shall not acquire an investment in an investment pool in*  
6 *accordance with this section if, as a result of and after giving*  
7 *effect to the investment, the aggregate amount of investments held*  
8 *by the insurer in accordance with this section:*

9 *(a) In any one investment pool would exceed 10 percent of its*  
10 *admitted assets;*

11 *(b) In all investment pools investing in investments permitted*  
12 *in accordance with paragraph (d) of subsection 1 would exceed 25*  
13 *percent of its admitted assets; or*

14 *(c) In all investment pools would exceed 35 percent of its*  
15 *admitted assets.*

16 *4. For an investment in an investment pool to be qualified*  
17 *pursuant to this chapter, the manager of the investment pool must:*

18 *(a) Be organized in accordance with the laws of the United*  
19 *States or a state and designated as the pool manager in a pooling*  
20 *agreement;*

21 *(b) Be the insurer, an affiliated insurer or a business entity*  
22 *affiliated with the insurer, a qualified bank, a business entity*  
23 *registered in accordance with the provisions of the Investment*  
24 *Advisers Act of 1940, 15 U.S.C. §§ 80a-1 et seq., as amended, or,*  
25 *in the case of a reciprocal insurer or interinsurance exchange, its*  
26 *attorney-in-fact, or in the case of a United States branch of an*  
27 *alien insurer, its United States manager or affiliates or*  
28 *subsidiaries of its United States manager;*

29 *(c) Compile and maintain detailed accounting records setting*  
30 *forth:*

31 *(1) The cash receipts and disbursements reflecting each*  
32 *participant's proportionate investments in the investment pool;*

33 *(2) A complete description of all underlying assets of the*  
34 *investment pool, including, without limitation, amount, interest*  
35 *rate, maturity date, if any, and other appropriate designations; and*

36 *(3) Other records which, on a daily basis, allow third*  
37 *parties to verify each participant's investment in the investment*  
38 *pool; and*

39 *(d) Maintain the assets of the investment pool in one or more*  
40 *accounts, in the name of or on behalf of the investment pool, in*  
41 *accordance with a custody agreement with a qualified bank. The*  
42 *custody agreement must:*

43 *(1) State and recognize the claims and rights of each*  
44 *participant;*





1           (2) Acknowledge that the underlying assets of the  
2 investment pool are held solely for the benefit of each participant  
3 in proportion to the aggregate amount of its investments in the  
4 investment pool; and

5           (3) Contain an agreement that the underlying assets of the  
6 investment pool must not be commingled with the general assets of  
7 the custodian qualified bank or any other person.

8           5. The pooling agreement for each investment pool must be  
9 in writing and must provide that:

10          (a) An insurer and its affiliated insurers or, in the case of an  
11 investment pool investing solely in investments allowed in  
12 accordance with paragraph (a) of subsection 1, the insurer and its  
13 subsidiaries, affiliates or any pension or profit-sharing plan of the  
14 insurer, its subsidiaries and affiliates or, in the case of a United  
15 States branch of an alien insurer, affiliates or subsidiaries of its  
16 United States manager, shall at all times hold 100 percent of the  
17 interests in the investment pool.

18          (b) The underlying assets of the investment pool must not be  
19 commingled with the general assets of the pool manager or any  
20 other person.

21          (c) In proportion to the aggregate amount of each pool  
22 participant's interest in the investment pool:

23               (1) Each participant owns an undivided interest in the  
24 underlying assets of the investment pool; and

25               (2) The underlying assets of the investment pool are held  
26 solely for the benefit of each participant.

27          (d) A participant, or in the event of the participant's  
28 insolvency, bankruptcy or receivership, its trustee, receiver or  
29 other successor-in-interest, may withdraw all or any portion of its  
30 investment from the investment pool in accordance with the terms  
31 of the pooling agreement.

32          (e) Withdrawals may be made on demand without penalty or  
33 other assessment on any business day, but settlements of funds  
34 must occur within a reasonable and customary period thereafter  
35 not to exceed 5 business days. Distributions in accordance with  
36 this paragraph must be calculated in each case net of all  
37 applicable fees and expenses of the investment pool. The pooling  
38 agreement must provide that the pool manager shall distribute to a  
39 participant, at the discretion of the pool manager:

40               (1) In cash, the then fair market value of the participant's  
41 pro rata share of each underlying asset of the investment pool;

42               (2) In kind, a pro rata share of each underlying asset; or

43               (3) In a combination of cash and in-kind distributions, a  
44 pro rata share in each underlying asset.





1 (f) *The pool manager shall make the records of the investment*  
2 *pool available for inspection by the Commissioner.*

3 **Sec. 165.** *Subject to the limitations of sections 160, 161 and*  
4 *162 of this act, an insurer may acquire equity interests in business*  
5 *entities organized in accordance with the laws of any domestic*  
6 *jurisdiction.*

7 **Sec. 166.** *An insurer shall not acquire an investment in*  
8 *accordance with the provisions of sections 165 to 168, inclusive, of*  
9 *this act if, as a result of and after giving effect to the investment,*  
10 *the aggregate amount of investments held by the insurer in*  
11 *accordance with those sections would exceed 20 percent of the*  
12 *insurer's admitted assets, or the amount of equity interests held by*  
13 *the insurer that are not listed on a qualified exchange would*  
14 *exceed 5 percent of the insurer's admitted assets. An accident and*  
15 *health insurer is not subject to the provisions of sections 165 to*  
16 *168, inclusive, of this act, but is subject to the same aggregate*  
17 *limitation on equity interests as a property and casualty insurer in*  
18 *accordance with the provisions of sections 195 to 199, inclusive,*  
19 *and 205 to 208, inclusive, of this act.*

20 **Sec. 167.** *An insurer shall not acquire in accordance with*  
21 *the provisions of sections 165 to 168, inclusive, of this act any*  
22 *investments that the insurer may acquire in accordance with the*  
23 *provisions of sections 174 to 177, inclusive, of this act.*

24 **Sec. 168.** *An insurer shall not short sell equity investments*  
25 *unless the insurer covers the short sale by owning the equity*  
26 *investment or an unrestricted right to the equity investment*  
27 *exercisable within 6 months after the short sale.*

28 **Sec. 169.** 1. *Subject to the limitations of sections 160, 161*  
29 *and 162 of this act, an insurer may acquire tangible personal*  
30 *property or equity interests therein located or used wholly or in*  
31 *part within a domestic jurisdiction either directly or indirectly*  
32 *through limited partnership interests and general partnership*  
33 *interests not otherwise prohibited by paragraph (d) of subsection 1*  
34 *of section 154 of this act, joint ventures, stock of an investment*  
35 *subsidiary or membership interests in a limited-liability company,*  
36 *trust certificates or other similar instruments.*

37 2. *Investments acquired as described in subsection 1 are*  
38 *eligible only if:*

39 (a) *The property is subject to a lease or other agreement with a*  
40 *person whose rated credit instruments in the amount of the*  
41 *purchase price of the personal property the insurer could acquire*  
42 *in accordance with the provisions of section 163 of this act; and*

43 (b) *The lease or other agreement provides the insurer the right*  
44 *to receive rental, purchase or other fixed payments for the use or*  
45 *purchase of the property, and the aggregate value of the payments,*



1 together with the estimated residual value of the property at the  
2 end of its useful life and the estimated tax benefits to the insurer  
3 resulting from ownership of the property, must be adequate to  
4 return the cost of the insurer's investment in the property, plus a  
5 return deemed adequate by the insurer.

6 **Sec. 170.** The insurer shall compute the amount of each  
7 investment acquired in accordance with the provisions of sections  
8 169 to 173, inclusive, of this act on the basis of the out-of-pocket  
9 purchase price and applicable related expenses paid by the insurer  
10 for the investment, net of each borrowing made to finance the  
11 purchase price and expenses, to the extent the borrowing is  
12 without recourse to the insurer.

13 **Sec. 171.** An insurer shall not acquire an investment in  
14 accordance with the provisions of sections 169 to 173, inclusive, of  
15 this act if, as a result of and after giving effect to the investment,  
16 the aggregate amount of all investments held by the insurer in  
17 accordance with the provisions of sections 169 to 173, inclusive, of  
18 this act would exceed:

19 1. Two percent of its admitted assets; or

20 2. One half of one percent of its admitted assets as to any  
21 single item of tangible personal property.

22 **Sec. 172.** For the purposes of determining compliance with  
23 the limitations of sections 160, 161 and 162 of this act, investments  
24 acquired by an insurer in accordance with the provisions of  
25 sections 169 to 173, inclusive, of this act must be aggregated with  
26 those acquired in accordance with the provisions of section 163 of  
27 this act, and each lessee of the property under a lease referred to  
28 in sections 169 to 173, inclusive, of this act shall be deemed the  
29 issuer of an obligation in the amount of the investment of the  
30 insurer in the property determined as provided in section 170 of  
31 this act.

32 **Sec. 173.** Nothing in sections 169 to 173, inclusive, of this act  
33 applies to tangible personal property lease arrangements between  
34 an insurer and its subsidiaries and affiliates in accordance with a  
35 cost-sharing arrangement or agreement permitted in accordance  
36 with the provisions of chapter 692C of NRS.

37 **Sec. 174.** 1. Subject to the limitations of sections 160, 161  
38 and 162 of this act, an insurer may acquire, either directly or  
39 indirectly through limited partnership interests and general  
40 partnership interests not otherwise prohibited by paragraph (d) of  
41 subsection 1 of section 154 of this act, joint ventures, stock of an  
42 investment subsidiary or membership interests in a limited-liability  
43 company, trust certificates or other similar instruments,  
44 obligations secured by mortgages on real estate situated within a  
45 domestic jurisdiction.



1       2. A mortgage loan which is secured by other than a first lien  
2 must not be acquired unless the insurer is the holder of the first  
3 lien.

4       3. The obligations held by the insurer and any obligations  
5 with an equal lien priority shall not, at the time of acquisition of  
6 the obligation, exceed:

7       (a) Ninety percent of the fair market value of the real estate, if  
8 the mortgage loan is secured by a purchase money mortgage or  
9 like security received by the insurer upon disposition of the real  
10 estate.

11       (b) Eighty percent of the fair market value of the real estate, if  
12 the mortgage loan requires immediate scheduled payment in  
13 periodic installments of principal and interest, has an amortization  
14 period of not more than 30 years and periodic payments made not  
15 less frequently than annually. Each periodic payment must be  
16 sufficient to ensure that at all times the outstanding principal  
17 balance of the mortgage loan is not greater than the outstanding  
18 principal balance that would be outstanding under a mortgage  
19 loan with the same original principal balance, with the same  
20 interest rate and requiring equal payments of principal and  
21 interest with the same frequency over the same amortization  
22 period. Mortgage loans allowed in accordance with this section  
23 are allowed notwithstanding the fact that they provide for a  
24 payment of the principal balance before the end of the period of  
25 amortization of the loan. For residential mortgage loans, the 80-  
26 percent limitation may be increased to 97 percent if acceptable  
27 private mortgage insurance has been obtained.

28       (c) Seventy-five percent of the fair market values of the real  
29 estate for mortgage loans that do not meet the requirements of  
30 paragraph (a) or (b).

31       4. For purposes of subsections 1, 2 and 3, the amount of an  
32 obligation required to be included in the calculation of the loan-  
33 to-value ratio may be reduced to the extent the obligation is  
34 insured by the Federal Housing Administration or guaranteed by  
35 the Administrator of Veterans Affairs, or their successors.

36       5. A mortgage loan that is held by an insurer pursuant to  
37 section 141 of this act or acquired in accordance with the  
38 provisions of sections 174 to 177, inclusive, of this act, and is  
39 restructured in a manner that meets the requirements of a  
40 restructured mortgage loan in conformance with the Accounting  
41 Practices and Procedures Manual adopted by the NAIC will  
42 continue to qualify as a mortgage loan in accordance with the  
43 provisions of this chapter.

44       6. Subject to the limitations of sections 160, 161 and 162 of  
45 this act, credit lease transactions that do not qualify for investment



1 *pursuant to section 163 of this act are exempt from the provisions*  
2 *of subsections 1, 2 and 3 if they meet the following criteria:*

3 (a) *The loan amortizes over the initial fixed lease term at least*  
4 *in an amount sufficient so that the loan balance at the end of the*  
5 *lease term does not exceed the original appraised value of the real*  
6 *estate;*

7 (b) *The lease payments cover or exceed the total debt service*  
8 *over the life of the loan;*

9 (c) *A tenant or its affiliated entity whose rated credit*  
10 *instruments have an SVO rating of 1 or 2, or a comparable rating*  
11 *from a nationally recognized statistical rating organization*  
12 *recognized by the SVO, has a full faith and credit obligation to*  
13 *make the lease payments;*

14 (d) *The insurer holds or is the beneficial holder of a first lien*  
15 *mortgage on the real estate;*

16 (e) *The expenses of the real estate are passed through to the*  
17 *tenant, excluding exterior, structural, parking and heating,*  
18 *ventilation and air conditioning replacement expenses, unless*  
19 *annual escrow contributions, from cash flows derived from the*  
20 *lease payments, cover the expense shortfall; and*

21 (f) *There is a perfected assignment of the rents due pursuant*  
22 *to the lease to, or for the benefit of, the insurer.*

23 **Sec. 175.** 1. *An insurer may acquire, manage and dispose*  
24 *of real estate situated in a domestic jurisdiction either directly or*  
25 *indirectly through limited partnership interests and general*  
26 *partnership interests not otherwise prohibited by paragraph (d) of*  
27 *subsection 1 of section 154 of this act, joint ventures, stock of an*  
28 *investment subsidiary or membership interests in a limited-liability*  
29 *company, trust certificates or other similar instruments. The real*  
30 *estate must be income producing or intended for improvement or*  
31 *development for investment purposes under an existing program,*  
32 *in which case the real estate shall be deemed to be income*  
33 *producing.*

34 2. *The real estate may be subject to mortgages, liens or other*  
35 *encumbrances, the amount of which must, to the extent that the*  
36 *obligations secured by the mortgages, liens or encumbrances are*  
37 *without recourse to the insurer, be deducted from the amount of*  
38 *the investment of the insurer in the real estate for purposes of*  
39 *determining compliance with subsections 2 and 3 of section 177*  
40 *of this act.*

41 **Sec. 176.** 1. *An insurer may acquire, manage and dispose*  
42 *of real estate for the convenient accommodation of the insurer's,*  
43 *and its affiliates, business operations, including home office,*  
44 *branch office and filed office operations.*



1       2. *Real estate acquired as described in this section may*  
2 *include excess space for rent to others, if the excess space, valued*  
3 *at its fair market value, would otherwise be an allowed investment*  
4 *in accordance with the provisions of section 175 of this act and is*  
5 *so qualified by the insurer.*

6       3. *The real estate acquired as described in this section may be*  
7 *subject to one or more mortgages, liens or other encumbrances,*  
8 *the amount of which must, to the extent that the obligations*  
9 *secured by the mortgages, liens or encumbrances are without*  
10 *recourse to the insurer, be deducted from the amount of the*  
11 *investment of the insurer in the real estate for purposes of*  
12 *determining compliance with subsection 4 of section 177 of this*  
13 *act.*

14       4. *For the purposes of this section, business operations must*  
15 *not include that portion of real estate used for the direct provision*  
16 *of health care services by an accident and health insurer for its*  
17 *insureds. An insurer may acquire real estate used for these*  
18 *purposes under section 175 of this act.*

19       **Sec. 177. 1.** *An insurer shall not acquire an investment in*  
20 *accordance with the provisions of section 174 of this act if, as a*  
21 *result of and after giving effect to the investment, the aggregate*  
22 *amount of all investments held by the insurer pursuant to that*  
23 *section would exceed:*

24       (a) *One percent of its admitted assets in mortgage loans*  
25 *covering any one secured location;*

26       (b) *One-quarter of one percent of its admitted assets in*  
27 *construction loans covering any one secured location; or*

28       (c) *Two percent of its admitted assets in construction loans in*  
29 *the aggregate.*

30       2. *An insurer shall not acquire an investment under section*  
31 *175 of this act if, as a result of and after giving effect to the*  
32 *investment and any outstanding guarantees made by the insurer in*  
33 *connection with the investment, the aggregate amount of*  
34 *investments held by the insurer under section 175 of this act plus*  
35 *the guarantees outstanding would exceed:*

36       (a) *One percent of its admitted assets in one parcel or group of*  
37 *contiguous parcels of real estate, except that this limitation does*  
38 *not apply to that portion of real estate used for the direct provision*  
39 *of health care services by an accident and health insurer for its*  
40 *insureds, such as hospitals, medical clinics, medical professional*  
41 *buildings or other health facilities used for the purpose of*  
42 *providing health services; or*

43       (b) *Fifteen percent of its admitted assets in the aggregate, but*  
44 *not more than 5 percent of its admitted assets as to properties that*  
45 *are to be improved or developed.*



1       3. An insurer shall not acquire an investment pursuant to  
2 sections 174 and 175 of this act if, as a result of and after giving  
3 effect to the investment and any guarantees made by the insurer in  
4 connection with the investment, the aggregate amount of all  
5 investments held by the insurer in accordance with those sections  
6 plus the guarantees outstanding would exceed 45 percent of the  
7 insurer's admitted assets. An insurer may exceed this limitation by  
8 not more than 30 percent of the insurer's admitted assets if:

9       (a) This increased amount is invested only in residential  
10 mortgage loans;

11       (b) The insurer has not more than 10 percent of the insurer's  
12 admitted assets invested in mortgage loans other than residential  
13 mortgage loans;

14       (c) The loan-to-value ratio of each residential mortgage loan  
15 does not exceed 60 percent at the time the mortgage loan is  
16 qualified pursuant to this increased authority, and the fair market  
17 value is supported by an appraisal that is not more than 2 years  
18 old and prepared by an independent appraiser;

19       (d) A single mortgage loan qualified pursuant to this increased  
20 authority does not exceed 0.5 percent of the insurer's admitted  
21 assets;

22       (e) The insurer files with the Commissioner, and receives  
23 approval from the Commissioner for, a plan that is designed to  
24 result in a portfolio of residential mortgage loans that is  
25 sufficiently geographically diversified; and

26       (f) The insurer agrees to file annually with the Commissioner  
27 records which demonstrate that the insurer's portfolio of  
28 residential mortgage loans is geographically diversified in  
29 accordance with the plan.

30       4. The limitations of sections 160, 161 and 162 of this act do  
31 not apply to an insurer's acquisition of real estate under section  
32 175 of this act. An insurer shall not acquire real estate under  
33 section 175 of this act if, as a result of and after giving effect to the  
34 acquisition, the aggregate amount of real estate held by the  
35 insurer in accordance with that section would exceed 10 percent of  
36 its admitted assets. With the approval of the Commissioner,  
37 additional amounts of real estate may be acquired under section  
38 175 of this act.

39       **Sec. 178.** An insurer may enter into securities lending,  
40 repurchase, reverse repurchase and dollar roll transactions with  
41 business entities, subject to the following requirements:

42       1. The insurer's board of directors shall adopt a written plan  
43 that is consistent with the requirements of the written plan in  
44 section 148 of this act which specifies the guidelines and objectives  
45 to be followed, including, without limitation:



1 (a) A description of how cash received will be invested or used  
2 for general corporate purposes of the insurer;

3 (b) Operational procedures to manage interest rate risk,  
4 counterparty default risk, the conditions under which proceeds  
5 from reverse repurchase transactions may be used in the ordinary  
6 course of business and the use of acceptable collateral in a  
7 manner that reflects the liquidity needs of the transactions; and

8 (c) The extent to which the insurer may engage in these  
9 transactions.

10 2. The insurer shall enter into a written agreement for all  
11 transactions authorized by this section other than dollar roll  
12 transactions. The written agreement must require that each  
13 transaction terminate not more than 1 year after its inception or  
14 upon the earlier demand of the insurer. The agreement must be  
15 with the business entity counterparty, but for securities lending  
16 transactions, the agreement may be with an agent acting on behalf  
17 of the insurer, if the agent is a qualified business entity and if the  
18 agreement:

19 (a) Requires the agent to enter into separate agreements with  
20 each counterparty that are consistent with the requirements of this  
21 section; and

22 (b) Prohibits securities lending transactions under the  
23 agreement with the agent or its affiliates.

24 3. Cash received in a transaction as described in this section  
25 must be invested in accordance with the provisions of this chapter  
26 and in a manner that recognizes the liquidity needs of the  
27 transaction or used by the insurer for its general corporate  
28 purposes. For so long as the transaction remains outstanding, the  
29 insurer, its agent or custodian shall maintain, as to acceptable  
30 collateral received in a transaction in accordance with this section,  
31 either physically or through book entry systems of the Federal  
32 Reserve, the Depository Trust Company, the Participants Trust  
33 Company or any other securities depositories approved by the  
34 Commissioner:

35 (a) Possession of the acceptable collateral;

36 (b) A perfected security interest in the acceptable collateral; or

37 (c) In the case of a jurisdiction outside of the United States,  
38 title to, or rights of a secured creditor to, the acceptable collateral.

39 4. The limitations of sections 160, 161, 162 and 179 to 183,  
40 inclusive, of this act do not apply to the business entity  
41 counterparty exposure created by transactions entered into under  
42 this section. For purposes of calculations made to determine  
43 compliance with this subsection, no effect will be given to the  
44 insurer's future obligation to resell securities, in the case of a  
45 repurchase transaction, or to repurchase securities, in the case of





1 *a reverse repurchase transaction. An insurer shall not enter into a*  
2 *transaction under this section if, as a result of and after giving*  
3 *effect to the transaction:*

4 (a) *The aggregate amount of securities loaned, sold or*  
5 *purchased from any one business entity counterparty under this*  
6 *section would exceed 5 percent of its admitted assets. In*  
7 *calculating the amount sold to or purchased from a business entity*  
8 *counterparty in accordance with repurchase or reverse purchase*  
9 *transactions, effect may be given to netting provisions under a*  
10 *master written agreement.*

11 (b) *The aggregate amount of all securities loaned, sold to or*  
12 *purchased from all business entities under this section would*  
13 *exceed 40 percent of its admitted assets.*

14 5. *In a securities lending transaction, the insurer shall*  
15 *receive acceptable collateral having a market value on the*  
16 *transaction date equal to 102 percent or more of the market value*  
17 *of the securities loaned by the insurer in the transaction on that*  
18 *date. If at any time the market value of the acceptable collateral is*  
19 *less than the market value of the loaned securities, the business*  
20 *entity counterparty is obligated to deliver additional acceptable*  
21 *collateral, the market value of which, together with the market*  
22 *value of all acceptable collateral held in connection with the*  
23 *transaction, equals 102 percent or more of the market value of the*  
24 *loaned securities.*

25 6. *In a reverse repurchase transaction, other than a dollar*  
26 *roll transaction, the insurer shall receive acceptable collateral*  
27 *having a market value on the transaction date equal to 95 percent*  
28 *or more of the market value of the securities transferred by the*  
29 *insurer in the transaction on that date. If at any time the market*  
30 *value of the acceptable collateral is less than 95 percent of the*  
31 *market value of the securities so transferred, the business entity*  
32 *counterparty is obligated to deliver additional acceptable*  
33 *collateral, the market value of which, together with the market*  
34 *value of all acceptable collateral held in connection with the*  
35 *transaction, equals 95 percent or more of the market value of the*  
36 *transferred securities.*

37 7. *In a dollar roll transaction, the insurer shall receive cash*  
38 *in an amount equal to at least the market value of the securities*  
39 *transferred by the insurer in the transaction on the transaction*  
40 *date.*

41 8. *In a repurchase transaction, the insurer shall receive as*  
42 *acceptable collateral transferred securities having a market value*  
43 *equal to 102 percent or more of the purchase price paid by the*  
44 *insurer for the securities. If at any time the market value of the*  
45 *acceptable collateral is less than 100 percent of the purchase price*





1 *paid by the insurer, the business entity counterparty is obligated to*  
2 *provide additional acceptable collateral, the market value of*  
3 *which, together with the market value of all acceptable collateral*  
4 *held in connection with the transaction, equals 102 percent or*  
5 *more of the purchase price. Securities acquired by an insurer in a*  
6 *repurchase transaction may not be sold in a reverse repurchase*  
7 *transaction, loaned in a securities lending transaction or*  
8 *otherwise pledged.*

9 *9. To constitute acceptable collateral for the purposes of this*  
10 *section, a letter of credit must have an expiration date beyond the*  
11 *term of the subject transaction.*

12 **Sec. 179.** *Subject to the limitations of sections 160, 161 and*  
13 *162 of this act, an insurer may acquire foreign investments, or*  
14 *engage in investment practices with persons of or in foreign*  
15 *jurisdictions, of substantially the same type as those that an*  
16 *insurer is allowed to acquire pursuant to this chapter, other than*  
17 *of the type allowed under section 164 of this act if, as a result of*  
18 *and after giving effect to the investments:*

19 *1. The aggregate amount of foreign investments held by the*  
20 *insurer in accordance with this section does not exceed 20 percent*  
21 *of its admitted assets; and*

22 *2. The aggregate amount of foreign investments held by the*  
23 *insurer in accordance with this section in a single foreign*  
24 *jurisdiction does not exceed 10 percent of its admitted assets as to*  
25 *a foreign jurisdiction that has a sovereign debt rating of SVO 1 or*  
26 *3 percent of its admitted assets as to any other foreign jurisdiction.*

27 **Sec. 180.** *1. Subject to the limitations of sections 160, 161*  
28 *and 162 of this act, an insurer may acquire investments, or engage*  
29 *in investment practices denominated in foreign currencies,*  
30 *whether or not they are foreign investments acquired as described*  
31 *in section 179 of this act, or additional foreign currency exposure*  
32 *as a result of the termination or expiration of a hedging*  
33 *transaction with respect to investments denominated in a foreign*  
34 *currency if:*

35 *(a) The aggregate amount of investments held by the insurer*  
36 *in accordance with this section denominated in foreign currencies*  
37 *does not exceed 10 percent of its admitted assets; and*

38 *(b) The aggregate amount of investments held by the insurer*  
39 *in accordance with this section denominated in the foreign*  
40 *currency of a single foreign jurisdiction does not exceed 10*  
41 *percent of its admitted assets as to a foreign jurisdiction that has a*  
42 *sovereign debt rating of SVO 1 or 3 percent of its admitted assets*  
43 *as to any other foreign jurisdiction.*

44 *2. An investment must not be considered denominated in a*  
45 *foreign currency if the acquiring insurer enters into one or more*



1 *contracts in transactions allowed under sections 184 to 188,*  
2 *inclusive, of this act and the business entity counterparty agrees in*  
3 *the contract or contracts to exchange all payments made on the*  
4 *foreign currency denominated investment for United States*  
5 *currency at a rate which effectively insulates the investment cash*  
6 *flows against future changes in currency exchange rates during*  
7 *the period the contract or contracts are in effect.*

8 **Sec. 181.** *In addition to investments allowed under sections*  
9 *179 and 180 of this act, an insurer that is authorized to do*  
10 *business in a foreign jurisdiction, and that has outstanding*  
11 *insurance, annuity or reinsurance contracts on lives or risks*  
12 *resident or located in that foreign jurisdiction and denominated in*  
13 *a foreign currency of that jurisdiction, may acquire foreign*  
14 *investments respecting that foreign jurisdiction, and may acquire*  
15 *investments denominated in the currency of that jurisdiction,*  
16 *subject to the limitations of sections 160, 161 and 162 of this act.*  
17 *Investments made in accordance with this section in obligations of*  
18 *foreign governments, their political subdivisions and government-*  
19 *sponsored enterprises are not subject to the limitations of sections*  
20 *160, 161 and 162 of this act if those investments carry an SVO*  
21 *rating of 1 or 2. The aggregate amount of investments acquired by*  
22 *the insurer in accordance with this section must not exceed the*  
23 *greater of:*

24 *1. The amount the insurer is required by the law of the*  
25 *foreign jurisdiction to invest in the foreign jurisdiction; or*

26 *2. One hundred fifteen percent of the amount of the insurer's*  
27 *reserves, net of reinsurance, and other obligations under the*  
28 *contracts on lives or risks resident or located in the foreign*  
29 *jurisdiction.*

30 **Sec. 182.** *In addition to investments allowed under sections*  
31 *179 and 180 of this act, an insurer that is not authorized to do*  
32 *business in a foreign jurisdiction, but which has outstanding*  
33 *insurance, annuity or reinsurance contracts on lives or risks*  
34 *resident or located in that foreign jurisdiction and denominated in*  
35 *foreign currency of that jurisdiction, may acquire foreign*  
36 *investments respecting that foreign jurisdiction, and may acquire*  
37 *investments denominated in the currency of that jurisdiction*  
38 *subject to the limitations of sections 160, 161 and 162 of this act.*  
39 *Investments made in accordance with this section in obligations of*  
40 *foreign governments, their political subdivisions and government-*  
41 *sponsored enterprises are not subject to the limitations of sections*  
42 *160, 161 and 162 of this act if those investments carry an SVO*  
43 *rating of 1 or 2. The aggregate amount of investments acquired by*  
44 *the insurer in accordance with this section must not exceed 105*  
45 *percent of the amount of the insurer's reserves, net of*



1 *reinsurance, and other obligations under the contracts on lives or*  
2 *risks resident or located in the foreign jurisdiction.*

3 **Sec. 183.** *Investments acquired in conformance with sections*  
4 *179 to 183, inclusive, of this act must be aggregated with*  
5 *investments of the same types made under this chapter, and in a*  
6 *similar manner, for purposes of determining compliance with the*  
7 *limitations, if any, contained in this chapter. Investments in*  
8 *obligations of foreign governments, their political subdivisions*  
9 *and government-sponsored enterprises of these persons, except for*  
10 *those exempted by sections 181 and 182 of this act, are subject to*  
11 *the limitations of sections 160, 161 and 162 of this act.*

12 **Sec. 184.** *An insurer may, directly or indirectly through an*  
13 *investment subsidiary, engage in derivative transactions as*  
14 *described in sections 184 to 188, inclusive, of this act pursuant to*  
15 *the following conditions:*

16 1. *An insurer may use derivative instruments under sections*  
17 *184 to 188, inclusive, of this act to engage in hedging transactions*  
18 *and certain income generation transactions, as these terms may be*  
19 *further defined in regulations adopted by the Commissioner*  
20 *pursuant to section 158 of this act; and*

21 2. *An insurer must be able to demonstrate to the*  
22 *Commissioner the intended hedging characteristics and the*  
23 *ongoing effectiveness of the derivative transaction or combination*  
24 *of the transactions through cash flow testing or other appropriate*  
25 *analyses.*

26 **Sec. 185.** *An insurer may enter into hedging transactions*  
27 *under sections 184 to 188, inclusive, of this act if, as a result of*  
28 *and after giving effect to the transaction:*

29 1. *The aggregate statement value of options, caps, floors and*  
30 *warrants not attached to another financial instrument purchased*  
31 *and used in hedging transactions does not exceed 7.5 percent of its*  
32 *admitted assets;*

33 2. *The aggregate statement value of options, caps and floors*  
34 *written in hedging transactions does not exceed 3 percent of its*  
35 *admitted assets; and*

36 3. *The aggregate potential exposure of collars, swaps,*  
37 *forwards and futures used in hedging transactions does not exceed*  
38 *6.5 percent of its admitted assets.*

39 **Sec. 186.** *An insurer may only enter into the following types*  
40 *of income generation transactions if, as a result of and after*  
41 *giving effect to the transactions, the aggregate statement value of*  
42 *the fixed income assets that are subject to call or which generate*  
43 *the cash flows for payments under the caps or floors, plus the face*  
44 *value of fixed income securities underlying a derivative instrument*



1 *subject to call, plus the amount of the purchase obligations under*  
2 *the puts, does not exceed 10 percent of its admitted assets:*

3 1. *Sales of covered call options on noncallable fixed income*  
4 *securities, callable fixed income securities if the option expires by*  
5 *its terms before the end of the noncallable period or derivative*  
6 *instruments based on fixed income securities;*

7 2. *Sales of covered call options on equity securities, if the*  
8 *insurer holds in its portfolio, or can immediately acquire through*  
9 *the exercise of options, warrants or conversion rights already*  
10 *owned, the equity securities subject to call during the complete*  
11 *term of the call option sold;*

12 3. *Sales of covered puts on investments that the insurer is*  
13 *allowed to acquire pursuant to this chapter, if the insurer has*  
14 *escrowed, or entered into a custodian agreement segregating, cash*  
15 *or cash equivalents with a market value equal to the amount of its*  
16 *purchase obligations under the put during the complete term of*  
17 *the put option sold; or*

18 4. *Sales of covered caps or floors, if the insurer holds in its*  
19 *portfolio the investments generating the cash flow to make the*  
20 *required payments under the caps or floors during the complete*  
21 *term that the cap or floor is outstanding.*

22 **Sec. 187.** *An insurer shall include all counterparty exposure*  
23 *amounts in determining compliance with the limitations of*  
24 *sections 160, 161 and 162 of this act.*

25 **Sec. 188.** *In accordance with the regulations adopted*  
26 *pursuant to section 158 of this act, the Commissioner may approve*  
27 *additional transactions involving the use of derivative instruments*  
28 *in excess of the limits of section 185 of this act for other risk-*  
29 *management purposes, but replication transactions must not be*  
30 *allowed for other than risk-management purposes.*

31 **Sec. 189.** *A life insurer may lend to a policyholder on the*  
32 *security of the cash surrender value of the policyholder's policy a*  
33 *sum not exceeding the legal reserve that the insurer is required to*  
34 *maintain on the policy.*

35 **Sec. 190.** *Solely for the purpose of acquiring investments*  
36 *that exceed the quantitative limitations of sections 160 to 183,*  
37 *inclusive, of this act, an insurer may acquire in accordance with*  
38 *this section an investment, or engage in investment practices*  
39 *described in section 178 of this act, but an insurer shall not*  
40 *acquire an investment or engage in investment practices described*  
41 *in section 178 of this act in accordance with this section if, as a*  
42 *result of and after giving effect to the transaction:*

43 1. *The aggregate amount of investments held by the insurer*  
44 *would exceed 3 percent of its admitted assets; or*



1       2. *The aggregate amount of investments as to one limitation*  
2 *in sections 160 to 183, inclusive, of this act held by the insurer*  
3 *would exceed 1 percent of its admitted assets.*

4       **Sec. 191.** *1. In addition to the authority provided in section*  
5 *190 of this act, an insurer may acquire in accordance with this*  
6 *section an investment of any kind, or engage in investment*  
7 *practices described in section 178 of this act that are not*  
8 *specifically prohibited by the provisions of this chapter, without*  
9 *regard to the categories, conditions, standards or other limitations*  
10 *of sections 160 to 183, inclusive, of this act if, as a result of and*  
11 *after giving effect to the transaction, the aggregate amount of*  
12 *investments held would not exceed the lesser of:*

13       (a) *Ten percent of its admitted assets; or*

14       (b) *Seventy-five percent of its capital and surplus.*

15       2. *An insurer shall not acquire any investment or engage in*  
16 *any investment practice in accordance with this section if, as a*  
17 *result of and after giving effect to the transaction, the aggregate*  
18 *amount of all investments in any one person held by the insurer*  
19 *would exceed 3 percent of its admitted assets.*

20       **Sec. 192.** *In addition to the investments acquired as*  
21 *described in sections 190 and 191 of this act, an insurer may*  
22 *acquire in accordance with this section an investment of any kind,*  
23 *or engage in investment practices described in section 178 of this*  
24 *act, that are not specifically prohibited by the provisions of this*  
25 *chapter, without regard to any limitations of sections 160 to 183,*  
26 *inclusive, of this act if:*

27       1. *The Commissioner grants prior approval;*

28       2. *The insurer demonstrates that its investments are being*  
29 *made in a prudent manner and that the additional amounts will be*  
30 *invested in a prudent manner; and*

31       3. *As a result of and after giving effect to the transaction the*  
32 *aggregate amount of investments held by the insurer is not greater*  
33 *than:*

34       (a) *Twenty-five percent of its capital and surplus; or*

35       (b) *One hundred percent of capital and surplus less 10 percent*  
36 *of its admitted assets.*

37       **Sec. 193.** *An investment prohibited by section 154 of this act,*  
38 *not allowed by sections 184 to 188, inclusive, of this act or*  
39 *additional derivative instruments acquired under sections 184 to*  
40 *188, inclusive, of this act must not be acquired pursuant to*  
41 *sections 190 to 193, inclusive, of this act.*

42       **Sec. 194.** *Sections 194 to 230, inclusive, of this act apply to*  
43 *the investments and investment practices of property and casualty,*  
44 *financial guaranty and mortgage guarantee insurers.*



1     **Sec. 195.** *Subject to all other limitations and requirements of*  
2 *this chapter, a property and casualty, financial guaranty,*  
3 *mortgage guaranty or accident and health insurer shall maintain*  
4 *an amount not less than 100 percent of adjusted loss reserves and*  
5 *loss adjustment expense reserves, 100 percent of adjusted*  
6 *unearned premium reserves and 100 percent of statutorily*  
7 *required policy and contract reserves in:*

8     1. *Cash and cash equivalents;*

9     2. *High and medium grade investments that qualify pursuant*  
10 *to sections 203 and 204 of this act;*

11     3. *Equity interests that qualify pursuant to sections 205 to*  
12 *208, inclusive, of this act and which are traded on a qualified*  
13 *exchange;*

14     4. *Investments of the type set forth in sections 219 to 223,*  
15 *inclusive, of this act, if the investments are rated in the highest*  
16 *generic rating category by a nationally recognized statistical rating*  
17 *organization recognized by the SVO for rating foreign*  
18 *jurisdictions and if any foreign currency exposure is effectively*  
19 *hedged through the maturity date of the investments;*

20     5. *Qualifying investments of the type set forth in subsections*  
21 *2, 3 and 4 that are acquired pursuant to sections 229 and 230 of*  
22 *this act;*

23     6. *Interest and dividends receivable on qualifying investments*  
24 *of the type set forth in subsections 1 to 5, inclusive; or*

25     7. *Reinsurance recoverable on paid losses.*

26     **Sec. 196.** 1. *For the purposes of determining the amount of*  
27 *assets to be maintained in accordance with this section, the*  
28 *calculation of adjusted loss reserves and loss adjustment expense*  
29 *reserves, adjusted unearned premium reserves and statutorily*  
30 *required policy and contract reserves must be based on the*  
31 *amounts reported as of the most recent annual or quarterly*  
32 *statement date.*

33     2. *Adjusted loss reserves and loss adjustment expense*  
34 *reserves must be, for each individual line of business, equal to the*  
35 *sum derived by multiplying the amount obtained pursuant to*  
36 *paragraph (a) by the amount obtained pursuant to paragraph (b),*  
37 *and subtracting from the product obtained by way of that*  
38 *multiplication the amount obtained pursuant to paragraph (c), as*  
39 *follows:*

40     (a) *The result of each amount reported by the insurer as losses*  
41 *and loss adjustment expenses unpaid for each accident year for*  
42 *each individual line of business.*

43     (b) *The discount factor that is applicable to the line of business*  
44 *and accident year published by the Internal Revenue Service in*  
45 *accordance with the provisions of section 846 of the Internal*



1 *Revenue Code, 26 U.S.C. § 846, as amended, for the calendar year*  
2 *that corresponds to the most recent annual statement of the*  
3 *insurer.*

4 *(c) Accrued retrospective premiums discounted by an average*  
5 *discount factor. The discount factor used in this paragraph must*  
6 *be calculated by dividing the losses and loss adjustment expenses*  
7 *unpaid after discounting by loss and loss adjustment expense*  
8 *reserves before discounting the amount obtained pursuant to*  
9 *paragraph (a).*

10 3. *For purposes of the calculations required pursuant to*  
11 *subsection 2, the losses and loss adjustment expenses unpaid must*  
12 *be determined net of anticipated salvage and subrogation, and*  
13 *gross of any discount for the time value of money or tabular*  
14 *discount.*

15 4. *Adjusted unearned premium reserves must be equal to the*  
16 *sum derived by subtracting the amount obtained pursuant to*  
17 *paragraph (b) from the amount obtained pursuant to paragraph*  
18 *(a), as follows:*

19 *(a) The amount reported by the insurer as unearned premium*  
20 *reserves.*

21 *(b) The admitted asset amounts reported by the insurer as:*

22 *(1) Premiums in and agent's balances in the course of*  
23 *collection, accident and health premiums due and unpaid and*  
24 *uncollected premiums for accident and health premiums;*

25 *(2) Premiums, agent's balances and installments booked*  
26 *but deferred and not yet due; and*

27 *(3) Bills receivable, taken for premium.*

28 5. *Statutorily required policy and contract reserves also must*  
29 *include, without limitation, any required contingency reserves,*  
30 *including, without limitation, in the case of a mortgage guaranty*  
31 *insurer, the amounts required by NRS 681B.100.*

32 **Sec. 197.** *A property and casualty, financial guaranty,*  
33 *mortgage guaranty or accident and health insurer shall*  
34 *supplement its annual statement with a reconciliation and*  
35 *summary of its assets and reserve requirements as required in*  
36 *sections 195 and 196 of this act. A reconciliation and summary*  
37 *showing that an insurer's assets as required in sections 195 and*  
38 *196 of this act are greater than or equal to its undiscounted*  
39 *reserves referred to in sections 195 and 196 of this act is sufficient*  
40 *to satisfy this requirement. Upon prior notification, the*  
41 *Commissioner may require an insurer to submit such a*  
42 *reconciliation and summary with any quarterly statement filed*  
43 *during the calendar year.*

44 **Sec. 198.** *If a property and casualty, financial guaranty,*  
45 *mortgage guaranty or accident and health insurer's assets and*





1 reserves do not comply with sections 195 and 196 of this act, the  
2 insurer shall notify the Commissioner immediately of the amount  
3 by which the reserve requirements exceed the annual statement  
4 value of the qualifying assets, explain why the deficiency exists  
5 and, within 30 days after the date of the notice, propose a plan of  
6 action to remedy the deficiency.

7 **Sec. 199.** 1. If the Commissioner determines that an  
8 insurer is not in compliance with sections 195 and 196 of this act,  
9 the Commissioner shall require the insurer to eliminate the  
10 condition causing the noncompliance within a specified time after  
11 the date on which the notice of the Commissioner's requirements  
12 is mailed or delivered to the insurer.

13 2. If an insurer fails to comply with the Commissioner's  
14 requirements that are imposed pursuant to subsection 1, the  
15 insurer is deemed to be in hazardous financial condition and the  
16 Commissioner shall take one or more of the actions authorized by  
17 law as to insurers in hazardous financial condition.

18 **Sec. 200.** 1. Except as otherwise specified in this chapter,  
19 an insurer shall not acquire, directly or indirectly through an  
20 investment subsidiary, an investment in accordance with the  
21 provisions of this chapter if, as a result of and after giving effect to  
22 the investment, the insurer would hold more than 5 percent of its  
23 admitted assets in investments of all kinds issued, assumed,  
24 accepted, insured or guaranteed by a single person.

25 2. The limitation in subsection 1 does not apply to the  
26 aggregate amounts insured by a single financial guaranty insurer  
27 with the highest generic rating issued by a nationally recognized  
28 statistical rating organization.

29 3. Asset-backed securities are not subject to the limitation in  
30 subsection 1. However, an insurer shall not acquire an asset-  
31 backed security if, as a result of and after giving effect to the  
32 investment, the aggregate amount of asset-backed securities  
33 secured by, or evidencing an interest in, a single asset or single  
34 pool of assets held by a trust or other business entity held by the  
35 insurer would exceed 5 percent of its admitted assets.

36 **Sec. 201.** 1. An insurer shall not acquire, directly or  
37 indirectly through an investment subsidiary, an investment in  
38 accordance with the provisions of sections 203, 209 to 213,  
39 inclusive, or 219 to 223, inclusive, of this act or counterparty  
40 exposure in accordance with the provisions of section 227 of this  
41 act if, as a result of and after giving effect to the investment:

42 (a) The aggregate amount of all medium and lower grade  
43 investments held by the insurer would exceed 20 percent of its  
44 admitted assets;





1 (b) *The aggregate amount of lower grade investments held by*  
2 *the insurer would exceed 10 percent of its admitted assets;*

3 (c) *The aggregate amount of investments rated 5 or 6 by the*  
4 *SVO held by the insurer would exceed 5 percent of its admitted*  
5 *assets;*

6 (d) *The aggregate amount of investments rated 6 by the SVO*  
7 *held by the insurer would exceed 1 percent of its admitted assets;*  
8 *or*

9 (e) *The aggregate amount of medium and lower grade*  
10 *investments held by the insurer that receive as cash income less*  
11 *than the equivalent yield for United States Treasury issues with a*  
12 *comparative average life, would exceed 1 percent of its admitted*  
13 *assets.*

14 2. *An insurer shall not acquire, directly or indirectly through*  
15 *an investment subsidiary, an investment in accordance with the*  
16 *provisions of sections 203, 209 to 213, inclusive, or 219 to 223,*  
17 *inclusive, of this act or counterparty exposure in accordance with*  
18 *the provisions of section 227 of this act if, as a result of and after*  
19 *giving effect to the investment:*

20 (a) *The aggregate amount of medium and lower grade*  
21 *investments issued, assumed, guaranteed, accepted or insured by*  
22 *any one person or, as to asset-backed securities by or evidencing*  
23 *an interest in a single asset or pool of assets, held by the insurer,*  
24 *would exceed 1 percent of its admitted assets; or*

25 (b) *The aggregate amount of lower grade investments issued,*  
26 *assumed, guaranteed, accepted or insured by any one person or,*  
27 *as to asset-backed securities by or evidencing an interest in a*  
28 *single asset or pool of assets, held by the insurer, would exceed 0.5*  
29 *percent of its admitted assets.*

30 3. *If an insurer attains or exceeds the limit of any one rating*  
31 *category referred to in this section, the insurer must not be*  
32 *precluded from acquiring investments in other rating categories*  
33 *subject to the specific and multicategory limits applicable to those*  
34 *investments.*

35 **Sec. 202.** 1. *An insurer shall not acquire, directly or*  
36 *indirectly through an investment subsidiary, any Canadian*  
37 *investments authorized by the provisions of this chapter if, as a*  
38 *result of and after giving effect to the investment, the aggregate*  
39 *amount of these investments held by the insurer would exceed 40*  
40 *percent of its admitted assets, or if the aggregate amount of*  
41 *Canadian investments not acquired in accordance with paragraph*  
42 *(c) or (d) of subsection 1 of section 203 of this act held by the*  
43 *insurer would exceed 25 percent of its admitted assets.*

44 2. *As to an insurer that is authorized to do business in*  
45 *Canada or that has outstanding insurance, annuity or reinsurance*



1 *contracts on lives or risks resident or located in Canada and*  
2 *denominated in Canadian currency, the limitations in subsection 1*  
3 *must be increased by the greater of:*

4 (a) *The amount the insurer is required by Canadian law to*  
5 *invest in Canada or to be denominated in Canadian currency; or*

6 (b) *One hundred twenty-five percent of the amount of its*  
7 *reserves and other obligations under contracts on risks resident or*  
8 *located in Canada.*

9 **Sec. 203.** 1. *Subject to the limitations of section 201 of this*  
10 *act, but not to the limitations of section 200 of this act, an insurer*  
11 *may acquire rated credit instruments issued, assumed, guaranteed*  
12 *or insured by:*

13 (a) *The United States;*

14 (b) *A government-sponsored enterprise of the United States, if*  
15 *the instruments of the government-sponsored enterprise are*  
16 *assumed, guaranteed or insured by the United States or are*  
17 *otherwise backed or supported by the full faith and credit of the*  
18 *United States;*

19 (c) *Canada; or*

20 (d) *A government-sponsored enterprise of Canada, if the*  
21 *instruments of the government-sponsored enterprise are assumed,*  
22 *guaranteed or insured by Canada or are otherwise backed or*  
23 *supported by the full faith and credit of Canada.*

24 2. *An insurer shall not acquire an instrument in accordance*  
25 *with paragraph (c) or (d) of subsection 1 if, as a result of and after*  
26 *giving effect to the investment, the aggregate amount of*  
27 *investments held by the insurer in accordance with paragraph (c)*  
28 *or (d) of subsection 1 would exceed 40 percent of its admitted*  
29 *assets.*

30 3. *Subject to the limitations of section 201 of this act, but not*  
31 *to the limitations of section 200 of this act, an insurer may acquire*  
32 *rated credit instruments, excluding asset-backed securities:*

33 (a) *Issued by a government money market mutual fund, a class*  
34 *one money market mutual fund or a class one bond mutual fund;*

35 (b) *Issued, assumed, guaranteed or insured by a government-*  
36 *sponsored enterprise of the United States other than those eligible*  
37 *in accordance with subsection 1;*

38 (c) *Issued, assumed, guaranteed or insured by a state, if the*  
39 *instruments are general obligations of the state; or*

40 (d) *Issued by a multilateral development bank.*

41 4. *An insurer shall not acquire an instrument of any one*  
42 *fund, any one enterprise or entity, or any one state as described in*  
43 *subsection 3 if, as a result of and after giving effect to the*  
44 *investment, the aggregate amount of investments held in any one*



1 *fund, enterprise or entity or state would exceed 10 percent of the*  
2 *insurer's admitted assets.*

3 5. *Subject to the limitations of sections 200, 201 and 202 of*  
4 *this act, an insurer may acquire preferred stocks that are not*  
5 *foreign investments and which meet the requirements of rated*  
6 *credit instruments if, as a result of and after giving effect to the*  
7 *investments:*

8 (a) *The aggregate amount of preferred stocks held by the*  
9 *insurer in accordance with this section does not exceed 20 percent*  
10 *of the insurer's admitted assets; and*

11 (b) *The aggregate amount of preferred stocks held by the*  
12 *insurer in accordance with this section which are not sinking fund*  
13 *stocks or rated P1 or P2 by the SVO does not exceed 10 percent of*  
14 *the insurer's admitted assets.*

15 6. *Subject to the limitations of sections 200, 201 and 202 of*  
16 *this act, in addition to those investments eligible pursuant to*  
17 *subsections 1 to 5, inclusive, an insurer may acquire rated credit*  
18 *instruments that are not foreign investments.*

19 7. *An insurer shall not acquire special rated credit*  
20 *instruments as described in this section if, as a result of and after*  
21 *giving effect to the investment, the aggregate amount of special*  
22 *rated credit instruments held by the insurer would exceed 5*  
23 *percent of the insurer's admitted assets.*

24 **Sec. 204.** 1. *An insurer may acquire investments in*  
25 *investment pools that invest only in:*

26 (a) *Obligations that are rated 1 or 2 by the SVO or have an*  
27 *equivalent of an SVO 1 or 2 rating, or, in the absence of a 1 or 2*  
28 *rating or equivalent rating, the issuer has outstanding obligations*  
29 *with an SVO 1 or 2 equivalent rating, by a nationally recognized*  
30 *statistical rating organization recognized by the SVO, and have:*

31 (1) *A remaining maturity of 397 days or less or a put option*  
32 *that entitles the holder to receive the principal amount of the*  
33 *obligation with the ability to exercise the put option through*  
34 *maturity at specified intervals not exceeding 397 days; or*

35 (2) *A remaining maturity of less than or equal to 3 years*  
36 *and a floating interest rate that resets not less frequently than*  
37 *quarterly on the basis of a current short-term index and is not*  
38 *subject to a maximum limit, if the obligations do not have an*  
39 *interest rate that varies inversely to market interest rate changes.*  
40 *For the purpose of this subparagraph, qualifying short-term*  
41 *indexes include, without limitation, the federal funds rate, prime*  
42 *rate, treasury bills rates, the London Interbank Offered Rate or*  
43 *commercial paper rates.*

44 (b) *Government money market mutual funds or class one*  
45 *money market mutual funds.*



1 (c) *Securities lending, repurchase and reverse repurchase*  
2 *transactions that meet all the requirements of section 218 of this*  
3 *act, except the quantitative limitations of subsection 4 of that*  
4 *section.*

5 (d) *Investments which an insurer may acquire pursuant to this*  
6 *chapter if the insurer's proportionate interest in the amount*  
7 *invested in these investments does not exceed the applicable limits*  
8 *of this chapter.*

9 2. *For an investment in an investment pool to be qualified*  
10 *pursuant to this chapter, the investment pool must not:*

11 (a) *Acquire securities issued, assumed, guaranteed or insured*  
12 *by the insurer or an affiliate of the insurer;*

13 (b) *Borrow or incur any indebtedness for borrowed money,*  
14 *except for securities lending and reverse repurchase transactions*  
15 *that meet the requirements of section 218 of this act except the*  
16 *quantitative limitations of subsection 4 of that section; or*

17 (c) *Permit the aggregate value of securities loaned or sold to,*  
18 *purchased from or invested in any one business entity in*  
19 *accordance with this section to exceed 10 percent of the total*  
20 *assets of the investment pool.*

21 3. *The limitations of section 200 of this act do not apply to an*  
22 *insurer's investment in an investment pool, however an insurer*  
23 *shall not acquire an investment in an investment pool in*  
24 *accordance with this section if, as a result of and after giving*  
25 *effect to the investment, the aggregate amount of investments held*  
26 *by the insurer in accordance with this section:*

27 (a) *In any one investment pool would exceed 10 percent of its*  
28 *admitted assets;*

29 (b) *In all investment pools investing in investments permitted*  
30 *in accordance with paragraph (d) of subsection 1 would exceed 25*  
31 *percent of its admitted assets; or*

32 (c) *In all investment pools would exceed 40 percent of its*  
33 *admitted assets.*

34 4. *For an investment in an investment pool to be qualified*  
35 *pursuant to this chapter, the manager of the investment pool must:*

36 (a) *Be organized in accordance with the laws of the United*  
37 *States or a state and designated as the pool manager in a pooling*  
38 *agreement;*

39 (b) *Be the insurer, an affiliated insurer or a business entity*  
40 *affiliated with the insurer, a qualified bank, a business entity*  
41 *registered in accordance with the provisions of the Investment*  
42 *Advisers Act of 1940, 15 U.S.C. §§ 80a-1 et seq., as amended, or,*  
43 *in the case of a United States branch of an alien insurer, its*  
44 *United States manager or affiliates or subsidiaries of its United*  
45 *States manager;*



1 (c) *Compile and maintain detailed accounting records setting*  
2 *forth:*

3 (1) *The cash receipts and disbursements reflecting each*  
4 *participant's proportionate investments in the investment pool;*

5 (2) *A complete description of all underlying assets of the*  
6 *investment pool, including, without limitation, amount, interest*  
7 *rate, maturity date, if any, and other appropriate designations; and*

8 (3) *Other records which, on a daily basis, allow third*  
9 *parties to verify each participant's investment in the investment*  
10 *pool; and*

11 (d) *Maintain the assets of the investment pool in one or more*  
12 *accounts, in the name of or on behalf of the investment pool, in*  
13 *accordance with a custody agreement with a qualified bank. The*  
14 *custody agreement must:*

15 (1) *State and recognize the claims and rights of each*  
16 *participant;*

17 (2) *Acknowledge that the underlying assets of the*  
18 *investment pool are held solely for the benefit of each participant*  
19 *in proportion to the aggregate amount of its investments in the*  
20 *investment pool; and*

21 (3) *Contain an agreement that the underlying assets of the*  
22 *investment pool must not be commingled with the general assets of*  
23 *the custodian qualified bank or any other person.*

24 5. *The pooling agreement for each investment pool must be*  
25 *in writing and must provide that:*

26 (a) *An insurer and its affiliated insurers or, in the case of an*  
27 *investment pool investing solely in investments allowed in*  
28 *accordance with paragraph (a) of subsection 1, the insurer and its*  
29 *subsidiaries, affiliates or any pension or profit-sharing plan of the*  
30 *insurer, its subsidiaries and affiliates or, in the case of a United*  
31 *States branch of an alien insurer, affiliates or subsidiaries of its*  
32 *United States manager, shall at all times hold 100 percent of the*  
33 *interests in the investment pool.*

34 (b) *The underlying assets of the investment pool must not be*  
35 *commingled with the general assets of the pool manager or any*  
36 *other person.*

37 (c) *In proportion to the aggregate amount of each pool*  
38 *participant's interest in the investment pool:*

39 (1) *Each participant owns an undivided interest in the*  
40 *underlying assets of the investment pool; and*

41 (2) *The underlying assets of the investment pool are held*  
42 *solely for the benefit of each participant.*

43 (d) *A participant, or in the event of the participant's*  
44 *insolvency, bankruptcy or receivership, its trustee, receiver or*  
45 *other successor-in-interest, may withdraw all or any portion of its*



1 *investment from the investment pool in accordance with the terms*  
2 *of the pooling agreement.*

3 *(e) Withdrawals may be made on demand without penalty or*  
4 *other assessment on any business day, but settlements of funds*  
5 *shall occur within a reasonable and customary period thereafter*  
6 *not to exceed 5 business days. Distributions in accordance with*  
7 *this paragraph must be calculated in each case net of all*  
8 *applicable fees and expenses of the investment pool. The pooling*  
9 *agreement must provide that the pool manager shall distribute to a*  
10 *participant at the discretion of the pool manager:*

11 *(1) In cash, the then fair market value of the participant's*  
12 *pro rata share of each underlying asset of the investment pool;*

13 *(2) In kind, a pro rata share of each underlying asset; or*

14 *(3) In a combination of cash and in-kind distributions, a*  
15 *pro rata share in each underlying asset.*

16 *(f) The pool manager shall make the records of the investment*  
17 *pool available for inspection by the Commissioner.*

18 **Sec. 205.** *Subject to the limitations of sections 200, 201 and*  
19 *202 of this act, an insurer may acquire equity interests in business*  
20 *entities organized in accordance with the laws of any domestic*  
21 *jurisdiction.*

22 **Sec. 206.** *An insurer shall not acquire an investment in*  
23 *accordance with the provisions of sections 205 to 208, inclusive, of*  
24 *this act if, as a result of and after giving effect to the investment,*  
25 *the aggregate amount of investments held by the insurer in*  
26 *accordance with the provisions of those sections would exceed the*  
27 *greater of 25 percent of the insurer's admitted assets or 100*  
28 *percent of the insurer's surplus as regards policyholders.*

29 **Sec. 207.** *An insurer shall not acquire in accordance with*  
30 *the provisions of sections 205 to 208, inclusive, of this act any*  
31 *investments that the insurer may acquire in accordance with the*  
32 *provisions of sections 214 to 217, inclusive, of this act.*

33 **Sec. 208.** *An insurer shall not short sell equity investments*  
34 *unless the insurer covers the short sale by owning the equity*  
35 *investment or an unrestricted right to the equity instrument*  
36 *exercisable within 6 months after the short sale.*

37 **Sec. 209.** *1. Subject to the limitations of sections 200, 201*  
38 *and 202 of this act, an insurer may acquire tangible personal*  
39 *property or equity interests therein located or used wholly or in*  
40 *part within a domestic jurisdiction either directly or indirectly*  
41 *through limited partnership interests and general partnership*  
42 *interests not otherwise prohibited by paragraph (d) of subsection 1*  
43 *of section 154 of this act, joint ventures, stock of an investment*  
44 *subsidiary or membership interests in a limited-liability company,*  
45 *trust certificates or other similar instruments.*



1       2. *Investments acquired as described in subsection 1 are*  
2 *eligible only if:*

3       (a) *The property is subject to a lease or other agreement with a*  
4 *person whose rated credit instruments in the amount of the*  
5 *purchase price of the personal property the insurer could acquire*  
6 *in accordance with the provisions of section 203 of this act; and*

7       (b) *The lease or other agreement provides the insurer the right*  
8 *to receive rental, purchase or other fixed payments for the use or*  
9 *purchase of the property, and the aggregate value of the payments,*  
10 *together with the estimated residual value of the property at the*  
11 *end of its useful life and the estimated tax benefits to the insurer*  
12 *resulting from ownership of the property, must be adequate to*  
13 *return the cost of the insurer's investment in the property, plus a*  
14 *return deemed adequate by the insurer.*

15       **Sec. 210.** *The insurer shall compute the amount of each*  
16 *investment entered into in accordance with the provisions of*  
17 *sections 209 to 213, inclusive, of this act on the basis of the out-of-*  
18 *pocket purchase price and applicable related expenses paid by the*  
19 *insurer for the investment, net of each borrowing made to finance*  
20 *the purchase price and expenses, to the extent the borrowing is*  
21 *without recourse to the insurer.*

22       **Sec. 211.** *An insurer shall not acquire an investment in*  
23 *accordance with the provisions of sections 209 to 213, inclusive, of*  
24 *this act if, as a result of and after giving effect to the investment,*  
25 *the aggregate amount of all investments held by the insurer in*  
26 *accordance with the provisions of sections 209 to 213, inclusive, of*  
27 *this act would exceed:*

28       1. *Two percent of its admitted assets; or*

29       2. *One half of one percent of its admitted assets as to any*  
30 *single item of tangible personal property.*

31       **Sec. 212.** *For the purposes of determining compliance with*  
32 *the limitations of sections 200, 201 and 202 of this act, investments*  
33 *acquired by an insurer in accordance with the provisions of*  
34 *sections 209 to 213, inclusive, of this act must be aggregated with*  
35 *those acquired in accordance with the provisions of section 203 of*  
36 *this act, and each lessee of the property in accordance with a lease*  
37 *referred to in sections 209 to 213, inclusive, of this act shall be*  
38 *deemed the issuer of an obligation in the amount of the investment*  
39 *of the insurer in the property determined as provided in section*  
40 *210 of this act.*

41       **Sec. 213.** *Nothing in sections 209 to 213, inclusive, of this act*  
42 *applies to tangible personal property lease arrangements between*  
43 *an insurer and its subsidiaries and affiliates in accordance with a*  
44 *cost-sharing arrangement or agreement permitted in accordance*  
45 *with the provisions of chapter 692C of NRS.*





1       **Sec. 214. 1.** *Subject to the limitations of sections 200, 201*  
2 *and 202 of this act, an insurer may acquire, either directly, or*  
3 *indirectly through limited partnership interests and general*  
4 *partnership interests not otherwise prohibited by paragraph (d) of*  
5 *subsection 1 of section 154 of this act, joint ventures, stock of an*  
6 *investment subsidiary or membership interests in a limited-liability*  
7 *company, trust certificates, or other similar instruments,*  
8 *obligations secured by mortgages on real estate situated within a*  
9 *domestic jurisdiction. A mortgage loan which is secured by other*  
10 *than a first lien must not be acquired unless the insurer is the*  
11 *holder of the first lien.*

12       **2.** *The obligations held by the insurer and any obligations*  
13 *with an equal lien priority must not, at the time of acquisition of*  
14 *the obligation, exceed:*

15       **(a)** *Ninety percent of the fair market value of the real estate, if*  
16 *the mortgage loan is secured by a purchase money mortgage or*  
17 *like security received by the insurer upon disposition of the real*  
18 *estate.*

19       **(b)** *Eighty percent of the fair market value of the real estate, if*  
20 *the mortgage loan requires immediate scheduled payment in*  
21 *periodic installments of principal and interest, has an amortization*  
22 *period of 30 years or less and periodic payments made not less*  
23 *frequently than annually. Each periodic payment must be*  
24 *sufficient to ensure that at all times the outstanding principal*  
25 *balance of the mortgage loan is not greater than the outstanding*  
26 *principal balance that would be outstanding under a mortgage*  
27 *loan with the same original principal balance, the same interest*  
28 *rate and requiring equal payments of principal and interest with*  
29 *the same frequency over the same amortization period. Mortgage*  
30 *loans allowed in accordance with this section are allowed*  
31 *notwithstanding the fact that they provide for a payment of the*  
32 *principal balance before the end of the period of amortization of*  
33 *the loan. For residential mortgage loans, the 80-percent limitation*  
34 *may be increased to 97 percent if acceptable private mortgage*  
35 *insurance has been obtained.*

36       **(c)** *Seventy-five percent of the fair market value of the real*  
37 *estate for mortgage loans that do not meet the requirements of*  
38 *paragraph (a) or (b).*

39       **3.** *For the purposes of subsection 2, the amount of an*  
40 *obligation required to be included in the calculation of the loan-*  
41 *to-value ratio may be reduced to the extent the obligation is*  
42 *insured by the Federal Housing Administration or guaranteed by*  
43 *the Administrator of Veterans Affairs, or their successors.*

44       **4.** *A mortgage loan that is held by an insurer pursuant to*  
45 *section 141 of this act or acquired in accordance with the*



1 *provisions of sections 214 to 217, inclusive, of this act and is*  
2 *restructured in a manner that meets the requirements of a*  
3 *restructured mortgage loan in conformance with the Accounting*  
4 *Practices and Procedures Manual adopted by the NAIC, will*  
5 *continue to qualify as a mortgage loan in accordance with the*  
6 *provisions of this chapter.*

7 *5. Subject to the limitations of sections 200, 201 and 202 of*  
8 *this act, credit lease transactions that do not qualify for investment*  
9 *pursuant to section 203 of this act are exempt from the provisions*  
10 *of subsections 1, 2 and 3 if they meet the following criteria:*

11 *(a) The loan amortizes over the initial fixed lease term at least*  
12 *in an amount sufficient so that the loan balance at the end of the*  
13 *lease term does not exceed the original appraised value of the real*  
14 *estate;*

15 *(b) The lease payments cover or exceed the total debt service*  
16 *over the life of the loan;*

17 *(c) A tenant or its affiliated entity whose rated credit*  
18 *instruments have an SVO 1 or 2 rating or a comparable rating*  
19 *from a nationally recognized statistical rating organization*  
20 *recognized by the SVO, has a full faith and credit obligation to*  
21 *make the lease payments;*

22 *(d) The insurer holds or is the beneficial holder of a first lien*  
23 *mortgage on the real estate;*

24 *(e) The expenses of the real estate are passed through to the*  
25 *tenant excluding exterior, structural, parking and heating,*  
26 *ventilation and air conditioning replacement expenses, unless*  
27 *annual escrow contributions, from cash flows derived from the*  
28 *lease payments, cover the expense shortfall; and*

29 *(f) There is a perfected assignment of the rents due pursuant*  
30 *to the lease to, or for the benefit of, the insurer.*

31 **Sec. 215.** *1. An insurer may acquire, manage and dispose*  
32 *of real estate situated in a domestic jurisdiction either directly or*  
33 *indirectly through limited partnership interests and general*  
34 *partnership interests not otherwise prohibited by paragraph (d) of*  
35 *subsection 1 of section 154 of this act, joint ventures, stock of an*  
36 *investment subsidiary or membership interests in a limited-liability*  
37 *company, trust certificates or other similar interests. The real*  
38 *estate must be income producing or intended for improvement or*  
39 *development for investment purposes under an existing program,*  
40 *in which case the real estate shall be deemed to be income*  
41 *producing.*

42 *2. The real estate may be subject to mortgages, liens or other*  
43 *encumbrances, the amount of which must, to the extent that the*  
44 *obligations secured by the mortgages, liens or encumbrances are*  
45 *without recourse to the insurer, be deducted from the amount of*



1 *the investment of the insurer in the real estate for purposes of*  
2 *determining compliance with subsections 2 and 3 of section 217 of*  
3 *this act.*

4 **Sec. 216.** 1. *An insurer may acquire, manage and dispose*  
5 *of real estate for the convenient accommodation of the insurer's,*  
6 *and its affiliates, business operations, including home office,*  
7 *branch office and filed office operations.*

8 2. *Real estate acquired as described in this section may*  
9 *include excess space for rent to others, if the excess space, valued*  
10 *at its fair market value, would otherwise be an allowed investment*  
11 *in accordance with the provisions of section 215 of this act and is*  
12 *so qualified by the insurer.*

13 3. *The real estate acquired as described in this section may be*  
14 *subject to one or more mortgages, liens or other encumbrances,*  
15 *the amount of which must, to the extent that the obligations*  
16 *secured by the mortgages, liens or encumbrances are without*  
17 *recourse to the insurer, be deducted from the amount of the*  
18 *investment of the insurer in the real estate for purposes of*  
19 *determining compliance with subsection 4 of section 217 of this*  
20 *act.*

21 4. *For purposes of this section, business operations must not*  
22 *include that portion of real estate used for the direct provision of*  
23 *health care services by an insurer whose insurance premiums and*  
24 *required statutory reserves for accident and health insurance*  
25 *constitute at least 95 percent of total premium considerations or*  
26 *total statutory required reserves, respectively. An insurer may*  
27 *acquire real estate used for these purposes under section 215 of*  
28 *this act.*

29 **Sec. 217.** 1. *An insurer shall not acquire an investment in*  
30 *accordance with the provisions of section 214 of this act if, as a*  
31 *result of and after giving effect to the investment, the aggregate*  
32 *amount of all investments held by the insurer pursuant to that*  
33 *section would exceed:*

34 (a) *One percent of its admitted assets in mortgage loans*  
35 *covering any one secured location;*

36 (b) *One-quarter of one percent of its admitted assets in*  
37 *construction loans covering any one secured location; or*

38 (c) *One percent of its admitted assets in construction loans in*  
39 *the aggregate.*

40 2. *An insurer shall not acquire an investment under section*  
41 *215 of this act if, as a result of and after giving effect to the*  
42 *investment and any outstanding guarantees made by the insurer in*  
43 *connection with the investment, the aggregate amount of*  
44 *investments held by the insurer under section 215 of this act plus*  
45 *the guarantees outstanding would exceed:*



1 (a) One percent of its admitted assets in any one parcel or  
2 group of contiguous parcels of real estate, except that this  
3 limitation does not apply to that portion of real estate used for the  
4 direct provision of health care services by an insurer whose  
5 insurance premiums and required statutory reserves for accident  
6 and health insurance constitute at least 95 percent of total  
7 premium considerations or total statutory required reserves,  
8 respectively, including, without limitation, hospitals, medical  
9 clinics, medical professional buildings or other health facilities  
10 used for the purpose of providing health services; or

11 (b) The lesser of 10 percent of its admitted assets or 40 percent  
12 of its surplus as regards policyholders in the aggregate, except for  
13 an insurer whose insurance premiums and required statutory  
14 reserves for accident and health insurance constitute at least 95  
15 percent of total premium considerations or total statutory required  
16 reserves, respectively, this limitation must be increased to 15  
17 percent of its admitted assets in the aggregate.

18 3. An insurer shall not acquire an investment pursuant to  
19 sections 214 and 215 of this act if, as a result of and after giving  
20 effect to the investment and any guarantees it has made in  
21 connection with the investment, the aggregate amount of all  
22 investments held by the insurer in accordance with the provisions  
23 of those sections plus the guarantees outstanding would exceed 25  
24 percent of the insurer's admitted assets.

25 4. The limitations of sections 200, 201 and 202 of this act do  
26 not apply to an insurer's acquisition of real estate under section  
27 216 of this act. An insurer shall not acquire real estate under  
28 section 216 of this act if, as a result of and after giving effect to the  
29 acquisition, the aggregate amount of real estate held by the  
30 insurer in accordance with that section would exceed 10 percent of  
31 its admitted assets. With the permission of the Commissioner,  
32 additional amounts of real estate may be acquired under section  
33 216 of this act.

34 **Sec. 218.** An insurer may enter into securities lending,  
35 repurchase, reverse repurchase and dollar roll transactions with  
36 business entities, subject to the following requirements:

37 1. The insurer's board of directors shall adopt a written plan  
38 that is consistent with the requirements of the written plan in  
39 section 148 of this act which specifies the guidelines and objectives  
40 to be followed, including, without limitation:

41 (a) A description of how cash received will be invested or used  
42 for general corporate purposes of the insurer;

43 (b) Operational procedures to manage interest rate risk,  
44 counterparty default risk, the conditions under which proceeds  
45 from reverse repurchase transactions may be used in the ordinary



1 *course of business and the use of acceptable collateral in a*  
2 *manner that reflects the liquidity needs of the transaction; and*

3 (c) *The extent to which the insurer may engage in these*  
4 *transactions.*

5 2. *The insurer shall enter into a written agreement for all*  
6 *transactions authorized in this section other than dollar roll*  
7 *transactions. The written agreement must require that each*  
8 *transaction terminate not more than 1 year after its inception or*  
9 *upon the earlier demand of the insurer. The agreement must be*  
10 *with the business entity counterparty, but for securities lending*  
11 *transactions, the agreement may be with an agent acting on behalf*  
12 *of the insurer, if the agent is a qualified business entity and if the*  
13 *agreement:*

14 (a) *Requires the agent to enter into separate agreements with*  
15 *each counterparty that are consistent with the requirements of this*  
16 *section; and*

17 (b) *Prohibits securities lending transactions under the*  
18 *agreement with the agent or its affiliates.*

19 3. *Cash received in a transaction entered into as described in*  
20 *this section must be invested in accordance with the provisions of*  
21 *this chapter and in a manner that recognizes the liquidity needs of*  
22 *the transaction or used by the insurer for its general corporate*  
23 *purposes. For so long as the transaction remains outstanding, the*  
24 *insurer, its agent or custodian shall maintain, as to acceptable*  
25 *collateral received in a transaction entered into in accordance*  
26 *with this section, either physically or through the book entry*  
27 *systems of the Federal Reserve, the Depository Trust Company,*  
28 *the Participants Trust Company or any other securities*  
29 *depositories approved by the Commissioner:*

30 (a) *Possession of the acceptable collateral;*

31 (b) *A perfected security interest in the acceptable collateral; or*

32 (c) *In the case of a jurisdiction outside of the United States,*  
33 *title to, or rights of a secured creditor to, the acceptable collateral.*

34 4. *The limitations of sections 200, 201, 202 and 219 to 223,*  
35 *inclusive, of this act do not apply to the business entity*  
36 *counterparty exposure created by transactions entered into under*  
37 *this section. For purposes of calculations made to determine*  
38 *compliance with this subsection, no effect will be given to the*  
39 *insurer's future obligation to resell securities, in the case of a*  
40 *repurchase transaction, or to repurchase securities, in the case of*  
41 *a reverse repurchase transaction. An insurer shall not enter into a*  
42 *transaction under this section if, as a result of and after giving*  
43 *effect to the transaction:*

44 (a) *The aggregate amount of securities loaned, sold to or*  
45 *purchased from any one business entity counterparty under this*



1 *section would exceed 5 percent of its admitted assets. In*  
2 *calculating the amount sold to or purchased from a business entity*  
3 *counterparty under repurchase or reverse repurchase*  
4 *transactions, effect may be given to netting provisions contained*  
5 *within a master written agreement.*

6 *(b) The aggregate amount of all securities loaned, sold to or*  
7 *purchased from all business entities under this section would*  
8 *exceed 40 percent of its admitted assets.*

9 *↳ The limitation in this subsection does not apply to reverse*  
10 *repurchase transactions for so long as the borrowing is used to*  
11 *meet operational liquidity requirements resulting from an*  
12 *officially declared catastrophe and subject to a plan approved by*  
13 *the Commissioner.*

14 *5. In a securities lending transaction, the insurer shall*  
15 *receive acceptable collateral having a market value on the*  
16 *transaction date, equal to 102 percent or more of the market value*  
17 *of the securities loaned by the insurer in the transaction on that*  
18 *date. If at any time the market value of the acceptable collateral is*  
19 *less than the market value of the loaned securities, the business*  
20 *entity counterparty is obligated to deliver additional acceptable*  
21 *collateral, the market value of which, together with the market*  
22 *value of all acceptable collateral held in connection with the*  
23 *transaction, equals 102 percent or more of the market value of the*  
24 *loaned securities.*

25 *6. In a reverse repurchase transaction, other than a dollar*  
26 *roll transaction, the insurer shall receive acceptable collateral*  
27 *having a market value on the transaction date equal to 95 percent*  
28 *or more of the market value of the securities transferred by the*  
29 *insurer in the transaction on that date. If at any time the market*  
30 *value of the acceptable collateral is less than 95 percent of the*  
31 *market value of the securities so transferred, the business entity*  
32 *counterparty is obligated to deliver additional acceptable*  
33 *collateral, the market value of which, together with the market*  
34 *value of all acceptable collateral held in connection with the*  
35 *transaction, equals 95 percent or more of the market value of the*  
36 *transferred securities.*

37 *7. In a dollar roll transaction, the insurer shall receive cash*  
38 *in an amount equal to at least the market value of the securities*  
39 *transferred by the insurer in the transaction on the transaction*  
40 *date.*

41 *8. In a repurchase transaction, the insurer shall receive as*  
42 *acceptable collateral transferred securities having a market value*  
43 *equal to 102 percent or more of the purchase price paid by the*  
44 *insurer for the securities. If at any time the market value of the*  
45 *acceptable collateral is less than 100 percent of the purchase price*



1 *paid by the insurer, the business entity counterparty is obligated to*  
2 *provide additional acceptable collateral, the market value of*  
3 *which, together with the market value of all acceptable collateral*  
4 *held in connection with the transaction, equals 102 percent or*  
5 *more of the purchase price. Securities acquired by an insurer in a*  
6 *repurchase transaction must not be sold in a reverse repurchase*  
7 *transaction, loaned in a securities lending transaction or*  
8 *otherwise pledged.*

9 *9. To constitute acceptable collateral for the purposes of this*  
10 *section, a letter of credit must have an expiration date beyond the*  
11 *term of the subject transaction.*

12 **Sec. 219.** *Subject to the limitations of sections 200, 201 and*  
13 *202 of this act, an insurer may acquire foreign investments, or*  
14 *engage in investment practices with persons of, or in, foreign*  
15 *jurisdictions, of substantially the same types as those that an*  
16 *insurer is allowed to acquire pursuant to this chapter, other than*  
17 *of the type allowed under section 204 of this act if, as a result of*  
18 *and after giving effect to the investment:*

19 *1. The aggregate amount of foreign investments held by the*  
20 *insurer in accordance with this section does not exceed 20 percent*  
21 *of its admitted assets; and*

22 *2. The aggregate amount of foreign investments held by the*  
23 *insurer in accordance with this section in a single foreign*  
24 *jurisdiction does not exceed 10 percent of its admitted assets as to*  
25 *a foreign jurisdiction that has a sovereign debt rating of SVO 1 or*  
26 *5 percent of its admitted assets as to any other foreign jurisdiction.*

27 **Sec. 220.** *1. Subject to the limitations of sections 200, 201*  
28 *and 202 of this act, an insurer may acquire investments, or engage*  
29 *in investment practices denominated in foreign currencies,*  
30 *whether or not they are foreign investments acquired as described*  
31 *in section 219 of this act, or additional foreign currency exposure*  
32 *as a result of the termination or expiration of a hedging*  
33 *transaction with respect to investments denominated in a foreign*  
34 *currency if:*

35 *(a) The aggregate amount of investments held by the insurer*  
36 *in accordance with this section denominated in foreign currencies*  
37 *does not exceed 15 percent of its admitted assets; and*

38 *(b) The aggregate amount of investments held by the insurer*  
39 *in accordance with this section denominated in the foreign*  
40 *currency of a single foreign jurisdiction does not exceed 10*  
41 *percent of its admitted assets as to a foreign jurisdiction that has a*  
42 *sovereign debt rating of SVO 1 or 5 percent of its admitted assets*  
43 *as to any other foreign jurisdiction.*

44 *2. An investment must not be considered denominated in a*  
45 *foreign currency if the acquiring insurer enters into one or more*





1 *contracts in transactions allowed under sections 224 to 228,*  
2 *inclusive, of this act and the business entity counterparty agrees,*  
3 *in accordance with the contract or contracts, to exchange all*  
4 *payments made on the foreign currency denominated investment*  
5 *for United States currency at a rate which effectively insulates the*  
6 *investment cash flows against future changes in currency*  
7 *exchange rates during the period the contract or contracts are in*  
8 *effect.*

9 **Sec. 221.** *In addition to investments allowed under sections*  
10 *219 and 220 of this act, an insurer that is authorized to do*  
11 *business in a foreign jurisdiction, and that has outstanding*  
12 *insurance, annuity or reinsurance contracts on lives or risks*  
13 *resident or located in that foreign jurisdiction and denominated in*  
14 *foreign currency of that jurisdiction, may acquire foreign*  
15 *investments respecting that foreign jurisdiction, and may acquire*  
16 *investments denominated in the currency of that jurisdiction,*  
17 *subject to the limitations of sections 200, 201 and 202 of this act.*  
18 *Investments made in accordance with this section in obligations of*  
19 *foreign governments, their political subdivisions and government-*  
20 *sponsored enterprises are not subject to the limitations of sections*  
21 *200, 201 and 202 of this act if those investments carry an SVO*  
22 *rating of 1 or 2. The aggregate amount of investments acquired by*  
23 *the insurer in accordance with this section must not exceed the*  
24 *greater of:*

25 1. *The amount the insurer is required by law to invest in the*  
26 *foreign jurisdiction; or*

27 2. *One hundred twenty-five percent of the amount if the*  
28 *insurer's reserves, net of reinsurance and other obligations under*  
29 *the contracts.*

30 **Sec. 222.** *In addition to investments allowed under sections*  
31 *219 and 220 of this act, an insurer that is not authorized to do*  
32 *business in a foreign jurisdiction but which has outstanding*  
33 *insurance, annuity or reinsurance contracts on lives or risks*  
34 *resident or located in a foreign jurisdiction and denominated in*  
35 *foreign currency of that jurisdiction, may acquire foreign*  
36 *investments respecting that foreign jurisdiction, and may acquire*  
37 *investments denominated in the currency of that jurisdiction*  
38 *subject to the limitations set forth in sections 200, 201 and 202 of*  
39 *this act. Investments made in accordance with this section in*  
40 *obligations of foreign governments, their political subdivisions*  
41 *and government-sponsored enterprises are not subject to the*  
42 *limitations of sections 200, 201 and 202 of this act if those*  
43 *investments carry an SVO rating of 1 or 2. The aggregate amount*  
44 *of investments acquired by the insurer in accordance with this*  
45 *section must not exceed 105 percent of the amount of the insurer's*



1 *reserves, net of reinsurance, and other obligations under the*  
2 *contracts on risks resident or located in the foreign jurisdiction.*

3 **Sec. 223.** *Investments acquired in conformance with sections*  
4 *219 to 223, inclusive, of this act must be aggregated with*  
5 *investments of the same types made under this chapter, and in a*  
6 *similar manner, for purposes of determining compliance with the*  
7 *limitations, if any, contained in this chapter. Investments in*  
8 *obligations of foreign governments, their political subdivisions*  
9 *and government-sponsored enterprises of these persons, except for*  
10 *those exempted in accordance with the provisions of sections 221*  
11 *and 222 of this act, are subject to the limitations of sections 200,*  
12 *201 and 202 of this act.*

13 **Sec. 224.** *An insurer may, directly or indirectly through an*  
14 *investment subsidiary, engage in derivative transactions as*  
15 *described in sections 224 to 228, inclusive, of this act pursuant to*  
16 *the following conditions:*

17 1. *An insurer may use derivative instruments under sections*  
18 *224 to 228, inclusive, of this act to engage in hedging transactions*  
19 *and certain income generation transactions, as these terms may be*  
20 *further defined in regulations adopted by the Commissioner*  
21 *pursuant to section 158 of this act; and*

22 2. *An insurer must be able to demonstrate to the*  
23 *Commissioner the intended hedging characteristics and the*  
24 *ongoing effectiveness of the derivative transaction or combination*  
25 *of transactions through cash flow testing or other appropriate*  
26 *analyses.*

27 **Sec. 225.** *An insurer may enter into hedging transactions*  
28 *under sections 224 to 228, inclusive, of this act if, as a result of*  
29 *and after giving effect to the transaction:*

30 1. *The aggregate statement value of options, caps, floors and*  
31 *warrants not attached to another financial instrument purchased*  
32 *and used in hedging transactions does not exceed 7.5 percent of its*  
33 *admitted assets;*

34 2. *The aggregate statement value of options, caps and floors*  
35 *written in hedging transactions does not exceed 3 percent of its*  
36 *admitted assets; and*

37 3. *The aggregate potential exposure of collars, swaps,*  
38 *forwards and futures used in hedging transactions does not exceed*  
39 *6.5 percent of its admitted assets.*

40 **Sec. 226.** *An insurer may only enter into the following types*  
41 *of income generation transactions if, as a result of and after*  
42 *giving effect to the transactions, the aggregate statement value of*  
43 *the fixed income assets that are subject to call plus the face value*  
44 *of fixed income securities underlying a derivative instrument*



1 *subject to call, plus the amount of the purchase obligations under*  
2 *the puts, does not exceed 10 percent of its admitted assets:*

3 1. *Sales of covered call options on noncallable fixed income*  
4 *securities, callable fixed income securities if the option expires by*  
5 *its terms before the end of the noncallable period or derivative*  
6 *instruments based on fixed income securities;*

7 2. *Sales of covered call options on equity securities, if the*  
8 *insurer holds in its portfolio, or can immediately acquire through*  
9 *the exercise of options, warrants or conversion rights already*  
10 *owned, the equity securities subject to call during the complete*  
11 *term of the call option sold; or*

12 3. *Sales of covered puts on investments that the insurer is*  
13 *allowed to acquire pursuant to this chapter if the insurer has*  
14 *escrowed, or entered into a custodian agreement segregating, cash*  
15 *or cash equivalents with a market value equal to the amount of its*  
16 *purchase obligations under the put during the complete term of*  
17 *the put option sold.*

18 **Sec. 227.** *An insurer shall include all counterparty exposure*  
19 *amounts in determining compliance with the limitations of*  
20 *sections 200, 201 and 202 of this act.*

21 **Sec. 228.** *In accordance with the regulations adopted*  
22 *pursuant to section 158 of this act, the Commissioner may approve*  
23 *additional transactions involving the use of derivative instruments*  
24 *in excess of the limits of section 225 of this act or for other risk-*  
25 *management purposes, but replication transactions must not be*  
26 *allowed for other than risk-management purposes.*

27 **Sec. 229.** *An insurer may acquire investments, or engage in*  
28 *investment practices, in accordance with the provisions of this*  
29 *section and section 230 of this act, of any kind that are not*  
30 *specifically prohibited by this chapter, or engage in investment*  
31 *practices, without regard to any limitation in sections 200 to 223,*  
32 *inclusive, of this act, but an insurer shall not acquire an*  
33 *investment or engage in an investment practice in accordance with*  
34 *the provisions of this section and section 230 of this act if, as a*  
35 *result of and after giving effect to the transaction, the aggregate*  
36 *amount of the investments held by the insurer in accordance with*  
37 *the provisions of this section and section 230 of this act would*  
38 *exceed the greater of:*

39 1. *Its unrestricted surplus; or*

40 2. *The lesser of:*

41 (a) *Ten percent of its admitted assets; or*

42 (b) *Fifty percent of its surplus as regards policy holders.*

43 **Sec. 230.** *An insurer shall not acquire any investment or*  
44 *engage in any investment practice in accordance with subsection 2*  
45 *of section 229 of this act if, as a result of and after giving effect to*



1 *the transaction, the aggregate amount of all investments in any*  
2 *one person held by the insurer in accordance with subsection 1 of*  
3 *section 229 would exceed 5 percent of its admitted assets.*

4 **Sec. 231.** NRS 682A.020 is hereby amended to read as  
5 follows:

6 682A.020 ~~[H.]~~ Insurers may *acquire, hold or* invest in ~~for~~  
7 ~~lend their funds on the security of, and may hold as invested assets,~~  
8 ~~only eligible investments as prescribed in this chapter.~~

9 ~~—2. Any particular investment held by an insurer on January 1,~~  
10 ~~1972, which was a legal investment at the time it was made, and~~  
11 ~~which the insurer was legally entitled to possess immediately before~~  
12 ~~January 1, 1972, shall be deemed to be an eligible investment.~~

13 ~~—3. Any particular investment held by a successor organization~~  
14 ~~to the State Industrial Insurance System that was established by~~  
15 ~~section 79 of chapter 642, Statutes of Nevada 1981, at page 1449,~~  
16 ~~which was a legal investment of the System made before January 1,~~  
17 ~~2000, and which the successor organization is legally entitled to~~  
18 ~~possess on or after January 1, 2000, shall be deemed to be an~~  
19 ~~eligible investment of the successor organization.~~

20 ~~—4. Eligibility of an investment must be determined as of the~~  
21 ~~date of its making or acquisition, except as stated in subsections 2~~  
22 ~~and 3.~~

23 ~~—5. Any investment limitation based upon the amount of the~~  
24 ~~insurer's assets or particular funds must relate to such assets or~~  
25 ~~funds as shown by the insurer's annual statement as of December 31~~  
26 ~~next preceding the date of acquisition of the investment by the~~  
27 ~~insurer, or as shown by a current financial statement resulting from~~  
28 ~~merger of another insurer, bulk reinsurance or change in~~  
29 ~~capitalization.~~

30 ~~—6. No insurer may pay any commission or brokerage for the~~  
31 ~~purchase or sale of property in excess of that usual and customary at~~  
32 ~~the time and in the locality where such purchases or sales are made,~~  
33 ~~and complete information regarding all payments of commission~~  
34 ~~and brokerage must be reported in the next annual statement.]~~  
35 *investments or engage in investment practices as set forth in this*  
36 *chapter. Investments not conforming to the provisions of this*  
37 *chapter are not admitted assets.*

38 **Sec. 232.** NRS 682B.130 is hereby amended to read as  
39 follows:

40 682B.130 1. An alien insurer may use Nevada as a state of  
41 entry to transact insurance in the United States of America by  
42 making and maintaining in this state a deposit of assets in trust with  
43 a bank, credit union or trust company approved by the  
44 Commissioner.



1 2. The deposit, together with other trust deposits of the insurer  
2 held in the United States of America for the same purpose, must be  
3 in an amount not less than as required of an alien insurer under NRS  
4 680A.140, deposit requirement in general, and must consist of  
5 United States money, public obligations of the government or states  
6 or political subdivisions of the United States of America, and  
7 obligations of corporations and institutions in the United States of  
8 America, all as eligible for the investment of money of domestic  
9 insurers under ~~NRS 682A.060, 682A.070 and 682A.080.~~ *sections*  
10 *159 to 193, inclusive, of this act.*

11 3. Such a deposit may be referred to as "trusteed assets."

12 **Sec. 233.** NRS 683A.08528 is hereby amended to read as  
13 follows:

14 683A.08528 1. Not later than ~~July 1 of each year.~~ *90 days*  
15 *after the expiration of the fiscal year of the administrator, or*  
16 *within such other period as the Commissioner may allow,* each  
17 holder of a certificate of registration as an administrator shall file  
18 with the Commissioner an annual report for ~~the most recently~~  
19 ~~completed~~ *that* fiscal year . ~~of the administrator.~~ Each annual  
20 report must be verified by at least two officers of the administrator.

21 2. Each annual report filed pursuant to this section must  
22 include all the following:

23 (a) A financial statement of the administrator that has been  
24 reviewed by an independent certified public accountant.

25 (b) The complete name and address of each person, if any, for  
26 whom the administrator agreed to act as an administrator during the  
27 ~~most recently completed~~ fiscal year . ~~of the administrator.~~

28 (c) *A statement regarding the total money handled by the*  
29 *administrator on behalf of contracted entities in connection with*  
30 *his or her activities as an administrator. The statement must be on*  
31 *a form prescribed or approved by the Commissioner for the*  
32 *purpose of calculating the amount of the bond required by*  
33 *NRS 683A.0857.*

34 (d) Any other information required by the Commissioner.

35 3. ~~Has~~ *Except as otherwise provided in subsection 4, in*  
36 *addition to the information required pursuant to subsection 2, if an*  
37 *annual report is prepared on a consolidated basis, the annual report*  
38 *must include* ~~a columnar or combining worksheet~~ *supplemental*  
39 *exhibits* that:

40 (a) ~~Includes the amounts shown on the consolidated financial~~  
41 ~~statement accompanying the annual report;~~ *Have been reviewed by*  
42 *an independent certified public accountant; and*

43 (b) ~~Separately sets forth the amounts for each entity included in~~  
44 ~~the worksheet; and~~



1 ~~—(c) Includes an explanation of each consolidating and~~  
2 ~~eliminating entry included in the worksheet.] Include a balance~~  
3 ~~sheet and income statement for each holder of a certificate of~~  
4 ~~registration as an administrator in this State.~~

5 4. *In lieu of complying with the requirements set forth in*  
6 *paragraphs (a) and (b) of subsection 3, an administrator who is a*  
7 *wholly owned subsidiary of a parent company may submit to the*  
8 *Commissioner:*

9 *(a) The financial statement of the parent company that has*  
10 *been audited by an independent certified public accountant; and*

11 *(b) A parental guaranty that is signed by an officer of the*  
12 *parent company and which guarantees the financial solvency of*  
13 *the administrator.*

14 5. Each administrator who files an annual report pursuant to  
15 this section shall, at the time of filing the annual report, pay a filing  
16 fee in an amount determined by the Commissioner.

17 ~~§-] 6.~~ The Commissioner shall, for each administrator, review  
18 the annual report that is most recently filed by the administrator. As  
19 soon as practicable after reviewing the report, the Commissioner  
20 shall:

21 (a) Issue a certificate to the administrator:

22 (1) Indicating that, based on the annual report and  
23 accompanying financial statement, the administrator has a positive  
24 net worth and is currently licensed and in good standing in this  
25 State; or

26 (2) Setting forth any deficiency found by the Commissioner  
27 in the annual report and accompanying financial statement; or

28 (b) Submit a statement to any electronic database maintained by  
29 the National Association of Insurance Commissioners or any  
30 affiliate or subsidiary of the Association:

31 (1) Indicating that, based on the annual report and  
32 accompanying financial statement, the administrator has a positive  
33 net worth and is in compliance with existing law; or

34 (2) Setting forth any deficiency found by the Commissioner  
35 in the annual report and accompanying financial statement.

36 **Sec. 234.** NRS 683A.251 is hereby amended to read as  
37 follows:

38 683A.251 1. The Commissioner shall prescribe the form of  
39 application by a natural person for a license as a resident producer  
40 of insurance. The applicant must declare, under penalty of refusal to  
41 issue, or suspension or revocation of, the license, that the statements  
42 made in the application are true, correct and complete to the best of  
43 his or her knowledge and belief. Before approving the application,  
44 the Commissioner must find that the applicant has:

45 (a) Attained the age of 18 years;



1 (b) Not committed any act that is a ground for refusal to issue,  
2 or suspension or revocation of, a license;

3 (c) Completed a course of study for the lines of authority for  
4 which the application is made, unless the applicant is exempt from  
5 this requirement;

6 (d) Paid all applicable fees prescribed for the license and a fee  
7 established by the Commissioner of not more than \$15 for deposit in  
8 the Insurance Recovery Account, neither of which may be refunded;  
9 and

10 (e) Successfully passed the examinations for the lines of  
11 authority for which application is made, unless the applicant is  
12 exempt from this requirement.

13 2. A business organization must be licensed as a producer of  
14 insurance in order to act as such. Application must be made on a  
15 form prescribed by the Commissioner. Before approving the  
16 application, the Commissioner must find that the applicant has:

17 (a) Paid all applicable fees prescribed for the license and a fee  
18 established by the Commissioner of not more than \$15 for deposit in  
19 the Insurance Recovery Account, neither of which may be refunded;

20 (b) Designated a natural person who is licensed as a producer of  
21 insurance and who is authorized to transact business on behalf of the  
22 business organization to be responsible for the organization's  
23 compliance with the laws and regulations of this State relating to  
24 insurance; ~~and~~

25 (c) If the business organization has authorized a producer of  
26 insurance not designated pursuant to paragraph (b) to transact  
27 business on behalf of the business organization, submitted to the  
28 Commissioner on a form prescribed by the Commissioner the name  
29 of each producer of insurance authorized to transact business on  
30 behalf of the business organization ~~;~~ *and*

31 *(d) Established and maintains a valid electronic mail address*  
32 *at the applicant's own expense.*

33 3. A natural person who is a resident of this State applying for  
34 a license must, as part of his or her application and at the applicant's  
35 own expense:

36 (a) Arrange to have a complete set of his or her fingerprints  
37 taken by a law enforcement agency or other authorized entity  
38 acceptable to the Commissioner; ~~and~~

39 (b) Submit to the Commissioner:

40 (1) A completed fingerprint card and written permission  
41 authorizing the Commissioner to submit the applicant's fingerprints  
42 to the Central Repository for Nevada Records of Criminal History  
43 for submission to the Federal Bureau of Investigation for a report on  
44 the applicant's background and to such other law enforcement  
45 agencies as the Commissioner deems necessary; or





1 (2) Written verification, on a form prescribed by the  
2 Commissioner, stating that the fingerprints of the applicant were  
3 taken and directly forwarded electronically or by another means to  
4 the Central Repository and that the applicant has given written  
5 permission to the law enforcement agency or other authorized entity  
6 taking the fingerprints to submit the fingerprints to the Central  
7 Repository for submission to the Federal Bureau of Investigation for  
8 a report on the applicant's background and to such other law  
9 enforcement agencies as the Commissioner deems necessary **H** ;  
10 **and**

11 **(c) Establish and maintain a valid electronic mail address.**

12 4. The Commissioner may:

13 (a) Unless the applicant's fingerprints are directly forwarded  
14 pursuant to subparagraph (2) of paragraph (b) of subsection 3,  
15 submit those fingerprints to the Central Repository for submission  
16 to the Federal Bureau of Investigation and to such other law  
17 enforcement agencies as the Commissioner deems necessary;

18 (b) Request from each such agency any information regarding  
19 the applicant's background as the Commissioner deems necessary;  
20 and

21 (c) Adopt regulations concerning the procedures for obtaining  
22 this information.

23 5. The Commissioner may require any document reasonably  
24 necessary to verify information contained in an application.

25 **Sec. 235.** NRS 683A.261 is hereby amended to read as  
26 follows:

27 683A.261 1. Unless the Commissioner refuses to issue the  
28 license under NRS 683A.451, the Commissioner shall issue a  
29 license as a producer of insurance to a person who has satisfied the  
30 requirements of NRS 683A.241 and 683A.251. A producer of  
31 insurance may qualify for a license in one or more of the lines of  
32 authority permitted by statute or regulation, including:

33 (a) Life insurance on human lives, which includes benefits from  
34 endowments and annuities and may include additional benefits from  
35 death by accident and benefits for dismemberment by accident and  
36 for disability income.

37 (b) Accident and health insurance for sickness, bodily injury or  
38 accidental death, which may include benefits for disability income.

39 (c) Property insurance for direct or consequential loss or damage  
40 to property of every kind.

41 (d) Casualty insurance against legal liability, including liability  
42 for death, injury or disability and damage to real or personal  
43 property. For the purposes of a producer of insurance, this line of  
44 insurance includes surety indemnifying financial institutions or



1 providing bonds for fidelity, performance of contracts or financial  
2 guaranty.

3 (e) Variable annuities and variable life insurance, including  
4 coverage reflecting the results of a separate investment account.

5 (f) Credit insurance, including credit life, credit accident and  
6 health, credit property, credit involuntary unemployment,  
7 guaranteed asset protection, and any other form of insurance offered  
8 in connection with an extension of credit that is limited to wholly or  
9 partially extinguishing the obligation which the Commissioner  
10 determines should be considered as limited-line credit insurance.

11 (g) Personal lines, consisting of automobile and motorcycle  
12 insurance and residential property insurance, including coverage for  
13 flood, of personal watercraft and of excess liability, written over one  
14 or more underlying policies of automobile or residential property  
15 insurance.

16 (h) Fixed annuities, including, without limitation, indexed  
17 annuities, as a limited line.

18 (i) Travel and baggage as a limited line.

19 (j) Rental car agency as a limited line.

20 (k) Portable electronics as a limited line.

21 (l) Crop as a limited line.

22 2. A license as a producer of insurance remains in effect unless  
23 revoked, suspended or otherwise terminated if a request for a  
24 renewal is submitted on or before the date for the renewal specified  
25 on the license, all applicable fees for renewal and a fee established  
26 by the Commissioner of not more than \$15 for deposit in the  
27 Insurance Recovery Account are paid for each license and each  
28 authorization to transact business on behalf of a business  
29 organization licensed pursuant to subsection 2 of NRS 683A.251,  
30 and any requirement for education or any other requirement to  
31 renew the license is satisfied by the date specified on the license for  
32 the renewal. A producer of insurance may submit a request for a  
33 renewal of his or her license within 30 days after the date specified  
34 on the license for the renewal if the producer of insurance otherwise  
35 complies with the provisions of this subsection and pays, in addition  
36 to any fee paid pursuant to this subsection, a penalty of 50 percent  
37 of all applicable renewal fees, except for any fee required pursuant  
38 to NRS 680C.110. A license as a producer of insurance expires if  
39 the Commissioner receives a request for a renewal of the license  
40 more than 30 days after the date specified on the license for the  
41 renewal. A fee paid pursuant to this subsection is nonrefundable.

42 3. A natural person who allows his or her license as a producer  
43 of insurance to expire may reapply for the same license within 12  
44 months after the date specified on the license for a renewal without  
45 passing a written examination or completing a course of study



1 required by paragraph (c) of subsection 1 of NRS 683A.251, but a  
2 penalty of twice all applicable renewal fees, except for any fee  
3 required pursuant to NRS 680C.110, is required for any request for a  
4 renewal of the license that is received after the date specified on the  
5 license for the renewal.

6 4. A licensed producer of insurance who is unable to renew his  
7 or her license because of military service, extended medical  
8 disability or other extenuating circumstance may request a waiver of  
9 the time limit and of any fine or sanction otherwise required or  
10 imposed because of the failure to renew.

11 5. A license must state the licensee's name, address, personal  
12 identification number, the date of issuance, the lines of authority and  
13 the date of expiration and must contain any other information the  
14 Commissioner considers necessary. The license must be made  
15 available for public inspection upon request.

16 6. A licensee shall inform the Commissioner of each change of  
17 business, ~~or~~ residence *or electronic mail* address, in writing or by  
18 other means acceptable to the Commissioner, within 30 days after  
19 the change. If a licensee changes his or her business, ~~or~~ residence  
20 *or electronic mail* address without giving written notice and the  
21 Commissioner is unable to locate the licensee after diligent effort,  
22 the Commissioner may revoke the license without a hearing. The  
23 mailing of a letter by certified mail, return receipt requested,  
24 addressed to the licensee at his or her last mailing address appearing  
25 on the records of the Division, and the return of the letter  
26 undelivered, constitutes a diligent effort by the Commissioner.

27 **Sec. 236.** NRS 683A.271 is hereby amended to read as  
28 follows:

29 683A.271 1. Unless the Commissioner refuses to issue the  
30 license under NRS 683A.451, the Commissioner shall issue a  
31 license as a producer of insurance to a nonresident person if the  
32 nonresident person:

33 (a) Is currently licensed as a resident and in good standing in his  
34 or her home state;

35 (b) Has made the proper request for licensure and paid all  
36 applicable fees prescribed for the license and a fee established by  
37 the Commissioner of not more than \$15 for deposit in the Insurance  
38 Recovery Account;

39 (c) Has sent to the Commissioner the application for licensure  
40 that the nonresident person made in his or her home state, or a  
41 completed uniform application; ~~and~~

42 (d) Has a home state which issues nonresident licenses as  
43 producers of insurance to residents of this State pursuant to  
44 substantially the same procedure ~~and~~; *and*



1 *(e) Establishes and maintains a valid electronic mail address*  
2 *at the applicant's own expense.*

3 2. The Commissioner may participate with the National  
4 Association of Insurance Commissioners or a subsidiary in a  
5 centralized registry in which licensing and appointment of producers  
6 of insurance may be effected for all states that require licensing and  
7 participate in the registry. If the Commissioner finds that  
8 participation is in the public interest, the Commissioner may adopt  
9 by regulation any uniform standards and procedures necessary for  
10 participation, including central collection of fees for licensing and  
11 appointment that are handled through the registry.

12 3. A nonresident producer who moves from one state to  
13 another state shall file a change of address and certification from the  
14 new state of residence within 30 days after the change of legal  
15 residence. No fee or application for license is required.

16 4. A nonresident licensed as a producer for surplus lines in his  
17 or her home state must be issued a nonresident license of that kind  
18 in this State pursuant to subsection 1, subject in all other respects to  
19 chapter 685A of NRS. A nonresident licensed as a producer for  
20 limited lines in his or her home state is entitled to a nonresident  
21 license of that kind in this State pursuant to subsection 1, granting  
22 the same scope of authority as the license issued in the home state.  
23 As used in this subsection, insurance for limited lines is authority  
24 granted by the home state which is restricted to less than the  
25 total authority prescribed for the associated major lines pursuant to  
26 NRS 683A.261.

27 *5. A nonresident firm or corporation maintaining a physical*  
28 *business location in this State shall notify the Commissioner of*  
29 *each physical location in this State from which it transacts*  
30 *business. A nonresident firm or corporation shall maintain a list*  
31 *identifying the locations outside this State from which it transacts*  
32 *business and provide the list to the Commissioner upon request.*

33 **Sec. 237.** NRS 683A.378 is hereby amended to read as  
34 follows:

35 683A.378 1. A person shall not conduct utilization review  
36 unless the person is:

37 (a) Registered with the Commissioner as an agent who performs  
38 utilization review and has a medical director who is a physician or,  
39 in the case of an agent who reviews dental services, a dentist,  
40 licensed in any state; or

41 (b) Employed by a registered agent who performs utilization  
42 review.

43 2. A person may apply for registration by filing with the  
44 Commissioner a \$250 fee and, in addition to any other fee or charge,



1 all applicable fees required pursuant to NRS 680C.110 and the  
2 following information on a form provided by the Commissioner:

3 (a) The applicant's name, address, telephone number , *valid*  
4 *electronic mail address* and normal business hours;

5 (b) The name and telephone number of a person the  
6 Commissioner may contact for information concerning the  
7 applicant;

8 (c) The name of the medical director of the applicant and the  
9 state in which he or she is licensed to practice medicine or dentistry;  
10 and

11 (d) A summary of the plan for utilization review, including  
12 procedures for appealing determinations made through utilization  
13 review.

14 3. An agent who performs utilization review shall file with the  
15 Commissioner any material changes in the information provided  
16 pursuant to subsection 1 within 30 days after the change occurs.

17 4. The Commissioner shall not evaluate the plan submitted  
18 pursuant to paragraph (d) of subsection 2. The Commissioner shall  
19 make the plan available upon request and shall charge a reasonable  
20 fee for providing a copy of the plan.

21 5. Registration pursuant to this section must be renewed on  
22 or before March 1 of each year by providing the information  
23 specified in subsection 2 and paying a renewal fee of \$250 and, in  
24 addition to any other fee or charge, all applicable fees required  
25 pursuant to NRS 680C.110.

26 **Sec. 238.** NRS 683A.451 is hereby amended to read as  
27 follows:

28 683A.451 The Commissioner may refuse to issue a license or  
29 certificate pursuant to this chapter or may place any person to whom  
30 a license or certificate is issued pursuant to this chapter on  
31 probation, suspend the person for not more than 12 months, or  
32 revoke or refuse to renew his or her license or certificate, or may  
33 impose an administrative fine or take any combination of the  
34 foregoing actions, for one or more of the following causes:

35 1. Providing incorrect, misleading, incomplete or partially  
36 untrue information in his or her application for a license.

37 2. Violating a law regulating insurance, or violating a  
38 regulation, order or subpoena of the Commissioner or an equivalent  
39 officer of another state.

40 3. Obtaining or attempting to obtain a license through  
41 misrepresentation or fraud.

42 4. Misappropriating, converting or improperly withholding  
43 money or property received in the course of the business of  
44 insurance.



1 5. Intentionally misrepresenting the terms of an actual or  
2 proposed contract of or application for insurance.

3 6. Conviction of a felony ~~[ ]~~ *or a crime which involves theft,*  
4 *fraud, dishonesty or moral turpitude.*

5 7. Admitting or being found to have committed an unfair trade  
6 practice or fraud.

7 8. Using fraudulent, coercive or dishonest practices, or  
8 demonstrated incompetence, untrustworthiness or financial  
9 irresponsibility in the conduct of business , *or otherwise,* in this  
10 State or elsewhere.

11 9. Denial, suspension or revocation of a license as a producer  
12 of insurance, or its equivalent, in any other state, territory or  
13 province.

14 10. Forging another's name to an application for insurance or  
15 any other document relating to the transaction of insurance.

16 11. Improperly using notes or other reference material to  
17 complete an examination for a license related to insurance.

18 12. Knowingly accepting business related to insurance from an  
19 unlicensed person.

20 13. Failing to comply with an administrative or judicial order  
21 imposing an obligation of child support.

22 14. Failing to pay a tax as required ~~[pursuant to the provisions~~  
23 ~~of chapter 363A of NRS.] by law.~~

24 **Sec. 239.** NRS 686B.080 is hereby amended to read as  
25 follows:

26 686B.080 1. Except as otherwise provided in subsections 2  
27 ~~[and 3.] to 5, inclusive,~~ each filing and any supporting information  
28 filed under NRS 686B.010 to 686B.1799, inclusive, must, as soon  
29 as filed, be open to public inspection at any reasonable time. Copies  
30 may be obtained by any person on request and upon payment of a  
31 reasonable charge therefor.

32 2. All ~~[approved]~~ rates for health benefit plans available for  
33 purchase by individuals *and small employers* are considered  
34 proprietary and ~~[to]~~ constitute trade secrets, and are not subject to  
35 disclosure by the Commissioner to persons outside the Division  
36 except as agreed to by the carrier or as ordered by a court of  
37 competent jurisdiction.

38 3. The provisions of subsection 2 expire annually on the date  
39 30 days before open enrollment.

40 4. *Except in cases of violations of NRS 689A.010 to*  
41 *689A.740, inclusive, or 689C.015 to 689C.355, inclusive, the*  
42 *unified rate review template and rate filing documentation used by*  
43 *carriers servicing the individual and small employer markets are*  
44 *considered proprietary and constitute a trade secret, and are not*  
45 *subject to disclosure by the Commissioner to persons outside the*



1 *Division except as agreed to by the carrier or as ordered by a court*  
2 *of competent jurisdiction.*

3 5. *An insurer providing blanket health insurance in*  
4 *accordance with the provisions of chapter 689B of NRS shall*  
5 *make all information concerning rates available to the*  
6 *Commissioner upon request. Such information is considered*  
7 *proprietary and constitutes a trade secret and is not subject to*  
8 *disclosure by the Commissioner to persons outside the Division*  
9 *except as agreed by the insurer or as ordered by a court of*  
10 *competent jurisdiction.*

11 6. For the purposes of this section ~~["open"]~~ :

12 (a) *"Open enrollment"* has the meaning ascribed to it in 45  
13 C.F.R. § 147.104(b)(1)(ii).

14 (b) *"Rate filing documentation" and "unified rate review*  
15 *template" have the meanings ascribed to them in 45 C.F.R. §*  
16 *154.215.*

17 **Sec. 240.** Chapter 686C of NRS is hereby amended by adding  
18 thereto the provisions set forth as sections 241 to 246, inclusive, of  
19 this act.

20 **Sec. 241. 1.** *At any time within 180 days after the date of an*  
21 *order of liquidation, the Association may elect to succeed to the*  
22 *rights and obligations of the ceding member insurer that relate to*  
23 *policies or annuities covered, in whole or in part, by the*  
24 *Association, in each case under any one or more reinsurance*  
25 *contracts entered into by the insolvent insurer and its reinsurers*  
26 *and selected by the Association. Any such assumption must be*  
27 *effective on the date of the order of liquidation. The election must*  
28 *be carried out by the Association sending written notice, return*  
29 *receipt requested, to the affected reinsurers.*

30 2. *To facilitate the earliest practicable decision about whether*  
31 *to assume any of the contracts of reinsurance, and to protect the*  
32 *financial position of the estate, the receiver and each reinsurer of*  
33 *the ceding insurer shall make available upon request to the*  
34 *Association as soon as possible after commencement of formal*  
35 *delinquency proceedings:*

36 (a) *Copies of in-force contracts of reinsurance and all related*  
37 *files and records relevant to the determination of whether such*  
38 *contracts should be assumed; and*

39 (b) *Notices of any defaults under the reinsurance contracts or*  
40 *any known event or condition which with the passage of time*  
41 *could become a default under the reinsurance contracts.*

42 3. *The following apply to reinsurance contracts assumed by*  
43 *the Association:*

44 (a) *The Association is responsible for all unpaid premiums due*  
45 *pursuant to the reinsurance contracts for periods both before and*





1 *after the date of the order of liquidation, and is responsible for the*  
2 *performance of all other obligations to be performed after the date*  
3 *of the order of liquidation, in each case which relates to policies or*  
4 *annuities covered, in whole or in part, by the Association. The*  
5 *Association may charge policies or annuities covered in part by*  
6 *the Association, through reasonable allocation methods, the costs*  
7 *for reinsurance in excess of the obligations of the Association and*  
8 *shall provide notice and an accounting of these changes to the*  
9 *liquidator.*

10 (b) *The Association may be entitled to any amounts payable by*  
11 *the reinsurer pursuant to the reinsurance contracts with respect to*  
12 *losses or events that occur in periods after the date of the order of*  
13 *liquidation and which relate to policies or annuities covered, in*  
14 *whole or in part, by the Association, provided that, upon receipt of*  
15 *any such amounts, the Association is obligated to pay to the*  
16 *beneficiary, under the policy or annuity on account of which the*  
17 *amounts were paid, a portion of the amount equal to the lesser of:*

18 (1) *The amount received by the Association; or*

19 (2) *The excess of the amount received by the Association*  
20 *over the amount equal to the benefits paid by the Association on*  
21 *account of the policy or annuity, less the retention of the insurer*  
22 *applicable to the loss or event.*

23 (c) *Within 30 days after the Association's election, the*  
24 *Association and each reinsurer under the contracts assumed by*  
25 *the Association shall calculate the net balance due to or from the*  
26 *Association pursuant to each reinsurance contract on the election*  
27 *date with respect to policies or annuities covered, in whole or in*  
28 *part, by the Association, which calculation must give full credit to*  
29 *all items paid by either the insurer or its receiver or the reinsurer*  
30 *before the election date. The reinsurer shall pay the receiver any*  
31 *amounts due for losses or events before the date of the order of*  
32 *liquidation, subject to any set-off for premiums unpaid for periods*  
33 *before the date, and the Association or reinsurer shall pay any*  
34 *remaining balance due to the other, in each case within 5 days*  
35 *after the completion of the aforementioned calculation. Any*  
36 *disputes over the amounts due to either the Association or the*  
37 *reinsurer must be resolved by arbitration pursuant to the terms of*  
38 *the affected reinsurance contracts or, if the contracts contain no*  
39 *arbitration clause, as otherwise prescribed by law. If the receiver*  
40 *has received any amounts due to the Association under paragraph*  
41 *(d), the receiver shall remit the same to the Association as*  
42 *promptly as practicable.*

43 (d) *If the Association or receiver, on the Association's behalf,*  
44 *within 60 days after the election date, pays the unpaid premiums*  
45 *due for periods both before and after the election date that relate*



1 *to policies or annuities covered, in whole or in part, by the*  
2 *Association, the reinsurer is not entitled to terminate the*  
3 *reinsurance contracts for failure to pay premiums insofar as*  
4 *the reinsurance contracts relate to policies or annuities covered, in*  
5 *whole or in part, by the Association, and is not entitled to set off*  
6 *any unpaid amounts due pursuant to the other contracts, or*  
7 *unpaid amounts due from parties other than the Association,*  
8 *against amounts due to the Association.*

9 **Sec. 242.** 1. *During the period after the date of an order of*  
10 *liquidation until the election date, or, if the election date does not*  
11 *occur, until 180 days after the date of the order of liquidation:*

12 (a) *Neither the Association nor the reinsurer shall have any*  
13 *rights or obligations under reinsurance contracts that the*  
14 *Association has the right to assume under section 241 of this act,*  
15 *whether for periods before or after the date of the order of*  
16 *liquidation.*

17 (b) *The reinsurer, the receiver and the Association shall, to the*  
18 *extent practicable, provide each other data and records as*  
19 *reasonably requested.*

20 2. *Once the Association has elected to assume a reinsurance*  
21 *contract, the parties' rights and obligations are governed by the*  
22 *provisions of section 241 of this act.*

23 **Sec. 243.** *If the Association does not elect to assume a*  
24 *reinsurance contract by the election date under section 241 of this*  
25 *act, the Association has no rights or obligations, in each case for*  
26 *periods both before and after the date of the order of liquidation,*  
27 *with respect to the reinsurance contract.*

28 **Sec. 244.** *When policies or annuities, or covered obligations*  
29 *with respect thereto, are transferred to an assuming insurer,*  
30 *reinsurance on the policies or annuities may also be transferred by*  
31 *the Association, in the case of contracts assumed under section*  
32 *241 of this act, subject to the following:*

33 1. *Unless the reinsurer and the assuming insurer agree*  
34 *otherwise, the reinsurance contract transferred must not cover any*  
35 *new policies of insurance or annuities in addition to those*  
36 *transferred.*

37 2. *The obligations described in section 241 of this act no*  
38 *longer apply with respect to matters arising after the effective date*  
39 *of the transfer.*

40 3. *Notice must be given in writing, return receipt requested,*  
41 *by the transferring party to the affected reinsurer not less than 30*  
42 *days before the effective date of the transfer.*

43 **Sec. 245.** *The provisions of sections 241 to 246, inclusive, of*  
44 *this act supersede the provisions of any state law or of any affected*  
45 *reinsurance contract that provides for or requires any payment of*



1 *reinsurance proceeds, on account of losses or events that occur in*  
2 *periods after the date of an order of liquidation, to the receiver of*  
3 *the insolvent insurer or any other person. The receiver shall*  
4 *remain entitled to any amounts payable by the reinsurer pursuant*  
5 *to the reinsurance contracts with respect to losses or events that*  
6 *occur in periods before the date of the order of liquidation, subject*  
7 *to applicable set-off provisions.*

8 **Sec. 246. 1.** *Except as otherwise provided in NRS 686C.130*  
9 *to 686C.226, inclusive, nothing in sections 241 to 246, inclusive, of*  
10 *this act shall alter or modify the terms and conditions of any*  
11 *reinsurance contract.*

12 **2.** *Nothing in this section shall:*

13 *(a) Abrogate or limit any rights of any reinsurer to claim that*  
14 *it is entitled to rescind a reinsurance contract;*

15 *(b) Give a policyholder or beneficiary an independent cause of*  
16 *action against a reinsurer that is not otherwise set forth in the*  
17 *reinsurance contract;*

18 *(c) Limit or affect the Association's rights as a creditor of the*  
19 *estate against the assets of the estate; or*

20 *(d) Apply to reinsurance agreements covering property or*  
21 *casualty risks.*

22 **Sec. 247.** NRS 686C.030 is hereby amended to read as  
23 follows:

24 686C.030 1. This chapter provides coverage for the policies  
25 or contracts described in subsection 4 to persons who are:

26 (a) Owners of or certificate holders under such policies or  
27 contracts, other than structured settlement annuities, and who:

28 (1) Are residents of this state; or

29 (2) Are not residents, but only if:

30 (I) The insurer that issued the policies or contracts is  
31 domiciled in this state;

32 (II) The states in which the persons reside have  
33 associations similar to the Association created by this chapter; and

34 (III) The persons are not eligible for coverage by an  
35 association in another state because the insurer was not authorized  
36 in the other state at the time specified in that state's law governing  
37 guaranty associations; and

38 (b) Beneficiaries, assignees or payees of the persons covered  
39 under paragraph (a), wherever they reside, except for nonresident  
40 certificate holders under group policies or contracts.

41 2. For structured settlement annuities, except as otherwise  
42 provided in subsection 3, this chapter provides coverage to a payee  
43 under the annuity, or beneficiary of a payee if the payee is deceased,  
44 if the payee or beneficiary:



1 (a) Is a resident of this state, regardless of the residence of the  
2 owner of the annuity; or

3 (b) Is not a resident of this state, but:

4 (1) The owner of the annuity is a resident of this state, or the  
5 issuer of the annuity is domiciled in this state and the state in which  
6 the owner resides has an association similar to the Association  
7 created by this chapter; and

8 (2) Neither the payee or beneficiary nor the owner of the  
9 annuity is eligible for coverage by the association of the state in  
10 which the payee, beneficiary or owner resides.

11 3. This chapter does not provide coverage for a payee or  
12 beneficiary of a structured settlement annuity if the owner of the  
13 annuity is a resident of this state and the payee or beneficiary is  
14 afforded any coverage by the association of another state. In  
15 determining the application of the provisions of this chapter to a  
16 situation where a person could be covered by the association of  
17 more than one state, this chapter must be construed in conjunction  
18 with the laws of other states to result in coverage by only one  
19 association.

20 4. This chapter provides coverage to the persons described in  
21 subsections 1 and 2 for direct, nongroup life, health and  
22 ~~supplemental~~ *annuity* policies or contracts, ~~and annuities, and~~  
23 *for* certificates under direct group policies and contracts, and  
24 ~~annuities,~~ *for supplemental contracts to any of these, in each*  
25 *case issued by member insurers*, except as limited by this chapter.

26 **Sec. 248.** NRS 686C.090 is hereby amended to read as  
27 follows:

28 686C.090 "Impaired insurer" means ~~an~~ *a member* insurer  
29 which is not an insolvent insurer and is placed under an order of  
30 rehabilitation or conservation by a court of competent jurisdiction.

31 **Sec. 249.** NRS 686C.095 is hereby amended to read as  
32 follows:

33 686C.095 "Insolvent insurer" means ~~an~~ *a member* insurer  
34 which is ordered to liquidate by a court of competent jurisdiction  
35 after a finding of insolvency.

36 **Sec. 250.** (Deleted by amendment.)

37 **Sec. 251.** NRS 686C.110 is hereby amended to read as  
38 follows:

39 686C.110 "Premiums" means amounts received in any  
40 calendar year on covered policies or contracts less premiums,  
41 considerations and deposits returned thereon, and less dividends and  
42 credits for experience thereon. The term does not include:

43 1. Any amounts received for policies or contracts or for the  
44 portions of policies or contracts for which coverage is not provided  
45 under NRS 686C.030 except that the assessable premium is not



1 reduced on account of paragraph (c) of subsection 1 of NRS  
2 686C.035 relating to limitations on interest and subsection 2 or  
3 paragraph (b) of subsection 1 of NRS 686C.210 relating to  
4 limitations with respect to any one life.

5 2. Premiums for an unallocated annuity contract ~~H~~, *except*  
6 *those issued in accordance with the provisions of a governmental*  
7 *retirement plan, established under section 401, 403(b) or 457 of*  
8 *the Internal Revenue Code, 26 U.S.C. §§ 401, 403(b) and 457,*  
9 *respectively, or the trustees of such a plan.*

10 3. Premiums that exceed \$5,000,000 for several nongroup  
11 policies of life insurance owned by one owner, regardless of:

12 (a) Whether the owner is a natural person, firm, corporation or  
13 other person;

14 (b) Whether any person insured under the policies is an officer,  
15 manager, employee or other person; or

16 (c) The number of policies or contracts held by the owner.

17 **Sec. 252.** NRS 686C.120 is hereby amended to read as  
18 follows:

19 686C.120 "Resident" means any person to whom a contractual  
20 obligation is owed and who resides in this state on the date of entry  
21 of a court order that determines a member insurer to be impaired or  
22 insolvent. ~~[, whichever determination is first made.]~~ A person may  
23 be a resident of but one state, which in the case of a person other  
24 than a natural person is its principal place of business. A citizen of  
25 the United States who is a resident of a foreign country or of a  
26 territory or insular possession subject to the jurisdiction of the  
27 United States which does not have an association similar to the  
28 Association created by this chapter shall be deemed to be a resident  
29 of the state of domicile of the insurer that issued the policy or  
30 contract.

31 **Sec. 253.** NRS 686C.240 is hereby amended to read as  
32 follows:

33 686C.240 1. The Board of Directors of the Association shall  
34 determine the amount of each assessment in Class A and may, but  
35 need not, prorate it. If an assessment is prorated, the Board may  
36 provide that any surplus be credited against future assessments in  
37 Class B. An assessment which is not prorated must not exceed  
38 ~~[\$300]~~ \$500 for each member insurer for any 1 calendar year.

39 2. The Board may allocate any assessment in Class B among  
40 the accounts according to the premiums or reserves of the impaired  
41 or insolvent insurer or any other standard which it considers fair and  
42 reasonable under the circumstances.

43 3. Assessments in Class B against member insurers for each  
44 account and subaccount must be in the proportion that the premiums  
45 received on business in this State by each assessed member insurer



1 on policies or contracts covered by each account or subaccount for  
2 the 3 most recent calendar years for which information is available  
3 preceding the year in which the insurer became impaired or  
4 insolvent bears to premiums received on business in this State for  
5 those calendar years by all assessed member insurers.

6 4. Assessments for money to meet the requirements of the  
7 Association with respect to an impaired or insolvent insurer must  
8 not be authorized or called until necessary to carry out the purposes  
9 of this chapter. Classification of assessments under subsection 2 of  
10 NRS 686C.230 and computation of assessments under this section  
11 must be made with a reasonable degree of accuracy, recognizing  
12 that exact determinations may not always be possible. The  
13 Association shall notify each member insurer of its anticipated  
14 prorated share of an assessment authorized but not yet called within  
15 180 days after it is authorized.

16 **Sec. 254.** Chapter 687A of NRS is hereby amended by adding  
17 thereto a new section to read as follows:

18 *“Assumed claims transaction” includes:*

19 *1. A policy obligation that has been assumed by an insolvent*  
20 *insurer, before the entry of a final order of liquidation, through a*  
21 *merger between the insolvent insurer and another entity obligated*  
22 *under the policy.*

23 *2. An assumption reinsurance transaction in which:*

24 *(a) The insolvent insurer assumed, before the entry of a final*  
25 *order of liquidation, the claim or policy obligations of another*  
26 *insurer or entity obligated under a claim or policy;*

27 *(b) The assumption of the claim or policy obligations has been*  
28 *approved by the Commissioner, if such approval is required; and*

29 *(c) As a result of the assumption, the claim or policy obligation*  
30 *became the direct obligation of the insolvent insurer through a*  
31 *novation of the claim or policy.*

32 **Sec. 255.** NRS 687A.030 is hereby amended to read as  
33 follows:

34 687A.030 As used in this chapter, unless the context otherwise  
35 requires, the words and terms defined in NRS 687A.031 to  
36 687A.039, inclusive, *and section 254 of this act* have the meanings  
37 ascribed to them in those sections.

38 **Sec. 256.** NRS 687A.033 is hereby amended to read as  
39 follows:

40 687A.033 1. “Covered claim” means an unpaid claim or  
41 judgment, including a claim for unearned premiums, which arises  
42 out of and is within the coverage of an insurance policy to which  
43 this chapter applies ~~[issued by an insurer which]~~ *if the insurer*  
44 *becomes an insolvent insurer, [if] the policy was issued by the*



1 *insurer or assumed by the insurer in an assumed claims*  
2 *transaction, and* one of the following conditions exists:

3 (a) The claimant or insured, if a natural person, is a resident of  
4 this State at the time of the insured event.

5 (b) The claimant or insured, if other than a natural person,  
6 maintains its principal place of business in this State at the time of  
7 the insured event.

8 (c) The property from which the first party property damage  
9 claim arises is permanently located in this State.

10 (d) The claim is not a covered claim pursuant to the laws of any  
11 other state and the premium tax imposed on the insurance policy is  
12 payable in this State pursuant to NRS 680B.027.

13 2. The term does not include:

14 (a) An amount that is directly or indirectly due a reinsurer,  
15 insurer, insurance pool or underwriting association, as recovered by  
16 subrogation, indemnity or contribution, or otherwise.

17 (b) That part of a loss which would not be payable because of a  
18 provision for a deductible or a self-insured retention specified in the  
19 policy.

20 (c) Except as otherwise provided in this paragraph, any claim  
21 filed with the Association:

22 (1) More than 18 months after the date of the order of  
23 liquidation; or

24 (2) After the final date set by the court for the filing of claims  
25 against the liquidator or receiver of the insolvent insurer,  
26 ↪ whichever is earlier. The provisions of this paragraph do not  
27 apply to a claim for workers' compensation that is reopened  
28 pursuant to the provisions of NRS 616C.390 or 616C.392.

29 (d) A claim filed with the Association for a loss that is incurred  
30 but is not reported to the Association before the expiration of the  
31 period specified in subparagraph (1) or (2) of paragraph (c).

32 (e) An obligation to make a supplementary payment for  
33 adjustment or attorney's fees and expenses, court costs or interest  
34 and bond premiums incurred by the insolvent insurer before the  
35 appointment of a liquidator, unless the expenses would also be a  
36 valid claim against the insured.

37 (f) A first party or third party claim brought by or against an  
38 insured, if the aggregate net worth of the insured and any affiliate of  
39 the insured, as determined on a consolidated basis, is more than  
40 \$25,000,000 on December 31 of the year immediately preceding the  
41 date the insurer becomes an insolvent insurer. The provisions of this  
42 paragraph do not apply to a claim for workers' compensation. As  
43 used in this paragraph, "affiliate" means a person who directly or  
44 indirectly owns or controls, is owned or controlled by, or is under  
45 common ownership or control with, another person. For the purpose





1 of this definition, the terms “owns,” “is owned” and “ownership”  
2 mean ownership of an equity interest, or the equivalent thereof, of  
3 10 percent or more.

4 **Sec. 257.** NRS 687B.420 is hereby amended to read as  
5 follows:

6 687B.420 ~~[An]~~

7 **1. An** insurer shall not cancel, fail to renew or renew with  
8 altered terms a policy or contract issued pursuant to chapter 688B,  
9 689A, 689B, 689C, 695A, 695B, 695C, 695D or 695F of NRS  
10 unless notice in writing of the proposal is given to the insured at  
11 least 60 days before the date the proposed action becomes effective.  
12 The notice must include, without limitation, any changes in specific  
13 rates by line of coverage.

14 **2. An insurer shall not cancel, fail to renew or renew with**  
15 **altered terms an individual health benefit plan that is not**  
16 **grandfathered pursuant to applicable law unless notice in writing**  
17 **of the proposal is given to the insured at least 30 days before the**  
18 **beginning of the open enrollment period described in NRS**  
19 **686B.080. The notice must include the specific changes in terms**  
20 **or rates, as applicable.**

21 **Sec. 258.** NRS 688A.305 is hereby amended to read as  
22 follows:

23 688A.305 1. This section applies to all policies issued on or  
24 after January 1, 1987. Any cash surrender value available under the  
25 policy in the event of default in a premium payment due on any  
26 policy anniversary must be in an amount which does not differ by  
27 more than two-tenths of 1 percent of the amount of insurance, if the  
28 insurance is uniform in amount, or the average amount of insurance  
29 at the beginning of each of the first 10 policy years, from the sum  
30 of:

31 (a) The greater of zero and the basic cash value specified in this  
32 section; and

33 (b) The present value of any existing paid-up additions less the  
34 amount of any indebtedness to the ~~[insurer]~~ **company** under the  
35 policy.

36 2. The basic cash value must be equal to the present value, on  
37 the anniversary, of the future guaranteed benefits which would have  
38 been provided by the policy, excluding any existing paid-up  
39 additions and before deduction of any indebtedness to the ~~[insurer,]~~  
40 **company**, if there had been no default, less the present value of the  
41 nonforfeiture factors, ~~[corresponding to premiums which would~~  
42 ~~have fallen due on and after the anniversary.]~~ **as defined in NRS**  
43 **688A.290 to 688A.360, inclusive.** The effects on the basic cash  
44 value of supplemental life insurance or annuity benefits or of family  
45 coverage, as described in **this section or** NRS 688A.300 or



1 688A.320, whichever is applicable, must be the same as the effects  
2 specified in *this section or* NRS 688A.300 or 688A.320, on the cash  
3 surrender values defined in ~~[that]~~ *the applicable* section.

4 3. The nonforfeiture factor for each policy year must be an  
5 amount equal to a percentage of the adjusted premium for the policy  
6 year, as defined in NRS 688A.320 or 688A.325, whichever is  
7 applicable. Except as is required in this subsection, the percentage  
8 must be:

9 (a) The same for each policy year between the second policy  
10 anniversary and the later of:

11 (1) The fifth policy anniversary; and

12 (2) The first policy anniversary at which there is available  
13 under the policy a cash surrender value in an amount, before  
14 including any paid-up additions and before deducting any  
15 indebtedness, of at least two-tenths of 1 percent of the amount of  
16 insurance, if the insurance is uniform in amount, or the average  
17 amount of insurance at the beginning of each of the first 10 policy  
18 years; and

19 (b) Such that no percentage after the later of the two policy  
20 anniversaries specified in paragraph (a) may apply to fewer than 5  
21 consecutive policy years.

22 ↪ No basic cash value may be less than the value which would be  
23 obtained if the adjusted premiums for the policy, as defined in NRS  
24 688A.320 or 688A.325, whichever is applicable, were substituted  
25 for the nonforfeiture factors in the calculation of the basic cash  
26 value.

27 4. All adjusted premiums and present values referred to in this  
28 section for a particular policy must be calculated on the same  
29 mortality and interest bases as are used in demonstrating the  
30 policy's compliance with NRS 688A.290 to 688A.360, inclusive.  
31 The cash surrender values referred to in this section must include  
32 any endowment benefits provided for by the policy.

33 5. Any cash surrender value available other than in the event of  
34 default in a premium payment due on a policy anniversary, and the  
35 amount of any paid-up nonforfeiture benefit available under the  
36 policy in the event of default in a premium payment must be  
37 determined by methods consistent with those specified for  
38 determining the analogous minimum amounts in NRS 688A.290,  
39 688A.300, **688A.310**, 688A.325 and 688A.350. The amounts of any  
40 cash surrender values and of any paid-up nonforfeiture benefits  
41 granted in connection with additional benefits such as those listed in  
42 paragraphs (a) to (f), inclusive, of subsection 4 of NRS 688A.350,  
43 must conform with the principles of this section.

44 **Sec. 259.** (Deleted by amendment.)



1     **Sec. 259.5.** NRS 688A.325 is hereby amended to read as  
2 follows:

3     688A.325 1. This section applies to all policies issued by an  
4 insurer on or after the operative date of this section as it relates to  
5 that insurer. Except as otherwise provided in subsection 7, the  
6 adjusted premiums for any policy must be calculated on an annual  
7 basis and be the uniform percentage of the respective premium  
8 specified in the policy for each policy year, excluding amounts  
9 payable as extra premiums to cover impairments or special hazards  
10 and any uniform annual contract charge or policy fee specified in  
11 the policy in a statement of the method to be used in calculating the  
12 cash surrender values and paid-up nonforfeiture benefits. The  
13 present value, at the date of issue of the policy, of all adjusted  
14 premiums must be equal to the sum of:

15     (a) The value of the future guaranteed benefits provided for by  
16 the policy;

17     (b) One percent of the amount of insurance, if the insurance is  
18 uniform in amount, or the average amount of insurance at the  
19 beginning of each of the first 10 policy years; and

20     (c) One hundred twenty-five percent of the nonforfeiture net  
21 level premium. In applying the percentage specified in paragraph  
22 (c), no nonforfeiture net level premium may be deemed to exceed 4  
23 percent of the amount of insurance, if the insurance is uniform in  
24 amount, or the average amount of insurance at the beginning of each  
25 of the first 10 policy years. The date of issue of a policy for the  
26 purpose of this section must be the date as of which the rated age of  
27 the insured is determined.

28     2. The nonforfeiture net level premium must be equal to the  
29 present value, at the date of issue of the policy, of the guaranteed  
30 benefits provided for by the policy divided by the present value, at  
31 the date of issue of the policy, of an annuity of one per annum  
32 payable on the date of issue of the policy and on each anniversary of  
33 the policy on which a premium falls due.

34     3. In the case of policies which cause unscheduled changes in  
35 benefits or premiums on a basis guaranteed in the policy, or which  
36 provide an option for changes in benefits or premiums other than a  
37 change to a new policy, the adjusted premiums and present values  
38 must initially be calculated on the assumption that future benefits  
39 and premiums do not change from those stipulated at the date of  
40 issue of the policy. At the time of any change in the benefits or  
41 premiums, the future adjusted premiums, nonforfeiture net level  
42 premiums and present values must be recalculated on the  
43 assumption that future benefits and premiums do not change from  
44 those stipulated by the policy immediately after the change.



1 4. Except as otherwise provided in subsection 7, the  
2 recalculated future adjusted premiums for any such policy must be a  
3 uniform percentage of the respective future premiums specified in  
4 the policy for each policy year, excluding amounts payable as extra  
5 premiums to cover impairments and special hazards and any  
6 uniform annual contract charge or policy fee specified in the policy  
7 in a statement of the method to be used in calculating the cash  
8 surrender values and paid-up nonforfeiture benefits, which results in  
9 the present value, at the time of change to the newly defined benefits  
10 or premiums, of all future adjusted premiums being equal to the  
11 excess of the sum of the present value of the future guaranteed  
12 benefits provided for by the policy and the additional expense  
13 allowance, if any, over the cash surrender value, if any, or present  
14 value of any paid-up nonforfeiture benefit under the policy.

15 5. The additional expense allowance, at the time of the change  
16 to the newly defined benefits or premiums, must be the sum of:

17 (a) One percent of the excess, if positive, of the average amount  
18 of insurance at the beginning of each of the first 10 policy years  
19 after the change, over the average amount of insurance before the  
20 change at the beginning of each of the first 10 policy years after the  
21 most recent previous change, or, if there has been no previous  
22 change, the date of issue of the policy; and

23 (b) One hundred twenty-five percent of the increase, if positive,  
24 in the nonforfeiture net level premium.

25 6. The recalculated nonforfeiture net level premium must be  
26 equal to the result obtained by dividing amount "A" by amount "B"  
27 where:

28 (a) "A" equals the sum of:

29 (1) The nonforfeiture net level premium applicable before  
30 the change, multiplied by the present value of an annuity of one per  
31 annum payable on each anniversary of the policy on or after the date  
32 of the change on which a premium would have fallen due if the  
33 change had not occurred; and

34 (2) The present value of the increase in future guaranteed  
35 benefits provided for by the policy.

36 (b) "B" equals the present value of an annuity of one per annum  
37 payable on each anniversary of the policy on or after the date of  
38 change on which a premium falls due.

39 7. In the case of a policy issued on a substandard basis which  
40 provides reduced graded amounts of insurance so that, in each  
41 policy year, the policy has the same tabular mortality cost as an  
42 otherwise similar policy issued on the standard basis which provides  
43 higher uniform amounts of insurance, adjusted premiums and  
44 present values for the substandard policy may be calculated as if it



1 were issued to provide the higher uniform amounts of insurance on  
2 the standard basis.

3 8. All adjusted premiums and present values referred to in NRS  
4 688A.290 to 688A.360, inclusive, must be calculated for all policies  
5 of ordinary insurance on the basis of the Commissioners 1980  
6 Standard Ordinary Mortality Table or, at the election of the insurer  
7 for any one or more specified plans of life insurance, the  
8 Commissioners 1980 Standard Ordinary Mortality Table with Ten-  
9 Year Select Mortality Factors; all policies of industrial insurance  
10 must be calculated on the basis of the Commissioners 1961 Standard  
11 Industrial Mortality Table; and all policies issued in a particular  
12 calendar year must be calculated on the basis of a rate of interest not  
13 exceeding the nonforfeiture interest rate established in this section  
14 for policies issued in that calendar year, except as follows:

15 (a) At the option of the insurer, calculations for all policies  
16 issued in a particular calendar year may be made on the basis of a  
17 rate of interest not exceeding the nonforfeiture interest rate,  
18 established in this section, for policies issued in the immediately  
19 preceding calendar year.

20 (b) Under any paid-up nonforfeiture benefit, including any paid-  
21 up dividend additions, any cash surrender value available, whether  
22 or not required by NRS 688A.290, must be calculated on the basis  
23 of the mortality table and rate of interest used in determining the  
24 amount of the paid-up nonforfeiture benefit and paid-up dividend  
25 additions, if any.

26 (c) An insurer may calculate the amount of any guaranteed paid-  
27 up nonforfeiture benefit including any paid-up additions under the  
28 policy on the basis of an interest rate which is not lower than that  
29 specified in the policy for calculating cash surrender values.

30 (d) In calculating the present value of any paid-up term  
31 insurance with accompanying pure endowment, if any, offered as a  
32 nonforfeiture benefit, the rates of mortality assumed may be not  
33 more than those shown in the Commissioners 1980 Extended Term  
34 Insurance Table for policies of ordinary insurance and not more than  
35 the Commissioners 1961 Industrial Extended Term Insurance Table  
36 for policies of industrial insurance.

37 (e) For insurance issued on a substandard basis or a special  
38 underwriting basis, the calculation of any adjusted premiums and  
39 present values may be based on appropriate modifications of the  
40 tables specified in this subsection.

41 (f) ~~[Any]~~ *For policies issued:*

42 *(1) Before the operative date of the Valuation Manual, as*  
43 *determined pursuant to section 33.7 of this act, any*  
44 *Commissioners Standard* ordinary mortality tables which are  
45 adopted after 1980 by the National Association of Insurance



1 Commissioners and are approved by a regulation adopted by the  
2 Commissioner for use in determining the minimum nonforfeiture  
3 standard may be substituted for the Commissioners 1980 Standard  
4 Ordinary Mortality Table with or without Ten-Year Select Mortality  
5 Factors or for the Commissioners 1980 Extended Term Insurance  
6 Table.

7 *(2) On or after the operative date of the Valuation Manual,*  
8 *as determined pursuant to section 33.7 of this act, the Valuation*  
9 *Manual must set forth the Commissioners Standard mortality*  
10 *table for use in determining the minimum nonforfeiture standard*  
11 *that may be substituted for the Commissioners 1980 Standard*  
12 *Ordinary Mortality Table with or without Ten-Year Select*  
13 *Mortality Factors or for the Commissioners 1980 Extended Term*  
14 *Insurance Table. If the Commissioner approves by regulation any*  
15 *Commissioners Standard ordinary mortality table adopted by the*  
16 *National Association of Insurance Commissioners for use in*  
17 *determining the minimum nonforfeiture standard for policies*  
18 *issued on or after the operative date of the Valuation Manual,*  
19 *then that minimum nonforfeiture standard supersedes the*  
20 *minimum nonforfeiture standard specified in the Valuation*  
21 *Manual.*

22 (g) ~~[Any]~~ For policies issued:

23 *(1) Before the operative date of the Valuation Manual, as*  
24 *determined pursuant to section 33.7 of this act, any*  
25 *Commissioners Standard industrial mortality tables which are*  
26 *adopted after 1980 by the National Association of Insurance*  
27 *Commissioners and are approved by a regulation adopted by the*  
28 *Commissioner for use in determining the minimum nonforfeiture*  
29 *standard may be substituted for the Commissioners 1961 Standard*  
30 *Industrial Mortality Table or the Commissioners 1961 Industrial*  
31 *Extended Term Insurance Table.*

32 *(2) On or after the operative date of the Valuation Manual,*  
33 *as determined pursuant to section 33.7 of this act, the Valuation*  
34 *Manual must set forth the Commissioners Standard industrial*  
35 *mortality table for use in determining the minimum nonforfeiture*  
36 *standard that may be substituted for the Commissioners 1961*  
37 *Standard Industrial Mortality Table or the Commissioners 1961*  
38 *Industrial Extended Term Insurance Table. If the Commissioner*  
39 *approves by regulation any Commissioners Standard industrial*  
40 *mortality table adopted by the National Association of Insurance*  
41 *Commissioners for use in determining the minimum nonforfeiture*  
42 *standard for policies issued on or after the operative date of the*  
43 *Valuation Manual, then that minimum nonforfeiture standard*  
44 *supersedes the minimum nonforfeiture standard specified in the*  
45 *Valuation Manual.*



1 9. ~~[The]~~ *For the purposes of this section:*

2 (a) *For policies issued before the operative date of the*  
3 *Valuation Manual, as determined pursuant to section 33.7 of this*  
4 *act, the nonforfeiture interest rate for any policy issued in a*  
5 *particular calendar year must be equal to ~~[+25]~~ the greater of:*

6 (1) *One hundred twenty-five* percent of the calendar year  
7 statutory valuation interest rate for the policy as defined in the  
8 Standard Valuation Law, rounded to the nearer one-fourth of 1  
9 percent ~~[+]~~; *or*

10 (2) *Four percent.*

11 (b) *For policies issued on or after the operative date of the*  
12 *Valuation Manual, as determined pursuant to section 33.7 of this*  
13 *act, the nonforfeiture interest rate per annum for any policy issued*  
14 *in a particular calendar year must be as specified in the Valuation*  
15 *Manual.*

16 10. Any refiling of nonforfeiture values or their methods of  
17 computation for any previously approved policy form which  
18 involves only a change in the interest rate or mortality table used to  
19 compute nonforfeiture values does not require refiling of any other  
20 provisions of that policy form.

21 11. After July 1, 1983, any insurer may file with the  
22 Commissioner a written notice of its election to comply with the  
23 provision of this section after a specified date before January 1,  
24 1989. A date so specified is the operative date of this section for that  
25 insurer. If an insurer makes no election, the operative date of this  
26 section for that insurer is January 1, 1989.

27 *12. As used in this section, "Valuation Manual" has the*  
28 *meaning ascribed to it in section 32 of this act.*

29 **Sec. 260.** NRS 688A.390 is hereby amended to read as  
30 follows:

31 688A.390 1. A domestic life insurer may establish one or  
32 more separate accounts, and may allocate thereto amounts  
33 (including without limitation proceeds applied under optional modes  
34 of settlement or under dividend options) to provide for life insurance  
35 or annuities (and benefits incidental thereto), payable in fixed or  
36 variable amounts or both, subject to the following:

37 (a) The income, gains and losses, realized or unrealized, from  
38 assets allocated to a separate account shall be credited to or charged  
39 against the account, without regard to other income, gains or losses  
40 of the company.

41 (b) Except as may be provided with respect to reserves for  
42 guaranteed benefits and funds referred to in paragraph (c):

43 (1) Amounts allocated to any separate account and  
44 accumulations thereon may be invested and reinvested without  
45 regard to any requirements or limitations prescribed by the laws of





1 this state governing the investments of life insurance companies;  
2 and

3 (2) The investments in such separate account or accounts  
4 shall not be taken into account in applying the investment  
5 limitations otherwise applicable to the investments of the company.

6 (c) Except with the approval of the Commissioner and under  
7 such conditions as to investments and other matters as the  
8 Commissioner may prescribe, which shall recognize the guaranteed  
9 nature of the benefits provided, reserves for:

10 (1) Benefits guaranteed as to dollar amount and duration; and

11 (2) Funds guaranteed as to principal amount or stated rate of  
12 interest,

13 ↪ shall not be maintained in a separate account.

14 (d) Unless otherwise approved by the Commissioner, assets  
15 allocated to a separate account shall be valued at their market value  
16 on the date of valuation, or if there is no readily available market,  
17 then as provided under the terms of the contract or the rules or other  
18 written agreement applicable to such separate account; but unless  
19 otherwise approved by the Commissioner, the portion if any of the  
20 assets of such separate account equal to the company's reserve  
21 liability with regard to the guaranteed benefits and funds referred to  
22 in paragraph (c) shall be valued in accordance with the rules  
23 otherwise applicable to the company's assets.

24 (e) Amounts allocated to a separate account in the exercise of  
25 the power granted by this section shall be owned by the company,  
26 and the company shall not be, nor hold itself out to be, a trustee with  
27 respect to such amounts. If and to the extent so provided under the  
28 applicable contracts, that portion of the assets of any such separate  
29 account equal to the reserves and other contract liabilities with  
30 respect to such account shall not be chargeable with liabilities  
31 arising out of any other business the company may conduct.

32 (f) No sale, exchange or other transfer of assets may be made by  
33 a company between any of its separate accounts or between any  
34 other investment account and one or more of its separate accounts  
35 unless, in case of a transfer into a separate account, such transfer is  
36 made solely to establish the account pursuant to subsection 6 or to  
37 support the operation of the contracts with respect to the separate  
38 account to which the transfer is made, and unless such transfer,  
39 whether into or from a separate account, is made:

40 (1) By a transfer of cash; or

41 (2) By a transfer of securities having a readily determinable  
42 market value, provided that such transfer of securities is approved  
43 by the Commissioner.



1 ↪ The Commissioner may approve other transfers among such  
2 accounts if, in the opinion of the Commissioner, such transfers  
3 would not be inequitable.

4 (g) To the extent such company deems it necessary to comply  
5 with any applicable federal or state laws, such company, with  
6 respect to any separate account, including without limitation any  
7 separate account which is a management investment company or a  
8 unit investment trust, may provide for persons having an interest  
9 therein appropriate voting and other rights and special procedures  
10 for the conduct of the business of such account, including without  
11 limitation special rights and procedures relating to investment  
12 policy, investment advisory services, selection of independent  
13 public accountants and the selection of a committee, the members of  
14 which need not be otherwise affiliated with such company, to  
15 manage the business of such account.

16 2. Any contract providing benefits payable in variable amounts  
17 delivered or issued for delivery in this state, including a group  
18 contract and any certificate issued thereunder, shall contain a  
19 statement of the essential features of the procedures to be followed  
20 by the insurance company in determining the dollar amount of such  
21 variable benefits. Any such contract under which the benefits vary  
22 to reflect investment experience, including a group contract and any  
23 certificate in evidence of variable benefits issued thereunder, shall  
24 state that such dollar amount will so vary and shall contain on its  
25 first page a statement to the effect that the benefits thereunder are on  
26 a variable basis.

27 3. No company shall deliver or issue for delivery within this  
28 state variable contracts unless it is licensed or organized to do a life  
29 insurance or annuity business in this state, and the Commissioner is  
30 satisfied that its condition or method of operation in connection with  
31 the issuance of such contracts will not render its operation  
32 hazardous to the public or its policyholders in this state. In this  
33 connection, the Commissioner shall consider among other things:

34 (a) The history and financial condition of the company;

35 (b) The character, responsibility and fitness of the officers and  
36 directors of the company; and

37 (c) The law and regulations under which the company is  
38 authorized in the state of domicile to issue variable contracts.

39 ↪ If the company is a subsidiary of an admitted life insurance  
40 company, or affiliated with such company through common  
41 management or ownership, it may be deemed by the Commissioner  
42 to have met the provisions of this subsection if either it or the parent  
43 or the affiliated company meets the requirements hereof.

44 4. Notwithstanding any other provision of law, the  
45 Commissioner has sole authority to regulate the issuance and sale of



1 variable contracts, and to issue such reasonable rules and regulations  
2 as may be appropriate to carry out the purposes and provisions of  
3 this section.

4 5. Except for NRS 688A.190, 688A.240 and 688A.250 in the  
5 case of a variable annuity contract and NRS 688A.060, 688A.110,  
6 688A.120, 688A.130, 688A.290 to 688A.360, inclusive, and  
7 688B.050 in the case of a variable life insurance policy and except  
8 as otherwise provided in this Code, all pertinent provisions of this  
9 Code shall apply to separate accounts and contracts relating thereto.  
10 Any individual variable life insurance contract, delivered or issued  
11 for delivery in this state, shall contain grace, reinstatement and  
12 nonforfeiture provisions appropriate to such a contract. Any  
13 individual variable annuity contract, delivered or issued for delivery  
14 in this state, shall contain grace and reinstatement provisions  
15 appropriate to such a contract. The reserve liability for variable  
16 contracts shall be established in accordance with actuarial  
17 procedures that recognize the variable nature of the benefits  
18 provided and any mortality guarantees.

19 6. A domestic life insurer which establishes one or more  
20 separate accounts pursuant to this section may participate therein by  
21 allocating and contributing to such separate account funds which  
22 otherwise might be invested pursuant to ~~subsection 1 of NRS~~  
23 ~~682A.050 and NRS 682A.110.]~~ *sections 164 and 201 of this act.*  
24 The insurer shall have a proportionate interest in any such account,  
25 along with all other participating contract holders, to the extent of its  
26 participation therein. ~~[and with respect thereto shall also be subject~~  
27 ~~to all the provisions of NRS 682A.210 applicable to separate~~  
28 ~~account contract holders generally.]~~ The aggregate amount so  
29 allocated or contributed by such an insurer to one or more separate  
30 accounts shall not, without the consent of the Commissioner, exceed  
31 the greater of:

32 (a) One hundred thousand dollars;

33 (b) One percent of its admitted assets as of December 31 next  
34 preceding; or

35 (c) Five percent of its surplus as to policyholders as of  
36 December 31 next preceding.

37 ➤ All funds allocated or contributed by the insurer to a separate  
38 account for the purpose of participation therein shall be included in  
39 applying the limitations upon investments otherwise specified in this  
40 Code. The insurer shall be entitled to withdraw at any time in whole  
41 or in part its participation in any separate account to which funds  
42 have been allocated or contributed and to receive upon withdrawal  
43 its proportional share of the value of the assets of the separate  
44 account at the time of withdrawal.



1     **Sec. 261.** NRS 689A.700 is hereby amended to read as  
2 follows:

3     689A.700 The Commissioner may adopt regulations to carry  
4 out the provisions of this section and NRS 689A.690 ~~and~~  
5 ~~689A.695~~ and to ensure that the practices used by individual  
6 carriers relating to the establishment of rates are consistent with the  
7 purposes of NRS 689A.470 to 689A.740, inclusive.

8     **Sec. 262.** NRS 689A.725 is hereby amended to read as  
9 follows:

10    689A.725 For the purposes of NRS 689A.470 to 689A.740,  
11 inclusive, a plan for coverage of a bona fide association must:

12    1. Conform with NRS 689A.690 ~~[, 689A.695]~~ and 689A.700  
13 concerning rates.

14    2. Provide for the renewability of coverage for members of the  
15 bona fide association, and their dependents, if such coverage meets  
16 the criteria set forth in NRS 689A.630.

17    **Sec. 263.** NRS 690B.023 is hereby amended to read as  
18 follows:

19    690B.023 If insurance for the operation of a motor vehicle  
20 required pursuant to NRS 485.185 is provided by a contract of  
21 insurance, the insurer shall:

22    1. Provide evidence of insurance , *which may be provided in*  
23 *paper or electronic format*, to the insured on a form *or in a format*  
24 approved by the Commissioner. The evidence of insurance must  
25 include:

26    (a) The name and address of the policyholder;

27    (b) The name and address of the insurer;

28    (c) Vehicle information, consisting of:

29    (1) The year, make and complete identification number of  
30 the insured vehicle or vehicles; or

31    (2) The word "Fleet" and the name of the registered owner if  
32 the vehicle is covered under a fleet policy written on an any auto  
33 basis or blanket policy basis;

34    (d) The term of the insurance, including the day, month and year  
35 on which the policy:

36    (1) Becomes effective; and

37    (2) Expires;

38    (e) The number of the policy;

39    (f) A statement that the coverage meets the requirements set  
40 forth in NRS 485.185; and

41    (g) The statement "This ~~is~~ *evidence of insurance* must be  
42 carried in the insured motor vehicle for production upon demand."  
43 The statement must be prominently displayed.

44    2. Provide new evidence of insurance if:



1 (a) The information regarding the insured vehicle or vehicles  
2 required pursuant to paragraph (c) of subsection 1 no longer is  
3 accurate;

4 (b) An additional motor vehicle is added to the policy;

5 (c) A new number is assigned to the policy; or

6 (d) The insured notifies the insurer that the original evidence of  
7 insurance has been lost.

8 **Sec. 264.** Chapter 692C of NRS is hereby amended by adding  
9 thereto the provisions set forth as sections 265 to 289, inclusive, of  
10 this act.

11 **Sec. 265.** *“Insurance group” means, for the purpose of*  
12 *conducting an ORSA, those insurers and affiliates included within*  
13 *an insurance holding company system.*

14 **Sec. 266.** *“NAIC” means the National Association of*  
15 *Insurance Commissioners.*

16 **Sec. 267.** *“Own Risk and Solvency Assessment” or “ORSA”*  
17 *means a confidential internal assessment, appropriate to the*  
18 *nature, scale and complexity of an insurer or insurance group,*  
19 *conducted by that insurer or insurance group, of the material and*  
20 *relevant risks associated with the insurer or insurance group’s*  
21 *current business plan, and the sufficiency of capital resources to*  
22 *support those risks.*

23 **Sec. 268.** *“ORSA Guidance Manual” means the current*  
24 *version of the NAIC Own Risk and Solvency Assessment (ORSA)*  
25 *Guidance Manual developed and adopted by the NAIC, as*  
26 *amended. A change in the ORSA Guidance Manual is effective on*  
27 *the first day of January following the calendar year in which the*  
28 *changes were adopted by the NAIC.*

29 **Sec. 269.** *“ORSA Summary Report” means a confidential*  
30 *high-level summary of an ORSA.*

31 **Sec. 270.** *An insurer shall maintain a risk management*  
32 *framework to assist the insurer with identifying, assessing,*  
33 *monitoring, managing and reporting on its material relevant risks.*  
34 *This requirement shall be deemed satisfied if the insurance group*  
35 *of which the insurer is a member maintains a risk management*  
36 *framework applicable to the operations of the insurer.*

37 **Sec. 271.** *Subject to the provisions of sections 275 to 280,*  
38 *inclusive, of this act, an insurer, or the insurance group of which*  
39 *the insurer is a member, shall regularly conduct an ORSA*  
40 *consistent with a process comparable to that set forth in the ORSA*  
41 *Guidance Manual. An ORSA must be conducted not less than*  
42 *annually but also at any time when there are significant changes*  
43 *to the risk profile of the insurer or the insurance group of which*  
44 *the insurer is a member.*



1       **Sec. 272.** *Upon the request of the Commissioner, and not*  
2 *more than once each year, an insurer shall submit to the*  
3 *Commissioner an ORSA Summary Report or any combination of*  
4 *reports that together contain the information described in the*  
5 *ORSA Guidance Manual, applicable to the insurer and the*  
6 *insurance group of which the insurer is a member.*  
7 *Notwithstanding any request from the Commissioner, if the*  
8 *insurer is a member of an insurance group, the insurer shall*  
9 *submit the report required by this section if the Commissioner is*  
10 *the lead state commissioner of the insurance group as determined*  
11 *by the procedures within the Financial Analysis Handbook,*  
12 *published by the NAIC.*

13       **Sec. 273.** *The report required by section 272 of this act must*  
14 *include a signature of the insurer or insurance group's chief risk*  
15 *officer, or other executive having responsibility for the oversight*  
16 *of the insurer's enterprise risk management process, attesting to*  
17 *the best of his or her belief and knowledge that the insurer applies*  
18 *the enterprise risk management processes described in the ORSA*  
19 *Summary Report and that a copy of the Report has been provided*  
20 *to the insurer's board of directors or the appropriate committee*  
21 *thereof.*

22       **Sec. 274.** *An insurer may comply with the requirements of*  
23 *section 272 of this act by providing the most recent and*  
24 *substantially similar report provided by the insurer or another*  
25 *member of an insurance group of which the insurer is a member*  
26 *to the commissioner of another state or to a supervisor or*  
27 *regulator of a foreign jurisdiction, if that report provides*  
28 *information that is comparable to the information described in the*  
29 *ORSA Guidance Manual. Any such report in a language other*  
30 *than English must be accompanied by a translation of that report*  
31 *into the English language.*

32       **Sec. 275.** *An insurer is exempt from the requirements of*  
33 *sections 270 to 289, inclusive, of this act, if:*

34       1. *The insurer has annual direct written and unaffiliated*  
35 *assumed premiums, including international direct and assumed*  
36 *premiums, but excluding premiums reinsured with the Federal*  
37 *Crop Insurance Corporation and the National Flood Insurance*  
38 *Program, of less than \$500,000,000; and*

39       2. *The insurance group of which the insurer is a member has*  
40 *annual direct written and unaffiliated assumed premiums,*  
41 *including international direct and assumed premiums but*  
42 *excluding premiums reinsured with the Federal Crop Insurance*  
43 *Corporation and the National Federal Flood Insurance Program,*  
44 *of less than \$1 billion.*



1     **Sec. 276.** *If an insurer qualifies for an exemption pursuant*  
2 *to subsection 1 of section 275 of this act and the insurance group*  
3 *of which the insurer is a member does not qualify for an*  
4 *exemption pursuant to subsection 2 of that section, the ORSA*  
5 *Summary Report that may be required under sections 272, 273*  
6 *and 274 of this act must include every insurer within the*  
7 *insurance group. This requirement shall be deemed satisfied by*  
8 *the submission of more than one ORSA Summary Report for any*  
9 *combination of insurers, provided that any combination of reports*  
10 *includes every insurer within the insurance group.*

11     **Sec. 277.** *If an insurer does not qualify for an exemption*  
12 *pursuant to subsection 1 of section 275 of this act and the*  
13 *insurance group of which the insurer is a member qualifies for an*  
14 *exemption pursuant to subsection 2 of that section, the ORSA*  
15 *Summary Report that may be required under sections 272, 273*  
16 *and 274 of this act is the report applicable to that insurer.*

17     **Sec. 278.** *An insurer that does not qualify for an exemption*  
18 *pursuant to section 275 of this act may apply to the Commissioner*  
19 *for a waiver from the requirements of sections 270 to 289,*  
20 *inclusive, of this act based on unique circumstances. In deciding*  
21 *whether to grant the insurer's request for a waiver, the*  
22 *Commissioner may consider the type and volume of business*  
23 *written, ownership and organizational structure, and any other*  
24 *factor the Commissioner considers relevant to the insurer or*  
25 *insurance group of which the insurer is a member. If the insurer*  
26 *is part of an insurance group with insurers domiciled in more*  
27 *than one state, the Commissioner shall coordinate with the lead*  
28 *state commissioner and with the other domiciliary commissioners*  
29 *in considering whether to grant the insurer's request for a waiver.*

30     **Sec. 279.** *Notwithstanding the provisions of sections 275 to*  
31 *278, inclusive, of this act:*

32     1. *The Commissioner may require that an insurer maintain a*  
33 *risk management framework, conduct an ORSA and file an ORSA*  
34 *Summary Report based on unique circumstances, including,*  
35 *without limitation, the type and volume of business written,*  
36 *ownership and organizational structure, federal agency requests*  
37 *and international supervisor requests.*

38     2. *The Commissioner may require that an insurer maintain a*  
39 *risk management framework, conduct an ORSA and file an ORSA*  
40 *Summary Report if the insurer has risk-based capital for company*  
41 *action level event, as defined in regulations adopted by the*  
42 *Commissioner, meets one or more of the standards of an insurer*  
43 *deemed to be in hazardous financial condition, as defined in NRS*  
44 *680A.205, or otherwise exhibits qualities of a troubled insurer as*  
45 *determined by the Commissioner.*





1     **Sec. 280.** *If an insurer that qualifies for an exemption*  
2 *pursuant to section 275 of this act subsequently no longer*  
3 *qualifies for that exemption as a result of changes in premium as*  
4 *reflected in the insurer's most recent annual statement, or in the*  
5 *most recent annual statements of the insurers within the*  
6 *insurance group of which the insurer is a member, the insurer*  
7 *shall have 1 year after the date on which the threshold is exceeded*  
8 *to comply with the requirements of sections 270 to 289, inclusive,*  
9 *of this act.*

10    **Sec. 281.** *An ORSA Summary Report must be prepared*  
11 *consistent with the ORSA Guidance Manual, subject to the*  
12 *requirements of this section and section 282 of this act.*  
13 *Documentation and supporting information must be maintained*  
14 *and made available upon examination or upon request of the*  
15 *Commissioner.*

16    **Sec. 282.** *The review of an ORSA Summary Report, and any*  
17 *additional requests for information, must be made using similar*  
18 *procedures currently used in analysis and examination of*  
19 *multistate or global insurers and insurance groups.*

20    **Sec. 283.** 1. *Except as otherwise provided in this section*  
21 *and NRS 239.0115 and section 273 of this act, any documents,*  
22 *materials and other information, including an ORSA Summary*  
23 *Report, in the possession of or control of the Division that are*  
24 *obtained by, created by or disclosed to the Commissioner or any*  
25 *other person in accordance with the provisions of sections 270 to*  
26 *289, inclusive, of this act are proprietary and constitute trade*  
27 *secrets. All such documents, materials or other information are:*

28       (a) *Confidential by law and privileged;*

29       (b) *Not subject to subpoena; and*

30       (c) *Not subject to discovery or admissible in evidence in any*  
31 *private civil action.*

32    2. *Notwithstanding any provision of subsection 1 to the*  
33 *contrary, the Commissioner is authorized to use the documents,*  
34 *materials or other information in the furtherance of any*  
35 *regulatory or legal action brought as a part of the Commissioner's*  
36 *official duties. The Commissioner shall not otherwise make the*  
37 *documents, materials or other information public without the*  
38 *prior written consent of the insurer.*

39    **Sec. 284.** *Neither the Commissioner, nor any other person*  
40 *who received documents, materials or other information received*  
41 *pursuant to sections 270 to 289, inclusive, of this act, through*  
42 *examination or otherwise, while acting pursuant to the authority*  
43 *of the Commissioner or with whom such documents, materials and*  
44 *other information are shared in accordance with the provisions of*  
45 *those sections, is allowed or required to testify in any private civil*



1 *action concerning any such documents, materials and information*  
2 *subject to section 283 of this act.*

3 **Sec. 285.** *To assist the performance of the Commissioner's*  
4 *regulatory duties, the Commissioner:*

5 *1. May, upon request, share documents, materials and other*  
6 *information received pursuant to sections 270 to 289, inclusive, of*  
7 *this act, including, without limitation, any documents, materials*  
8 *and information subject to section 283 of this act and any*  
9 *proprietary and trade secret documents and materials, with other*  
10 *state, federal and international financial regulatory agencies,*  
11 *including members of any supervisory college, as defined in NRS*  
12 *692C.359, with the NAIC and with third-party consultants*  
13 *designated by the Commissioner, provided that the recipient*  
14 *agrees in writing to maintain the confidentiality and privileged*  
15 *status of the documents, materials and other information received*  
16 *pursuant to sections 270 to 289, inclusive, of this act and has*  
17 *verified in writing the legal authority to maintain confidentiality;*  
18 *and*

19 *2. May receive documents, materials and other information*  
20 *received pursuant to sections 270 to 289, inclusive, of this act,*  
21 *including, without limitation, documents, materials and*  
22 *information which are otherwise confidential and privileged, and*  
23 *proprietary and trade secret information or documents, from*  
24 *regulatory officials of other foreign or domestic jurisdictions,*  
25 *including members of any supervisory college, as defined in NRS*  
26 *692C.359, and from the NAIC, and shall maintain as confidential*  
27 *or privileged any such documents, materials and information*  
28 *received with notice or the understanding that it is confidential or*  
29 *privileged under the laws of the jurisdiction that is the source of*  
30 *the document, material or information.*

31 *3. Shall enter into a written agreement with the NAIC or a*  
32 *third-party consultant governing the sharing and use of*  
33 *information provided pursuant to sections 270 to 289, inclusive, of*  
34 *this act, that must:*

35 *(a) Specify procedures and protocols regarding the*  
36 *confidentiality and security of the information shared with the*  
37 *NAIC or third-party consultant, including procedures and*  
38 *protocols for sharing by the NAIC with other state regulators from*  
39 *states in which the insurance group has domiciled insurers. The*  
40 *agreement must provide that the recipient agrees to maintain the*  
41 *confidentiality and privileged status of the documents, materials*  
42 *and other information and has verified, in writing, the legal*  
43 *authority to maintain confidentiality;*

44 *(b) Specify that ownership of the information shared with the*  
45 *NAIC or third-party consultant remains with the Commissioner*



1 *and use of the information by the NAIC or third-party consultant*  
2 *is subject to the discretion of the Commissioner;*

3 (c) *Prohibit the NAIC or third-party consultant from storing*  
4 *the information in a permanent database after the underlying*  
5 *analysis is completed;*

6 (d) *Require prompt notice to be given to an insurer whose*  
7 *confidential information in the possession of the NAIC or third-*  
8 *party consultant is subject to a request or subpoena to the NAIC or*  
9 *a third-party consultant for disclosure or production;*

10 (e) *Require the NAIC or third-party consultant to consent to*  
11 *intervention by an insurer in any judicial or administrative action*  
12 *in which the NAIC or third-party consultant may be required to*  
13 *disclose confidential information about the insurer shared with*  
14 *the NAIC or third-party consultant; and*

15 (f) *In the case of an agreement involving a third-party*  
16 *consultant, provide for the insurer's written consent.*

17 **Sec. 286.** *The sharing of documents, materials and other*  
18 *information by the Commissioner pursuant to sections 270 to 289,*  
19 *inclusive, of this act does not constitute a delegation of regulatory*  
20 *authority or rulemaking, and the Commissioner is solely*  
21 *responsible for the administration, execution and enforcement of*  
22 *the provisions of sections 270 to 289, inclusive, of this act.*

23 **Sec. 287.** *No waiver of any applicable privilege or claim of*  
24 *confidentiality in the documents, proprietary and trade secrets*  
25 *materials or other information shall occur as a result of the*  
26 *disclosure of such documents, materials and information to the*  
27 *Commissioner in accordance with the provisions of sections 283 to*  
28 *288, inclusive, of this act or as a result of sharing as authorized in*  
29 *accordance with the provisions of sections 270 to 289, inclusive, of*  
30 *this act.*

31 **Sec. 288.** *Documents, materials or other information in the*  
32 *possession or control of the NAIC or a third-party consultant in*  
33 *accordance with the provisions of sections 270 to 289, inclusive, of*  
34 *this act are:*

- 35 1. *Confidential by law and privileged;*  
36 2. *Not subject to the provisions of chapter 239 of NRS;*  
37 3. *Not subject to subpoena; and*  
38 4. *Not subject to discovery or admissible in evidence in any*  
39 *private civil action.*

40 **Sec. 289.** 1. *The failure to file an ORSA Summary Report*  
41 *required by sections 270 to 289, inclusive, of this act, within the*  
42 *time specified for the filing is a violation of those sections.*

43 2. *Except as otherwise provided in subsection 3, if an insurer*  
44 *or group insurer fails, without just cause, to file an ORSA*  
45 *Summary Report required by sections 270 to 289, inclusive, of this*



1 *act, the insurer or group insurer, as applicable, shall, after*  
2 *receiving notice and a hearing, pay a civil penalty of \$1,500 for*  
3 *each day the insurer or group insurer fails to file the ORSA*  
4 *Summary Report. The civil penalty may be recovered in a civil*  
5 *action brought by the Commissioner. Any civil penalty paid*  
6 *pursuant to this subsection must be deposited in the State General*  
7 *Fund.*

8 *3. The maximum civil penalty that may be imposed pursuant*  
9 *to subsection 2 is \$100,000. The Commissioner may reduce the*  
10 *amount of the civil penalty if the insurer or group insurer*  
11 *demonstrates to the satisfaction of the Commissioner that the*  
12 *payment of the civil penalty would impose a financial hardship on*  
13 *the insurer or group insurer, as applicable.*

14 **Sec. 290.** NRS 692C.020 is hereby amended to read as  
15 follows:

16 692C.020 As used in this chapter, unless the context otherwise  
17 requires, the words and terms defined in NRS 692C.025 to  
18 692C.110, inclusive, *and sections 265 to 269, inclusive, of this act*  
19 have the meanings ascribed to them in those sections.

20 **Sec. 291.** NRS 692C.180 is hereby amended to read as  
21 follows:

22 692C.180 1. No person other than the issuer may make a  
23 tender for or a request or invitation for tenders of, or enter into any  
24 agreement to exchange securities for, seek to acquire or acquire in  
25 the open market or otherwise, any voting security of a domestic  
26 insurer if, after the consummation thereof, the person would directly  
27 or indirectly, or by conversion or by exercise of any right to acquire,  
28 be in control of the insurer, nor may any person enter into an  
29 agreement to merge with or otherwise acquire control of a domestic  
30 insurer, unless, at the time any such offer, request or invitation is  
31 made or any such agreement is entered into, or before the  
32 acquisition of those securities if no offer or agreement is involved,  
33 the person has filed with the Commissioner and has sent to the  
34 insurer, and the insurer has sent to its shareholders, a statement  
35 containing the information required by NRS 692C.180 to 692C.250,  
36 inclusive, and, except as otherwise provided in subsection 4, the  
37 offer, request, invitation, agreement or acquisition has been  
38 approved by the Commissioner in the manner prescribed in this  
39 chapter.

40 2. The *pre-acquisition* statement required by subsection 1 must  
41 be filed with the Commissioner at least 60 days before the proposed  
42 date of the acquisition. The statement must set forth, without  
43 limitation, the information required by NRS 692C.254. A person  
44 who fails to comply with this subsection is subject to the penalties  
45 set forth in subsections 6 and 7 of NRS 692C.258.



1 3. A person controlling a domestic insurer who is seeking to  
2 divest his or her controlling interest in the domestic insurer shall file  
3 with the Commissioner, and send to the insurer, notice of the  
4 proposed divestiture at least 30 days before the proposed divestiture,  
5 unless a *pre-acquisition* statement has been filed pursuant to  
6 subsection 1 concerning the proposed transaction. Notice filed  
7 pursuant to this subsection is confidential until the conclusion, if  
8 any, of the divestiture unless the Commissioner determines that such  
9 confidentiality will interfere with the enforcement of this section.

10 4. Upon receiving a *pre-acquisition* statement or notice  
11 pursuant to this section by a person seeking to acquire a controlling  
12 interest in a domestic insurer or divest a controlling interest in a  
13 domestic insurer, the Commissioner shall determine whether or not  
14 the person will be required to file for and obtain the approval of the  
15 Commissioner for the acquisition or divestiture. As soon as  
16 practicable after making that determination, the Commissioner shall  
17 notify the person of the results of the determination.

18 5. For purposes of this section, a domestic insurer includes any  
19 other person controlling a domestic insurer unless the other person  
20 is directly or through affiliates primarily engaged in a business other  
21 than the business of insurance. If a person is directly or through  
22 affiliates primarily engaged in a business other than the business of  
23 insurance, the person shall, at least 60 days before the proposed  
24 effective date of the acquisition, file a notice of intent to acquire  
25 with the Commissioner setting forth the information required by  
26 NRS 692C.254.

27 6. *If a transaction is governed by the provisions of this*  
28 *section, the acquiring person shall also file a pre-acquisition*  
29 *notification with the Commissioner which must contain the*  
30 *information set forth in subsection 1. The Commissioner shall*  
31 *specify by regulation the period within which the notification must*  
32 *be filed. A person who fails to comply with this subsection or any*  
33 *regulations adopted pursuant thereto may be subject to the*  
34 *penalties set forth in subsection 7 of NRS 692C.258.*

35 7. As used in this section, "person" does not include a  
36 securities broker who, in the regular course of business as a broker,  
37 holds less than 20 percent of the voting securities of an insurer or of  
38 any person who controls an insurer.

39 **Sec. 292.** NRS 692C.190 is hereby amended to read as  
40 follows:

41 692C.190 The *pre-acquisition* statement to be filed with the  
42 Commissioner hereunder shall be made under oath or affirmation  
43 and shall contain the following:

44 1. The name and address of each person (hereinafter called the  
45 "acquiring party") by whom or on whose behalf the merger or other



1 acquisition of control referred to in subsection 1 of NRS 692C.180  
2 is to be effected and, if such person is:

3 (a) An individual, the individual's principal occupation and all  
4 offices and positions held by the individual during the past 5 years,  
5 and any conviction of crimes other than for minor traffic violations  
6 during the past 10 years.

7 (b) Not an individual, a report of the nature of its business  
8 operations during the past 5 years or for such lesser period as such  
9 person and any predecessors thereof shall have been in existence,  
10 together with an informative description of the business intended to  
11 be done by such person and such person's subsidiaries, and a list of  
12 all individuals who are or who have been selected to become  
13 directors or executive officers of such person or who perform or will  
14 perform functions appropriate to such positions. Such list shall  
15 include for each such individual the information required by  
16 paragraph (a).

17 2. The source, nature and amount of the consideration used or  
18 to be used in effecting the merger or other acquisition of control, a  
19 description of any transaction wherein funds were or are to be  
20 obtained for any such purpose, and the identity of persons furnishing  
21 such consideration, but where a source of such consideration is a  
22 loan made in the lender's ordinary course of business, the identity of  
23 the lender shall remain confidential, if the person filing such  
24 statement so requests.

25 3. Fully audited financial information as to the earnings and  
26 financial condition of each acquiring party for the preceding 5 fiscal  
27 years of each such acquiring party (or for such lesser period as such  
28 acquiring party and any predecessors thereof shall have been in  
29 existence), and similar unaudited information as of a date not earlier  
30 than 90 days prior to the filing of the statement.

31 4. Any plans or proposals which each acquiring party may  
32 have to liquidate such insurer, to sell its assets or merge or  
33 consolidate it with any person, or to make any other material change  
34 in its business or corporate structure or management.

35 5. The number of shares of any security referred to in  
36 subsection 1 of NRS 692C.180 which each acquiring party proposes  
37 to acquire, and the terms of the offer, request, invitation, agreement  
38 or acquisition referred to in subsection 1 of NRS 692C.180 and a  
39 statement as to the method by which the fairness of the proposal was  
40 determined.

41 6. The amount of each class of any security referred to in  
42 subsection 1 of NRS 692C.180 which is beneficially owned or  
43 concerning which there is a right to acquire beneficial ownership by  
44 each acquiring party.



1 7. A full description of any contracts, arrangements or  
2 understandings with respect to any security referred to in subsection  
3 1 of NRS 692C.180 in which any acquiring party is involved,  
4 including but not limited to transfer of any of the securities, joint  
5 ventures, loan or option arrangements, puts or calls, guarantees of  
6 loans, guarantees against loss or guarantees of profits, division of  
7 losses or profits or the giving or withholding of proxies. Such  
8 description shall identify the persons with whom such contracts,  
9 arrangements or understandings have been made.

10 8. A description of the purchase of any security referred to in  
11 subsection 1 of NRS 692C.180 during the 12 calendar months  
12 preceding the filing of the statement by any acquiring party,  
13 including the dates of purchase, names of the purchasers and  
14 consideration paid or agreed to be paid therefor.

15 9. A description of any recommendations to purchase any  
16 security referred to in subsection 1 of NRS 692C.180 made during  
17 the 12 calendar months preceding the filing of the statement by any  
18 acquiring party, or by anyone based upon interviews with or at the  
19 suggestion of such acquiring party.

20 10. Copies of all tenders, offers for, requests or invitations for  
21 tenders of, exchange offers for, and agreements to acquire or  
22 exchange any securities referred to in subsection 1, and, if  
23 distributed, additional soliciting material relating thereto.

24 11. The terms of any agreement, contract or understanding  
25 made with any broker-dealer, as to solicitation of securities referred  
26 to in subsection 1 of NRS 692C.180, for tender, and the amount of  
27 any fees, commissions or other compensation to be paid to broker-  
28 dealers with regard thereto.

29 12. *An agreement by the person required to file the statement*  
30 *that the person will file the annual report of enterprise risk*  
31 *required by NRS 692C.290 while control exists.*

32 13. *An acknowledgment by the person required to file the*  
33 *statement that the person, and all subsidiaries within its control in*  
34 *the insurance holding company system, will provide information*  
35 *to the Commissioner upon request as necessary to evaluate*  
36 *enterprise risk to the insurer.*

37 14. Such additional information as the Commissioner may by  
38 rule or regulation prescribe as necessary or appropriate for the  
39 protection of policy holders and security holders of the insurer or for  
40 the protection of the public interest.

41 ➔ If the person required to file the statement referred to in this  
42 section is a partnership, limited partnership, syndicate or other  
43 group, the Commissioner may require that the information required  
44 by this section, be given with respect to each partner of such  
45 partnership or limited partnership, each member of such syndicate





1 or group, and each person who controls such partner or member. If  
2 any such partner, member or person is a corporation or the person  
3 required to file the statement referred to in subsection 1 of NRS  
4 692C.180 is a corporation, the Commissioner may require that the  
5 information required by this section, be given with respect to such  
6 corporation, each officer and director of such corporation, and each  
7 person who is directly or indirectly the beneficial owner of more  
8 than 10 percent of the outstanding voting securities of such  
9 corporation. If any material change occurs in the facts set forth in  
10 the statement filed with the Commissioner and sent to such insurer  
11 pursuant to this section, an amendment setting forth such change,  
12 together with copies of all documents and other material relevant to  
13 such change, shall be filed with the Commissioner and sent to such  
14 insurer within 2 business days after the person learns of such  
15 change. Such insurer shall send each such amendment to its  
16 shareholders.

17 **Sec. 293.** NRS 692C.200 is hereby amended to read as  
18 follows:

19 692C.200 If any offer, request, invitation, agreement or  
20 acquisition referred to in subsection 1 of NRS 692C.180 is proposed  
21 to be made by means of a registration statement under the Securities  
22 Act of 1933, 15 U.S.C. §§ 77a to 77aa, inclusive, or in  
23 circumstances requiring the disclosure of similar information under  
24 the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a et seq., or  
25 under any state law requiring similar registration or disclosure, the  
26 person required to file the *pre-acquisition* statement referred to in  
27 subsection 1 of NRS 692C.180 may utilize such documents in  
28 furnishing the information called for by that statement.

29 **Sec. 294.** NRS 692C.210 is hereby amended to read as  
30 follows:

31 692C.210 1. Except as otherwise provided in subsections 5  
32 and 7, the Commissioner shall approve any merger or other  
33 acquisition of control referred to in subsection 1 of NRS 692C.180  
34 unless, after a public hearing thereon, the Commissioner finds that:

35 (a) After the change of control, the domestic insurer specified in  
36 subsection 1 of NRS 692C.180 would not be able to satisfy the  
37 requirements for the issuance of a license to write the line or lines of  
38 insurance for which it is presently licensed;

39 (b) The effect of the merger or other acquisition of control  
40 would be substantially to lessen competition in insurance in this  
41 state or tend to create a monopoly;

42 (c) The financial condition of any acquiring party may  
43 jeopardize the financial stability of the insurer, or prejudice the  
44 interest of its policyholders or the interests of any remaining  
45 security holders who are unaffiliated with the acquiring party;



1 (d) The terms of the offer, request, invitation, agreement or  
2 acquisition referred to in subsection 1 of NRS 692C.180 are unfair  
3 and unreasonable to the security holders of the insurer;

4 (e) The plans or proposals which the acquiring party has to  
5 liquidate the insurer, sell its assets or consolidate or merge it with  
6 any person, or to make any other material change in its business or  
7 corporate structure or management, are unfair and unreasonable to  
8 policyholders of the insurer or not in the public interest;

9 (f) The competence, experience and integrity of those persons  
10 who would control the operation of the insurer are such that it would  
11 not be in the interest of policyholders of the insurer or of the public  
12 to permit the merger or other acquisition of control;

13 (g) If approved, the merger or acquisition of control would  
14 likely be harmful or prejudicial to the members of the public who  
15 purchase insurance; or

16 (h) The practices of the applicant in managing claims have  
17 evidenced a pattern in which the applicant has knowingly  
18 committed, or performed with such frequency as to indicate a  
19 general business practice of:

20 (1) Misrepresentation of pertinent facts or provisions of  
21 policies of insurance as they relate to coverages at issue;

22 (2) Failure to affirm or deny coverage of claims within a  
23 reasonable time after written proofs of loss have been furnished; or

24 (3) Failure to pay claims in a timely manner.

25 2. Except as otherwise provided in subsection 7, the public  
26 hearing specified in subsection 1 must be held within 30 days after  
27 the *pre-acquisition* statement required by subsection 1 of NRS  
28 692C.180 has been filed, and at least 20 days' notice thereof must  
29 be given by the Commissioner to the person filing the statement.  
30 Not less than 7 days' notice of the public hearing must be given by  
31 the person filing the statement to the insurer and to any other person  
32 designated by the Commissioner. The insurer shall give such notice  
33 to its security holders. The Commissioner shall make a  
34 determination within 60 days after the conclusion of the hearing. If  
35 the Commissioner determines that an infusion of capital to restore  
36 capital in connection with the change in control is required, the  
37 requirement must be met within 60 days after notification is given of  
38 the determination. At the hearing, the person filing the statement,  
39 the insurer, any person to whom notice of hearing was sent and any  
40 other person whose interests may be affected thereby may present  
41 evidence, examine and cross-examine witnesses, and offer oral and  
42 written arguments and, in connection therewith, may conduct  
43 discovery proceedings in the same manner as is presently allowed in  
44 the district court of this state. All discovery proceedings must be



1 concluded not later than 3 days before the commencement of the  
2 public hearing.

3 3. The Commissioner may retain at the acquiring party's  
4 expense attorneys, actuaries, accountants and other experts not  
5 otherwise a part of the staff of the Commissioner as may be  
6 reasonably necessary to assist the Commissioner in reviewing the  
7 proposed acquisition of control.

8 4. The period for review by the Commissioner must not exceed  
9 the 60 days allowed between the filing of the notice of intent to  
10 acquire required pursuant to subsection 5 of NRS 692C.180 and the  
11 date of the proposed acquisition if the proposed affiliation or change  
12 of control involves a financial institution, or an affiliate of a  
13 financial institution, and an insured.

14 5. When making a determination pursuant to paragraph (b) of  
15 subsection 1, the Commissioner:

16 (a) Shall require the submission of the information specified in  
17 subsection 2 of NRS 692C.254;

18 (b) Shall ~~consider:~~

19 ~~—(1) The standards set forth in the Horizontal Merger~~  
20 ~~Guidelines issued by the United States Department of Justice and~~  
21 ~~the Federal Trade Commission and in effect at the time the~~  
22 ~~Commissioner receives the statement required pursuant to~~  
23 ~~subsection 1 of NRS 692C.180; and~~

24 ~~—(2) The~~ *not disapprove the merger or other acquisition*  
25 *upon a finding that any of the* factors described in subsection ~~{3}~~ *6*  
26 *of NRS 692C.256* ~~{;}~~ *exist; and*

27 (c) May condition approval of the merger or acquisition of  
28 control in the manner provided in subsection 4 of NRS 692C.258.

29 6. If, in connection with a change of control of a domestic  
30 insurer, the Commissioner determines that the person who is  
31 acquiring control of the domestic insurer must maintain or restore  
32 the capital of the domestic insurer in an amount that is required  
33 by the laws and regulations of this state, the Commissioner shall  
34 make the determination not later than 60 days after the notice of  
35 intent to acquire required pursuant to subsection 5 of NRS 692C.180  
36 is filed with the Commissioner.

37 7. If the proposed merger or other acquisition of control  
38 referred to in subsection 1 of NRS 692C.180 requires the approval  
39 of the commissioner of more than one state, the public hearing  
40 required pursuant to subsection 1 may, upon the request of the  
41 person who filed the *pre-acquisition* statement required pursuant to  
42 subsection 1 of NRS 692C.180, be consolidated with the hearings  
43 required in other states. Not more than 5 days after receiving such a  
44 request, the Commissioner shall file with the ~~{National Association~~  
45 ~~of Insurance Commissioners}~~ *NAIC* a copy of the *pre-acquisition*



1 statement that was filed with the Commissioner pursuant to  
2 subsection 1 of NRS 692C.180 by the person requesting a  
3 consolidated hearing. The Commissioner may opt out of a  
4 consolidated hearing and, if the Commissioner elects to do so, he or  
5 she shall provide notice to the person requesting the consolidated  
6 hearing not more than 10 days after receiving the *pre-acquisition*  
7 statement filed pursuant to subsection 1 of NRS 692C.180. A  
8 consolidated hearing must be public and must be held within the  
9 United States before participating commissioners of the states in  
10 which the insurers are domiciled. Participating commissioners may  
11 hear and receive evidence at the hearing.

12 **Sec. 295.** NRS 692C.254 is hereby amended to read as  
13 follows:

14 692C.254 1. An acquisition to which the provisions of NRS  
15 692C.252 apply is subject to an order issued pursuant to NRS  
16 692C.258 unless:

17 (a) The acquiring person files a notice of acquisition pursuant to  
18 this section; and

19 (b) The waiting period specified in subsection 4 has expired.

20 2. The Commissioner shall prescribe the form of the notice  
21 required pursuant to subsection 1. A notice of acquisition filed  
22 pursuant to this section must include:

23 (a) The information required by the ~~[National Association of~~  
24 ~~Insurance Commissioners]~~ *NAIC* relating to any market that,  
25 pursuant to subsection 5 of NRS 692C.252, causes the acquisition  
26 not to be exempted from the provisions of this section; and

27 (b) Any other material or information required by the  
28 Commissioner to determine whether or not the proposed acquisition,  
29 if consummated, would violate the provisions of NRS 692C.256.

30 3. The information required pursuant to subsection 2 may  
31 include the opinion of an economist relating to the competitive  
32 effect of the acquisition on the business of insurance in this state if  
33 the opinion is accompanied by a summary of the education and  
34 experience of the economist and a statement indicating the ability of  
35 the economist to provide an informed opinion.

36 4. Except as otherwise provided in subsection 5, the waiting  
37 period for an acquisition required pursuant to subsection 1 begins on  
38 the date the Commissioner receives the notice filed pursuant to  
39 subsection 1 and ends on the expiration of 30 days after that date or  
40 on the expiration of a shorter period prescribed by the  
41 Commissioner, whichever is earlier.

42 5. Before the expiration of the waiting period specified in  
43 subsection 4, the Commissioner may, not more than once, require a  
44 person to submit additional information relating to the proposed  
45 acquisition. If the Commissioner requires the submission of



1 additional information, the waiting period for the acquisition ends  
2 upon the expiration of 30 days after the Commissioner receives the  
3 additional information or upon the expiration of a shorter period  
4 prescribed by the Commissioner, whichever is earlier.

5 **Sec. 296.** NRS 692C.256 is hereby amended to read as  
6 follows:

7 692C.256 1. The Commissioner may issue an order pursuant  
8 to NRS 692C.258 relating to an acquisition if:

9 (a) The effect of the acquisition may substantially lessen  
10 competition in any line of insurance in this state or tend to create a  
11 monopoly; or

12 (b) The acquiring person fails to file sufficient materials or  
13 information pursuant to NRS 692C.254.

14 2. In determining whether ~~[to issue an order pursuant to~~  
15 ~~subsection 1.] a proposed acquisition would violate the competitive~~  
16 ~~standard,~~ the Commissioner shall consider the ~~[standards set forth~~  
17 ~~in the Horizontal Merger Guidelines issued by the United States~~  
18 ~~Department of Justice and the Federal Trade Commission and in~~  
19 ~~effect at the time the Commissioner receives the notice required~~  
20 ~~pursuant to NRS 692C.254.~~

21 ~~—3.] following:~~

22 (a) *Any acquisition to which the provisions of NRS 692C.252*  
23 *apply involving two or more insurers competing in the same*  
24 *market is prima facie evidence of a violation of the competitive*  
25 *standard if:*

26 (1) *The market is highly concentrated and the involved*  
27 *insurers possess the following shares of the market:*

28		
29	<u><i>Insurer A</i></u>	<u><i>Insurer B</i></u>
30	<i>4 percent</i>	<i>4 percent or more</i>
31	<i>10 percent</i>	<i>2 percent or more</i>
32	<i>15 percent</i>	<i>1 percent or more</i>

33

34 (2) *The market is not highly concentrated and the involved*  
35 *insurers possess the following shares of the market:*

36		
37	<u><i>Insurer A</i></u>	<u><i>Insurer B</i></u>
38	<i>5 percent</i>	<i>5 percent or more</i>
39	<i>10 percent</i>	<i>4 percent or more</i>
40	<i>15 percent</i>	<i>3 percent or more</i>
41	<i>19 percent</i>	<i>1 percent or more</i>

42

43 (b) *There is a significant trend toward increased concentration*  
44 *when the aggregate market share of any grouping of the largest*  
45 *insurers in the market, from the two largest to the eight largest,*



1 *has increased by 7 percent or more of the total market over a*  
2 *period of time extending from any base year 5 to 10 years before*  
3 *the acquisition up to the time of the acquisition. Any acquisition to*  
4 *which the provisions of NRS 692C.252 apply, involving two or*  
5 *more insurers competing in the same market is prima facie*  
6 *evidence of a violation of the competitive standard if:*

7 (1) *There is a significant trend toward increased*  
8 *concentration in the market;*

9 (2) *One of the insurers involved is one of the insurers in a*  
10 *grouping of large insurers showing the requisite increase in the*  
11 *market share; and*

12 (3) *Another involved insurer's market share is 2 percent or*  
13 *more.*

14 3. *Percentages not shown in the tables in paragraph (a) of*  
15 *subsection 2 must be interpolated proportionately to the*  
16 *percentages that are shown.*

17 4. *If more than two insurers are involved in an acquisition,*  
18 *exceeding the total of the two columns in the relevant table of*  
19 *paragraph (a) of subsection 2 is prima facie evidence of a*  
20 *violation of the competitive standard. For the purposes of this*  
21 *subsection, the insurer with the largest market share shall be*  
22 *deemed to be Insurer A.*

23 5. *Irrespective of whether an acquisition constitutes a prima*  
24 *facie violation of the competitive standard set forth in this section,*  
25 *the Commissioner, or a party to the acquisition, may establish the*  
26 *presence or absence of the requisite anticompetitive effect based*  
27 *upon other substantial evidence, including, without limitation,*  
28 *market shares, volatility of ranking market leaders, the number of*  
29 *competitors, concentrations, trend concentration in the industry*  
30 *and ease of entry and exit in the market.*

31 6. The Commissioner shall, before issuing an order specified in  
32 subsection 1, consider:

33 (a) If:

34 (1) The acquisition creates substantial economies of scale or  
35 economies in the use of resources that may not be created in any  
36 other manner; and

37 (2) The public benefit received from those economies  
38 exceeds the public benefit received from not lessening competition;  
39 or

40 (b) If:

41 (1) The acquisition substantially increases the availability of  
42 insurance; and

43 (2) The public benefit received by that increase exceeds the  
44 public benefit received from not lessening competition.



~~[4.]~~ 7. The public benefits set forth in subparagraph 2 of paragraphs (a) and (b) of subsection ~~[3.]~~ 6 may be considered together, as applicable, in assessing whether the public benefits received from the acquisition exceed any benefit to competition that would arise from disapproving the acquisition.

~~[5.]~~ 8. The Commissioner has the burden of establishing that the acquisition will result in a violation of the competitive standard set forth in subsection 1.

9. *An order may not be entered in accordance with NRS 692C.258 if:*

(a) *The acquisition will yield substantial economies of scale or economies in resource utilization that cannot be feasibly achieved in any other way, and the public benefits which would arise from such economies exceed the public benefits which would not arise from lessening competition; or*

(b) *The acquisition will substantially increase the availability of insurance, and the public benefits of the increase exceed the public benefits which would arise from not lessening competition.*

10. *As used in this section:*

(a) *“Highly concentrated market” means a market in which the combined market share of the four largest insurers totals 75 percent or more of the total market.*

(b) *“Insurer” includes any company or group of companies under common management, ownership or control.*

(c) *“Market” means the relevant product and geographical markets. In the absence of sufficient information to the contrary, the relevant product market is assumed to be the direct written insurance premium for a line of business, such line being that used in the annual statement required to be filed by an insurer doing business in this State and the relevant geographical market is assumed to be this State.*

**Sec. 297.** NRS 692C.260 is hereby amended to read as follows:

692C.260 1. Every insurer which is authorized to do business in this state and which is a member of an insurance holding company system shall register with the Commissioner, except a foreign insurer subject to disclosure requirements and standards adopted by a statute or regulation in the jurisdiction of its domicile which are substantially similar to those contained in NRS 692C.260 to 692C.350, inclusive.

2. Any insurer which is subject to registration under NRS 692C.260 to 692C.350, inclusive, shall register not later than September 1, 1973, or 15 days after it becomes subject to registration, whichever is later, *and annually thereafter by June 30 of each year for the immediately preceding calendar year*, unless





1 the Commissioner for good cause shown extends the time for  
2 registration. The Commissioner may require any authorized insurer  
3 which is a member of a holding company system which is not  
4 subject to registration under this section to furnish a copy of the  
5 registration statement or other information filed by the insurance  
6 company with the insurance regulatory authority of domiciliary  
7 jurisdiction.

8 3. Any person within an insurance holding company system  
9 subject to registration shall, upon request by an insurer, provide  
10 complete and accurate information to the insurer if the information  
11 is reasonably necessary to enable the insurer to comply with the  
12 provisions of this section.

13 **Sec. 298.** NRS 692C.270 is hereby amended to read as  
14 follows:

15 692C.270 Every insurer subject to registration shall file:

16 1. A registration statement ~~on a form provided by~~ with the  
17 Commissioner, *on a form and in a format prescribed by the*  
18 *Commissioner*, which must contain current information about:

19 (a) The capital structure, general financial condition, ownership  
20 and management of the insurer and any person controlling the  
21 insurer.

22 (b) The identity of every member of the insurance holding  
23 company system.

24 (c) The following agreements in force, relationships subsisting  
25 and transactions currently outstanding between the insurer and its  
26 affiliates:

27 (1) Loans, other investments or purchases, sales or  
28 exchanges of securities of the affiliates by the insurer or of the  
29 insurer by its affiliates.

30 (2) Purchases, sales or exchanges of assets.

31 (3) Transactions not in the ordinary course of business.

32 (4) Guarantees or undertakings for the benefit of an affiliate  
33 which result in an actual contingent exposure of the insurer's assets  
34 to liability, other than insurance contracts entered into in the  
35 ordinary course of the insurer's business.

36 (5) All management and service contracts and all cost-  
37 sharing arrangements, other than cost allocation arrangements based  
38 upon generally accepted accounting principles.

39 (6) Reinsurance agreements covering all or substantially all  
40 of one or more lines of insurance of the ceding company.

41 (7) Any dividend or other distribution made to a shareholder.

42 (8) Any consolidated agreement to allocate taxes.

43 (d) Any pledge of the insurer's stock, including the stock of any  
44 subsidiary or controlling affiliate of the insurer, for a loan made to  
45 any member of the insurance holding company system.



1 (e) Any other matters concerning transactions between  
2 registered insurers and any affiliates as may be included from time  
3 to time in any registration forms adopted or approved by the  
4 Commissioner.

5 2. A statement verifying that:

6 (a) The board of directors of the insurer oversees the corporate  
7 governance and internal controls of the insurer; and

8 (b) Officers or senior management of the insurer have approved,  
9 implemented and continue to maintain and monitor the corporate  
10 governance and internal controls of the insurer.

11 3. Financial statements of the insurance holding company  
12 system and all affiliates, if requested by the Commissioner. This  
13 requirement may be satisfied by providing the most recent statement  
14 filed with the United States Securities and Exchange Commissioner  
15 pursuant to the Securities Act of 1933, 15 U.S.C. §§ 78a et seq., by  
16 the insurance holding company system or its parent corporation.

17 **Sec. 299.** NRS 692C.290 is hereby amended to read as  
18 follows:

19 692C.290 1. Each registered insurer shall keep current the  
20 information required to be disclosed in its registration statement by  
21 reporting all material changes or additions on forms provided by the  
22 Commissioner within 15 days after the end of the month in which it  
23 learns of each such change or addition, and not less often than  
24 annually, except that, subject to the provisions of NRS 692C.390,  
25 each registered insurer shall report all dividends and other  
26 distributions to shareholders within 5 business days following the  
27 declaration and 10 days before payment.

28 2. *The principal of a registered insurer shall file an annual*  
29 *report of enterprise risk pursuant to this subsection.* If the  
30 principal of a registered insurer does not file a report of enterprise  
31 risk with the commissioner of the lead state of the insurance  
32 company system, as determined by the most recent edition of the  
33 Financial Analysis Handbook, published by the ~~[National~~  
34 ~~Association of Insurance Commissioners.] NAIC~~, in a calendar year,  
35 the principal shall file a report of enterprise risk with the  
36 Commissioner. The principal shall include in the report the material  
37 risks within the insurance holding company system that, to the best  
38 of his or her knowledge and belief, may pose enterprise risk to the  
39 registered insurer.

40 3. *Whenever it appears to the Commissioner that any person*  
41 *has committed a violation of subsection 2 which prevents the full*  
42 *understanding of the enterprise risk to the insurer by affiliates or*  
43 *by the insurance holding company system, the violation may serve*  
44 *as an independent basis for disapproving dividends or*



1 *distributions and for conducting an examination of the insurer*  
2 *pursuant to NRS 679B.230 to 679B.287, inclusive.*

3 **Sec. 300.** NRS 692C.330 is hereby amended to read as  
4 follows:

5 692C.330 1. Any person may file with the Commissioner:

6 (a) A disclaimer of affiliation with any authorized insurer  
7 specified in the disclaimer; or

8 (b) A request for a termination of registration on the basis that  
9 the person does not, or will not after taking an action specified in the  
10 request for termination, control another person specified in the  
11 request.

12 2. A disclaimer of affiliation or request for a termination of  
13 registration specified in subsection 1 may be filed by the authorized  
14 insurer or any member of an insurance holding company system. A  
15 disclaimer of affiliation or request for a termination of registration  
16 filed pursuant to subsection 1 must include:

17 (a) A statement indicating the number of authorized, issued and  
18 outstanding voting securities of the person specified in the  
19 disclaimer of affiliation or request for a termination of registration;

20 (b) A statement indicating the number and percentage of shares  
21 of the person specified in the disclaimer of affiliation or request for  
22 a termination of registration that are owned or beneficially owned  
23 by the person disclaiming control, and the number of those shares  
24 for which the person disclaiming control has a direct or indirect  
25 right to acquire;

26 (c) A statement setting forth all material relationships and bases  
27 for affiliation between the person specified in the disclaimer of  
28 affiliation or request for a termination of registration and the person  
29 and any affiliate of the person who is disclaiming control of the  
30 person specified in the disclaimer of affiliation or request for a  
31 termination of registration; and

32 (d) An explanation of why the person who is disclaiming control  
33 does not control the person specified in the disclaimer of affiliation  
34 or request for a termination of registration.

35 3. A request for a termination of registration filed pursuant to  
36 subsection 1 shall be deemed granted upon filing unless the  
37 Commissioner, within 30 days after receipt of the request for a  
38 termination of registration, notifies the person, authorized insurer or  
39 member of an insurance holding company system that the request is  
40 denied.

41 4. ~~After a disclaimer of affiliation has been filed, the insurer is~~  
42 ~~relieved of any duty to register or report under NRS 692C.260 to~~  
43 ~~692C.350, inclusive, which may arise out of the insurer's~~  
44 ~~relationship with the person unless the Commissioner disallows the~~  
45 ~~disclaimer. The Commissioner may disallow the disclaimer only~~



1 ~~after furnishing all parties in interest with a notice and opportunity~~  
2 ~~to be heard and after making specific findings of fact to support the~~  
3 ~~disallowance.] A disclaimer of affiliation filed pursuant to~~  
4 ~~subsection 1 shall be deemed granted unless the Commissioner,~~  
5 ~~within 30 days after receipt of a complete disclaimer of affiliation,~~  
6 ~~notifies the filing party that the disclaimer of affiliation is~~  
7 ~~disallowed. In the event of disallowance, the disclaiming party~~  
8 ~~may request an administrative hearing, which shall be granted.~~  
9 ~~The disclaiming party is relieved of its duty to register pursuant to~~  
10 ~~NRS 692C.260 to 692C.350, inclusive, if approval of the~~  
11 ~~disclaimer of affiliation has been granted by the Commissioner, or~~  
12 ~~if the disclaimer of affiliation is deemed approved.~~

13 **Sec. 301.** NRS 692C.350 is hereby amended to read as  
14 follows:

15 692C.350 1. The failure to file a registration statement or  
16 *summary or* any amendment thereto, *or a report of enterprise risk,*  
17 required by NRS 692C.260 to 692C.350, inclusive, within the time  
18 specified for the filing is a violation of NRS 692C.260 to 692C.350,  
19 inclusive.

20 2. Except as otherwise provided in subsection 3, if an insurer  
21 fails, without just cause, to file a registration statement required  
22 pursuant to NRS 692C.270 ~~to~~ *to 692C.350, inclusive,* the insurer  
23 shall, after receiving notice and a hearing, pay a civil penalty of  
24 \$100 for each day the insurer fails to file the registration statement.  
25 The civil penalty may be recovered in a civil action brought by the  
26 Commissioner. Any civil penalty paid pursuant to this subsection  
27 must be deposited in the State General Fund.

28 3. The maximum civil penalty that may be imposed pursuant to  
29 subsection 2 is \$20,000. The Commissioner may reduce the amount  
30 of the civil penalty if the insurer demonstrates to the satisfaction of  
31 the Commissioner that the payment of the civil penalty would  
32 impose a financial hardship on the insurer.

33 4. Any officer, director or employee of an insurance holding  
34 company system who willfully and knowingly subscribes to or  
35 makes or causes to be made any false statement, false report or false  
36 filing with the intent to deceive the Commissioner in the  
37 performance of his or her duties pursuant to NRS 692C.260 to  
38 692C.350, inclusive, is guilty of a category D felony and shall be  
39 punished as provided in NRS 193.130. The officer, director or  
40 employee is personally liable for any fine imposed against the  
41 officer, director or employee pursuant to that section.

42 **Sec. 302.** NRS 692C.380 is hereby amended to read as  
43 follows:

44 692C.380 For purposes of NRS 692C.360 to 692C.400,  
45 inclusive, an extraordinary dividend or distribution includes any



1 dividend or distribution of cash or other property, whose fair market  
2 value together with that of other dividends or distributions made  
3 within the preceding 12 months exceeds the ~~greater~~ *lesser* of:

4 1. Ten percent of the insurer's surplus as regards policyholders  
5 as of December 31 next preceding the dividend or distribution; or

6 2. The net gain from operations of the insurer, if the insurer is a  
7 life insurer, or the net income, not including realized capital gains if  
8 the insurer is not a life insurer, for the 12-month period ending  
9 December 31 next preceding the dividend or distribution,

10 ↪ but does not include pro rata distributions of any class of the  
11 insurer's own securities.

12 **Sec. 303.** NRS 692C.420 is hereby amended to read as  
13 follows:

14 692C.420 1. Except as otherwise provided in NRS 239.0115,  
15 all information, documents and copies thereof obtained by or  
16 disclosed to the Commissioner or any other person in the course of  
17 an examination or investigation made pursuant to NRS 692C.410,  
18 and all information reported pursuant to *subsections 12 and 13 of*  
19 *NRS 692C.190 and* NRS 692C.260 to 692C.350, inclusive, ~~must~~  
20 ~~be given~~ *is confidential, ~~treatment and~~ is not subject to subpoena*  
21 *, is not subject to discovery, is not admissible in evidence in any*  
22 *private civil action* and must not be made public by the  
23 Commissioner or any other person, except to insurance departments  
24 of other states, without the prior written consent of the insurer to  
25 which it pertains unless the Commissioner, after giving the insurer  
26 and its affiliates who would be affected thereby notice and an  
27 opportunity to be heard, determines that the interests of  
28 policyholders, shareholders or the public will be served by the  
29 publication thereof, in which event he or she may publish all or any  
30 part thereof in any manner as he or she may deem appropriate.

31 2. The Commissioner or any person who receives any  
32 documents, materials or other information while acting under the  
33 authority of the Commissioner must not be permitted or required to  
34 testify in a private civil action concerning any information,  
35 document or copy thereof specified in subsection 1.

36 3. The Commissioner may share or receive any information,  
37 document or copy thereof specified in subsection 1 in accordance  
38 with NRS 679B.122. The sharing or receipt of the information,  
39 document or copy pursuant to this subsection does not waive any  
40 applicable privilege or claim of confidentiality in the information,  
41 document or copy.

42 *4. The Commissioner shall enter into a written agreement*  
43 *with the NAIC governing the sharing and use of information*  
44 *specified in subsection 1 that must:*



1 (a) *Specify procedures and protocols regarding the*  
2 *confidentiality and security of information shared with the NAIC*  
3 *and its affiliates and subsidiaries, including procedures and*  
4 *protocols for sharing by the NAIC with other state, federal and*  
5 *international regulators;*

6 (b) *Specify that ownership of the information shared with the*  
7 *NAIC and its affiliates and subsidiaries remains with the*  
8 *Commissioner and the NAIC's use of the information is subject to*  
9 *the discretion of the Commissioner;*

10 (c) *Require prompt notice to be given to an insurer whose*  
11 *confidential information in the possession of the NAIC is subject*  
12 *to a request or subpoena to the NAIC for disclosure or production;*  
13 *and*

14 (d) *Require the NAIC and its affiliates and subsidiaries to*  
15 *consent to intervention by an insurer in any judicial or*  
16 *administrative action in which the NAIC and its affiliates or*  
17 *subsidiaries may be required to disclose confidential information*  
18 *about the insurer shared with the NAIC and its affiliates and*  
19 *subsidiaries.*

20 5. *The sharing of information by the Commissioner does not*  
21 *constitute a delegation of regulatory authority or rulemaking, and*  
22 *the Commissioner is solely responsible for the administration,*  
23 *execution and enforcement of the provisions of this section.*

24 6. *No waiver of any applicable privilege or claim of*  
25 *confidentiality in the documents, materials or information shall*  
26 *occur as a result of disclosure to the Commissioner in accordance*  
27 *with this section or as a result of sharing as authorized in this*  
28 *section.*

29 7. *Documents, materials and other information in the*  
30 *possession or control of the NAIC in accordance with this section*  
31 *are:*

32 (a) *Confidential by law and privileged;*

33 (b) *Not subject to the provisions of chapter 239 of NRS;*

34 (c) *Not subject to subpoena; and*

35 (d) *Not subject to discovery or admissible in evidence in any*  
36 *private civil action.*

37 **Sec. 304.** NRS 692C.485 is hereby amended to read as  
38 follows:

39 692C.485 1. A director or officer of an insurance holding  
40 company system who knowingly violates, or knowingly participates  
41 in or assents to a violation of, NRS 692C.350, 692C.360, 692C.363  
42 or 692C.390, *or section 289 of this act*, or who knowingly **[permits]**  
43 *allows* any officer or agent of the insurance holding company to  
44 engage in a transaction in violation of NRS 692C.360 or 692C.363  
45 or to pay a dividend or make an extraordinary distribution in



1 violation of NRS 692C.390 shall pay, after receiving notice and a  
2 hearing before the Commissioner, a fine of not more than \$10,000  
3 for each violation. In determining the amount of the fine, the  
4 Commissioner shall consider the appropriateness of the fine in  
5 relation to:

- 6 (a) The gravity of the violation;
- 7 (b) The history of any previous violations committed by the  
8 director or officer; and
- 9 (c) Any other matters as justice may require.

10 2. Whenever it appears to the Commissioner that an insurer or  
11 any director, officer, employee or agent of the insurer has engaged  
12 in a transaction or entered into a contract to which the provisions of  
13 NRS 692C.363 apply and for which the insurer has not obtained the  
14 Commissioner's approval, the Commissioner may order the insurer  
15 to cease and desist immediately from engaging in any further  
16 activity relating to the transaction or contract. In addition to issuing  
17 such an order, the Commissioner may order the insurer to rescind  
18 the contract and return each party to the contract to the position the  
19 party was in before the execution of the contract if the issuing of the  
20 order is in the best interest of:

- 21 (a) The policyholders or creditors of the insurer; or
- 22 (b) The members of the general public.

23 **Sec. 305.** NRS 693A.030 is hereby amended to read as  
24 follows:

25 693A.030 1. Except as otherwise provided in subsections 2, 3  
26 and 4, a domestic insurer formed before, on or after January 1, 1972,  
27 shall not engage in any business other than the insurance business  
28 and in business activities reasonably and necessarily incidental to  
29 the insurance business.

30 2. A title insurer may also engage in business as an escrow  
31 agent.

32 3. Any insurer may also engage in business activities  
33 reasonably related to the management, supervision, servicing of and  
34 protection of its interests as to its lawful investments, and to the full  
35 utilization of its facilities.

36 4. An insurer may own subsidiaries which may engage in such  
37 businesses as are provided for in ~~NRS 682A.130.~~ *section 174 of*  
38 *this act.*

39 **Sec. 306.** Chapter 694C of NRS is hereby amended by adding  
40 thereto the provisions set forth as sections 307, 308 and 309 of this  
41 act.

42 **Sec. 307.** *“State-chartered risk retention group” means any*  
43 *risk retention group, as defined in NRS 695E.110, that is formed*  
44 *in accordance with the laws of this State as an association captive*  
45 *insurer.*





1       **Sec. 308. 1.** *In addition to the information required*  
2 *pursuant to NRS 694C.210, a state-chartered risk retention group*  
3 *being formed as an association captive insurer must submit to the*  
4 *Commissioner in summary form:*

5       (a) *The identities of:*

6           (1) *All members of the group;*

7           (2) *All organizers of the group;*

8           (3) *Those persons who will provide administrative services*  
9 *to the group; and*

10          (4) *Any person who will influence or control the activities*  
11 *of the group;*

12       (b) *The amount and nature of initial capitalization of the*  
13 *group;*

14       (c) *The coverages to be offered by the group; and*

15       (d) *Each state in which the group intends to operate.*

16       2. *Before it may transact insurance in any state, the state-*  
17 *chartered risk retention group must submit to the Commissioner,*  
18 *for approval by the Commissioner, a plan of operation. The risk*  
19 *retention group shall submit an appropriate revision in the event*  
20 *of any subsequent material change in any item of the plan of*  
21 *operation within 10 days after the change. The group shall not*  
22 *offer any additional kinds of liability insurance, in this State or in*  
23 *any other state, until a revision of the plan is approved by the*  
24 *Commissioner.*

25       3. *A state-chartered risk retention group chartered in this*  
26 *State must file with the Commissioner on or before March 1 of*  
27 *each year a statement containing information concerning the*  
28 *immediately preceding year which must:*

29       (a) *Be submitted in a form prescribed by the National*  
30 *Association of Insurance Commissioners;*

31       (b) *Be prepared in accordance with the Annual Statement*  
32 *Instructions for the type of insurer to be reported on as adopted by*  
33 *the National Association of Insurance Commissioners for the year*  
34 *in which the insurer files the statement;*

35       (c) *Utilize accounting principles in a manner that remains*  
36 *consistent among financial statements submitted each year and*  
37 *that are substantively identical to:*

38           (1) *Generally accepted accounting principles, including any*  
39 *useful or necessary modifications or adaptations thereof that have*  
40 *been approved or accepted by the Commissioner for the type of*  
41 *insurance and kinds of insurers to be reported upon, and as*  
42 *supplemented by additional information required by the*  
43 *Commissioner; or*

44           (2) *Statutory accounting principles, as described in the*  
45 *Accounting Practices and Procedures Manual adopted by the*



1 *National Association of Insurance Commissioners effective on*  
2 *January 1, 2001, and as amended by the National Association of*  
3 *Insurance Commissioners after that date; and*

4 *(d) Be submitted electronically, if required by the*  
5 *Commissioner.*

6 *4. The Commissioner shall transmit to the National*  
7 *Association of Insurance Commissioners a copy of:*

8 *(a) All information submitted by a state-chartered risk*  
9 *retention group to the Commissioner pursuant to subsections 1*  
10 *and 3; and*

11 *(b) Any revisions to a plan of operation submitted to the*  
12 *Commissioner pursuant to subsection 3.*

13 **Sec. 309.** *1. The board of directors of a risk retention group*  
14 *must have a majority of independent directors. If the risk retention*  
15 *group is a reciprocal risk retention group, the attorney-in-fact is*  
16 *required to adhere to the same standards regarding independence*  
17 *of operation and governance as imposed on the risk retention*  
18 *group's board of directors or subscribers advisory committee*  
19 *under this section, and, to the extent permissible by state law,*  
20 *service providers of a reciprocal risk retention group must*  
21 *contract with the risk retention group and not the attorney-in-fact.*

22 *2. No director qualifies as independent unless the board of*  
23 *directors affirmatively determines that the director has no material*  
24 *relationship with the risk retention group. Each risk retention*  
25 *group shall disclose these determinations to its domestic regulator*  
26 *at least annually. For the purposes of this subsection, any person*  
27 *that is a direct or indirect owner of or subscriber in the risk*  
28 *retention group, or is an officer, director or employee of such an*  
29 *owner or insured, unless some other position of such officer,*  
30 *director or employee constitutes a material relationship, as*  
31 *contemplated by 15 U.S.C. § 3901(a)(4)(E)(ii), is considered to be*  
32 *independent.*

33 *3. The term of any material service provider contract with a*  
34 *risk retention group must not exceed 5 years. Any such contract,*  
35 *or its renewal, must require the approval of the majority of the risk*  
36 *retention group's independent directors. The risk retention*  
37 *group's board of directors shall have the right to terminate any*  
38 *service provider, audit or actuarial contracts at any time for cause*  
39 *after providing adequate notice as defined in the contract. The*  
40 *service provider contract is deemed material if the amount to be*  
41 *paid for such contract is greater than, or equal to, 5 percent of the*  
42 *risk retention group's annual gross written premium or 2 percent*  
43 *of its surplus, whichever is greater. No service provider contract*  
44 *which creates a material relationship may be entered into unless*  
45 *the risk retention group has notified the Commissioner, in writing,*



1 of its intention to enter into such a transaction at least 30 days  
2 before and the Commissioner has not disapproved it within such  
3 period. For the purposes of this subsection:

4 (a) "Lawyer" does not include defense counsel retained by the  
5 risk retention group to defend claims, unless the amount of fees  
6 paid to such lawyer creates a material relationship.

7 (b) "Service provider" includes, without limitation, a captive  
8 manager, auditor, accountant, actuary, investment advisor,  
9 lawyer, managing general underwriter or other party responsible  
10 for underwriting, determination of rates, collection of premium,  
11 adjusting and settling claims or the preparation of financial  
12 statements.

13 4. The board of directors shall adopt a written policy in the  
14 plan of operation as approved by the board that requires the board  
15 to:

16 (a) Ensure that all owners and insureds of the risk retention  
17 group receive evidence of ownership interest;

18 (b) Develop a set of governance standards applicable to the  
19 risk retention group;

20 (c) Oversee the evaluation of the risk retention group's  
21 management, including, without limitation, the performance of  
22 the captive manager, managing general underwriter or other party  
23 or parties responsible for underwriting, determination of rates,  
24 collection of premium, adjusting or settling claims or the  
25 preparation of financial statements;

26 (d) Review and approve the amount to be paid for all material  
27 service providers; and

28 (e) At least annually, review and approve:

29 (1) The risk retention group's goals and objectives relevant  
30 to the compensation of officers and service providers;

31 (2) The officer's and service provider's performance in  
32 light of those goals and objectives; and

33 (3) The continued engagement of the officers and material  
34 service providers.

35 5. A risk retention group must have an audit committee  
36 composed of at least three independent board members. A board  
37 member that is not independent may participate in the activities of  
38 the audit committee if invited by the members, but cannot be a  
39 member of such committee.

40 6. An audit committee established pursuant to subsection 5  
41 must have a written charter that defines the committee's purpose,  
42 which must include, without limitation:

43 (a) Assisting the board of directors with oversight of:

44 (1) The integrity of financial statements;



1           (2) *Compliance with legal and regulatory requirements;*  
2 *and*

3           (3) *The qualifications, independence and performance of*  
4 *the independent auditor and actuary;*

5           (b) *Discussing the annual audited financial statements and*  
6 *quarterly financial statements with management;*

7           (c) *Discussing the annual audited financial statements and, if*  
8 *advisable, its quarterly financial statements with its independent*  
9 *auditor;*

10          (d) *Discussing policies with respect to risk assessment and risk*  
11 *management;*

12          (e) *Meeting separately and periodically, either directly or*  
13 *through a designated representative of the committee, with*  
14 *management and independent auditors;*

15          (f) *Reviewing with the independent auditor any audit problems*  
16 *or difficulties and management's response;*

17          (g) *Setting clear hiring policies of the risk retention group as*  
18 *to the hiring of employees or former employees of the independent*  
19 *auditor;*

20          (h) *Requiring the external auditor to rotate the lead, or*  
21 *coordinating, audit partner having primary responsibility for the*  
22 *risk retention group's audit as well as the audit partner*  
23 *responsible for reviewing that audit so that one such person does*  
24 *not perform audit services for more than 5 consecutive fiscal*  
25 *years; and*

26          (i) *Reporting regularly to the board of directors.*

27          7. *The domestic regulator may waive the requirement to*  
28 *establish an audit committee composed of independent board*  
29 *members if the risk retention group is able to demonstrate to the*  
30 *domestic regulator that it is impracticable to do so and the board*  
31 *of directors itself is otherwise able to accomplish the purposes of*  
32 *the audit committee.*

33          8. *The board of directors shall adopt and disclose governance*  
34 *standards which must include:*

35          (a) *A process by which the directors are elected by the owners*  
36 *and insureds;*

37          (b) *Qualification standards;*

38          (c) *Responsibilities;*

39          (d) *Access to management and, as necessary and appropriate,*  
40 *independent advisors;*

41          (e) *Compensation;*

42          (f) *Orientation and continuing education;*

43          (g) *The policies and procedures to be followed for*  
44 *management succession; and*



1 (h) *The policies and procedures to be followed for annual*  
2 *performance evaluation of the board.*

3 ➔ *As used in this subsection, “disclose” means making*  
4 *information available through electronic or other means,*  
5 *including, without limitation, posting such information on the risk*  
6 *retention group’s Internet website and providing such information*  
7 *to its members and insureds upon request.*

8 9. *The board of directors shall adopt and disclose a code of*  
9 *business conduct and ethics for directors, officers and employees*  
10 *which must include, without limitation:*

11 (a) *Conflicts of interest;*

12 (b) *Matters covered under the corporate opportunities doctrine*  
13 *within the state of domicile;*

14 (c) *Confidentiality;*

15 (d) *Fair dealing;*

16 (e) *Protection and proper use of assets of the risk retention*  
17 *group;*

18 (f) *Compliance with all applicable laws, rules and regulations;*  
19 *and*

20 (g) *Requiring the reporting of any illegal or unethical*  
21 *behavior which affects the operation of the risk retention group.*

22 ➔ *The board shall promptly disclose any waivers of the code for*  
23 *directors or executive officers.*

24 10. *The captive manager, president or chief executive officer*  
25 *of a risk retention group shall promptly notify the domestic*  
26 *regulator, in writing, if he or she becomes aware of any material*  
27 *noncompliance with this section.*

28 11. *As used in this section:*

29 (a) *“Board of directors” or “board” means the governing body*  
30 *of a risk retention group elected by the shareholders or members*  
31 *to establish policy, elect or appoint officers and committees and*  
32 *make other governing decisions.*

33 (b) *“Director” means a natural person designated in the*  
34 *articles of the risk retention group, or designated, elected or*  
35 *appointed by any other manner, name or title to act on the board.*

36 (c) *“Material relationship,” of a person with a risk retention*  
37 *group, includes, without limitation:*

38 (1) *The receipt in any one 12-month period of*  
39 *compensation or payment of any other item of value by such*  
40 *person, a member of such person’s immediate family or any*  
41 *business with which such person is affiliated from the risk*  
42 *retention group or a consultant or service provider to the risk*  
43 *retention group that is greater than or equal to 5 percent of the*  
44 *risk retention group’s gross written premium for such 12-month*  
45 *period or 2 percent of its surplus, whichever is greater, as*



1 *measured at the end of any fiscal quarter falling in such a 12-*  
2 *month period. Such person or immediate family member of such a*  
3 *person is not considered to be independent until 1 year after his or*  
4 *her compensation or payment from the risk retention group falls*  
5 *below the threshold set forth in this paragraph;*

6 (2) *A director or an immediate family member of a director*  
7 *who is affiliated with or employed in a professional capacity by a*  
8 *present or former internal or external auditor of the risk retention*  
9 *group is not considered to be independent until 1 year after the*  
10 *end of the affiliation, employment or auditing relationship.*

11 (3) *A director or immediate family member of a director*  
12 *who is employed as an executive officer of another company*  
13 *where any of the risk retention group's present executives serve on*  
14 *that company's board of directors is not considered to be*  
15 *independent until 1 year after the end of such service or the*  
16 *employment relationship.*

17 **Sec. 310.** NRS 694C.010 is hereby amended to read as  
18 follows:

19 694C.010 As used in this chapter, unless the context otherwise  
20 requires, the words and terms defined in NRS 694C.020 to  
21 694C.150, inclusive, *and section 307 of this act*, have the meanings  
22 ascribed to them in those sections.

23 **Sec. 311.** NRS 695E.140 is hereby amended to read as  
24 follows:

25 695E.140 1. A risk retention group seeking to be chartered in  
26 this State must obtain a certificate of authority pursuant to chapter  
27 694C of NRS to transact liability insurance and, except as otherwise  
28 provided in this chapter, must comply with:

29 (a) All of the laws, regulations and requirements applicable to  
30 liability insurers in this State, unless otherwise approved by the  
31 Commissioner; and

32 (b) The provisions of NRS 695E.150 to 695E.210, inclusive, to  
33 the extent that those provisions do not limit or conflict with the  
34 provisions with which the group is required to comply pursuant to  
35 paragraph (a).

36 2. A risk retention group applying to be chartered in this State  
37 must submit to the Commissioner ~~in summary form:~~

- 38 ~~— (a) The identities of:~~  
39 ~~— (1) All members of the group;~~  
40 ~~— (2) All organizers of the group;~~  
41 ~~— (3) Those persons who will provide administrative services~~  
42 ~~to the group; and~~  
43 ~~— (4) Any person who will influence or control the activities of~~  
44 ~~the group;~~  
45 ~~— (b) The amount and nature of initial capitalization of the group;~~



1 —(c) The coverages to be offered by the group; and  
2 —(d) Each state in which the group intends to operate.  
3 —3. Before it may transact insurance in any state, the risk  
4 retention group must submit to the Commissioner for approval by  
5 the Commissioner a plan of operation. The risk retention group shall  
6 submit an appropriate revision in the event of any subsequent  
7 material change in any item of the plan of operation within 10 days  
8 after the change. The group shall not offer any additional kinds of  
9 liability insurance, in this State or in any other state, until a revision  
10 of the plan is approved by the Commissioner.  
11 —4. A risk retention group chartered in this State must file with  
12 the Commissioner on or before February 1 of each year a statement  
13 containing information concerning the immediately preceding year,  
14 which must be:  
15 —(a) Submitted in a form prescribed by the National Association  
16 of Insurance Commissioners;  
17 —(b) Prepared in accordance with the Accounting Practices and  
18 Procedures Manual adopted by the National Association of  
19 Insurance Commissioners and effective on January 1, 2001, and as  
20 amended by the National Association of Insurance Commissioners  
21 after that date; and  
22 —(c) Submitted on a diskette, if required by the Commissioner.  
23 —5. The Commissioner shall transmit to the National  
24 Association of Insurance Commissioners a copy of:  
25 —(a) All information submitted by a risk retention group to the  
26 Commissioner pursuant to subsections 2 and 4; and  
27 —(b) Any revisions to a plan of operation submitted to the  
28 Commissioner pursuant to subsection 3.  
29 —6.} *an application for licensure as an association captive*  
30 *insurer in accordance with NRS 694C.210.*

31 3. A risk retention group chartered in a state other than Nevada  
32 that is seeking to transact insurance as a risk retention group in this  
33 State must comply with the provisions of NRS 695E.150 to  
34 695E.210, inclusive [4], and section 308 of this act.

35 **Sec. 312.** NRS 179.259 is hereby amended to read as follows:

36 179.259 1. Except as otherwise provided in subsections 3 , 4  
37 and [4.] 5, 5 years after an eligible person completes a program for  
38 reentry, the court may order sealed all documents, papers and  
39 exhibits in the eligible person's record, minute book entries and  
40 entries on dockets, and other documents relating to the case in the  
41 custody of such other agencies and officers as are named in the  
42 court's order. The court may order those records sealed without a  
43 hearing unless the Division of Parole and Probation of the  
44 Department of Public Safety petitions the court, for good cause  
45 shown, not to seal the records and requests a hearing thereon.





1 2. If the court orders sealed the record of an eligible person, the  
2 court shall send a copy of the order to each agency or officer named  
3 in the order. Each such agency or officer shall notify the court in  
4 writing of its compliance with the order.

5 3. A professional licensing board is entitled, for the purpose of  
6 determining suitability for a license or liability to discipline for  
7 misconduct, to inspect and to copy from a record sealed pursuant to  
8 this section.

9 4. *The Division of Insurance of the Department of Business  
10 and Industry is entitled, for the purpose of determining suitability  
11 for a license or liability to discipline for misconduct, to inspect and  
12 to copy from a record sealed pursuant to this section.*

13 5. A person may not petition the court to seal records relating  
14 to a conviction of a crime against a child or a sexual offense.

15 ~~5.1~~ 6. As used in this section:

16 (a) "Crime against a child" has the meaning ascribed to it in  
17 NRS 179D.0357.

18 (b) "Eligible person" means a person who has:

19 (1) Successfully completed a program for reentry to which  
20 the person participated in pursuant to NRS 209.4886, 209.4888,  
21 213.625 or 213.632; and

22 (2) Been convicted of a single offense which was punishable  
23 as a felony and which did not involve the use or threatened use of  
24 force or violence against the victim. For the purposes of this  
25 subparagraph, multiple convictions for an offense punishable as a  
26 felony shall be deemed to constitute a single offense if those  
27 offenses arose out of the same transaction or occurrence.

28 (c) "Program for reentry" means:

29 (1) A correctional program for reentry of offenders and  
30 parolees into the community that is established by the Director of  
31 the Department of Corrections pursuant to NRS 209.4887; or

32 (2) A judicial program for reentry of offenders and parolees  
33 into the community that is established in a judicial district pursuant  
34 to NRS 209.4883.

35 (d) "Sexual offense" has the meaning ascribed to it in paragraph  
36 (b) of subsection 7 of NRS 179.245.

37 **Sec. 313.** NRS 179.301 is hereby amended to read as follows:

38 179.301 1. The State Gaming Control Board and the Nevada  
39 Gaming Commission and their employees, agents and  
40 representatives may inquire into and inspect any records sealed  
41 pursuant to NRS 179.245 or 179.255, if the event or conviction was  
42 related to gaming, to determine the suitability or qualifications of  
43 any person to hold a state gaming license, manufacturer's, seller's or  
44 distributor's license or registration as a gaming employee pursuant



1 to chapter 463 of NRS. Events and convictions, if any, which are the  
2 subject of an order sealing records:

3 (a) May form the basis for recommendation, denial or  
4 revocation of those licenses.

5 (b) Must not form the basis for denial or rejection of a gaming  
6 work permit unless the event or conviction relates to the applicant's  
7 suitability or qualifications to hold the work permit.

8 2. *The Division of Insurance of the Department of Business  
9 and Industry and its employees may inquire into and inspect any  
10 records sealed pursuant to NRS 179.245 or 179.255, if the event  
11 or conviction was related to insurance, to determine the suitability  
12 or qualifications of any person to hold a license, certification or  
13 authorization issued in accordance with title 57 of NRS. Events  
14 and convictions, if any, which are the subject of an order sealing  
15 records may form the basis for recommendation, denial or  
16 revocation of those licenses, certifications and authorizations.*

17 3. A prosecuting attorney may inquire into and inspect any  
18 records sealed pursuant to NRS 179.245 or 179.255 if:

19 (a) The records relate to a violation or alleged violation of NRS  
20 202.575; and

21 (b) The person who is the subject of the records has been  
22 arrested or issued a citation for violating NRS 202.575.

23 ~~3.~~ 4. The Central Repository for Nevada Records of Criminal  
24 History and its employees may inquire into and inspect any records  
25 sealed pursuant to NRS 179.245 or 179.255 that constitute  
26 information relating to sexual offenses, and may notify employers of  
27 the information in accordance with NRS 179A.180 to 179A.240,  
28 inclusive.

29 ~~4.~~ 5. Records which have been sealed pursuant to NRS  
30 179.245 or 179.255 and which are retained in the statewide registry  
31 established pursuant to NRS 179B.200 may be inspected pursuant to  
32 chapter 179B of NRS by an officer or employee of the Central  
33 Repository for Nevada Records of Criminal History or a law  
34 enforcement officer in the regular course of his or her duties.

35 ~~5.~~ 6. The State Board of Pardons Commissioners and its  
36 agents and representatives may inquire into and inspect any records  
37 sealed pursuant to NRS 179.245 or 179.255 if the person who is the  
38 subject of the records has applied for a pardon from the Board.

39 ~~6.~~ 7. As used in this section:

40 (a) "Information relating to sexual offenses" means information  
41 contained in or concerning a record relating in any way to a sexual  
42 offense.

43 (b) "Sexual offense" has the meaning ascribed to it in  
44 NRS 179A.073.



1       **Sec. 314.** NRS 239.010 is hereby amended to read as follows:  
2       239.010 1. Except as otherwise provided in this section and  
3 NRS 1.4683, 1A.110, 49.095, 62D.420, 62D.440, 62E.516,  
4 62E.620, 62H.025, 62H.030, 62H.170, 62H.220, 62H.320, 76.160,  
5 78.152, 80.113, 81.850, 82.183, 86.246, 86.54615, 87.515, 87.5413,  
6 87A.200, 87A.580, 87A.640, 88.3355, 88.5927, 88.6067, 88A.345,  
7 88A.7345, 89.045, 89.251, 90.730, 91.160, 116.757, 116A.270,  
8 116B.880, 118B.026, 119.260, 119.265, 119.267, 119.280,  
9 119A.280, 119A.653, 119B.370, 119B.382, 120A.690, 125.130,  
10 125B.140, 126.141, 126.161, 126.163, 126.730, 127.007, 127.057,  
11 127.130, 127.140, 127.2817, 130.312, 159.044, 172.075, 172.245,  
12 176.015, 176.0625, 176.09129, 176.156, 176A.630, 178.39801,  
13 178.4715, 178.5691, 179.495, 179A.070, 179A.165, 179A.450,  
14 179D.160, 200.3771, 200.3772, 200.5095, 200.604, 202.3662,  
15 205.4651, 209.392, 209.3925, 209.419, 209.521, 211A.140,  
16 213.010, 213.040, 213.095, 213.131, 217.105, 217.110, 217.464,  
17 217.475, 218E.625, 218F.150, 218G.130, 218G.240, 218G.350,  
18 228.270, 228.450, 228.495, 228.570, 231.069, 233.190, 237.300,  
19 239.0105, 239.0113, 239B.030, 239B.040, 239B.050, 239C.140,  
20 239C.210, 239C.230, 239C.250, 239C.270, 240.007, 241.020,  
21 241.030, 242.105, 244.264, 244.335, 250.087, 250.130, 250.140,  
22 250.150, 268.095, 268.490, 268.910, 271A.105, 281.195, 281A.350,  
23 281A.440, 281A.550, 284.4068, 286.110, 287.0438, 289.025,  
24 289.080, 289.387, 293.5002, 293.503, 293.558, 293B.135,  
25 293D.510, 331.110, 332.061, 332.351, 333.333, 333.335, 338.070,  
26 338.1379, 338.1725, 338.1727, 348.420, 349.597, 349.775, 353.205,  
27 353A.085, 353A.100, 353C.240, 360.240, 360.247, 360.255,  
28 360.755, 361.044, 361.610, 365.138, 366.160, 368A.180, 372A.080,  
29 378.290, 378.300, 379.008, 386.655, 387.626, 387.631, 388.5275,  
30 388.528, 388.5315, 388.750, 391.035, 392.029, 392.147, 392.264,  
31 392.271, 392.652, 392.850, 394.167, 394.1698, 394.447, 394.460,  
32 394.465, 396.3295, 396.405, 396.525, 396.535, 398.403, 408.3885,  
33 408.3886, 412.153, 416.070, 422.290, 422.305, 422A.320,  
34 422A.350, 425.400, 427A.1236, 427A.872, 432.205, 432B.175,  
35 432B.280, 432B.290, 432B.407, 432B.430, 432B.560, 433.534,  
36 433A.360, 439.270, 439.840, 439B.420, 440.170, 441A.195,  
37 441A.220, 441A.230, 442.330, 442.395, 445A.665, 445B.570,  
38 449.209, 449.245, 449.720, 453.1545, 453.720, 453A.610,  
39 453A.700, 458.055, 458.280, 459.050, 459.3866, 459.555,  
40 459.7056, 459.846, 463.120, 463.15993, 463.240, 463.3403,  
41 463.3407, 463.790, 467.1005, 467.137, 481.063, 482.170, 482.5536,  
42 483.340, 483.363, 483.800, 484E.070, 485.316, 503.452, 522.040,  
43 534A.031, 561.285, 571.160, 584.583, 584.655, 598.0964,  
44 598.0979, 598.098, 598A.110, 599B.090, 603.070, 603A.210,  
45 604A.710, 612.265, 616B.012, 616B.015, 616B.315, 616B.350,



1 618.341, 618.425, 622.310, 623.131, 623A.353, 624.110, 624.265,  
2 624.327, 625.425, 625A.185, 628.418, 629.069, 630.133,  
3 630.30665, 630.336, 630A.555, 631.368, 632.121, 632.125,  
4 632.405, 633.283, 633.301, 633.524, 634.212, 634.214, 634A.185,  
5 635.158, 636.107, 637.085, 637A.315, 637B.288, 638.087, 638.089,  
6 639.2485, 639.570, 640.075, 640A.220, 640B.730, 640C.400,  
7 640C.745, 640C.760, 640D.190, 640E.340, 641.090, 641A.191,  
8 641B.170, 641C.760, 642.524, 643.189, 644.446, 645.180, 645.625,  
9 645A.050, 645A.082, 645B.060, 645B.092, 645C.220, 645C.225,  
10 645D.130, 645D.135, 645E.300, 645E.375, 645G.510, 645H.320,  
11 645H.330, 647.0945, 647.0947, 648.033, 648.197, 649.065,  
12 649.067, 652.228, 654.110, 656.105, 661.115, 665.130, 665.133,  
13 669.275, 669.285, 669A.310, 671.170, 673.430, 675.380, 676A.340,  
14 676A.370, 677.243, 679B.122, 679B.152, 679B.159, 679B.190,  
15 679B.285, 679B.690, 680A.270, 681A.440, 681B.260, 681B.280,  
16 683A.0873, 685A.077, 686A.289, 686B.170, 686C.306, 687A.110,  
17 687A.115, 687C.010, 688C.230, 688C.480, 688C.490, 692A.117,  
18 692C.190, 692C.420, 693A.480, 693A.615, 696B.550, 703.196,  
19 704B.320, 704B.325, 706.1725, 710.159, 711.600, **and sections 38,**  
20 **283, 284 and 285 of this act,** sections 35, 38 and 41 of chapter 478,  
21 Statutes of Nevada 2011 and section 2 of chapter 391, Statutes of  
22 Nevada 2013 and unless otherwise declared by law to be  
23 confidential, all public books and public records of a governmental  
24 entity must be open at all times during office hours to inspection by  
25 any person, and may be fully copied or an abstract or memorandum  
26 may be prepared from those public books and public records. Any  
27 such copies, abstracts or memoranda may be used to supply the  
28 general public with copies, abstracts or memoranda of the records or  
29 may be used in any other way to the advantage of the governmental  
30 entity or of the general public. This section does not supersede or in  
31 any manner affect the federal laws governing copyrights or enlarge,  
32 diminish or affect in any other manner the rights of a person in any  
33 written book or record which is copyrighted pursuant to federal law.  
34 2. A governmental entity may not reject a book or record  
35 which is copyrighted solely because it is copyrighted.  
36 3. A governmental entity that has legal custody or control of a  
37 public book or record shall not deny a request made pursuant to  
38 subsection 1 to inspect or copy or receive a copy of a public book or  
39 record on the basis that the requested public book or record contains  
40 information that is confidential if the governmental entity can  
41 redact, delete, conceal or separate the confidential information from  
42 the information included in the public book or record that is not  
43 otherwise confidential.  
44 4. A person may request a copy of a public record in any  
45 medium in which the public record is readily available. An officer,



1 employee or agent of a governmental entity who has legal custody  
2 or control of a public record:

3 (a) Shall not refuse to provide a copy of that public record in a  
4 readily available medium because the officer, employee or agent has  
5 already prepared or would prefer to provide the copy in a different  
6 medium.

7 (b) Except as otherwise provided in NRS 239.030, shall, upon  
8 request, prepare the copy of the public record and shall not require  
9 the person who has requested the copy to prepare the copy himself  
10 or herself.

11 **Sec. 315.** NRS 482.215 is hereby amended to read as follows:

12 482.215 1. All applications for registration, except  
13 applications for renewal of registration, must be made as provided in  
14 this section.

15 2. Except as otherwise provided in NRS 482.294, applications  
16 for all registrations, except renewals of registration, must be made in  
17 person, if practicable, to any office or agent of the Department or to  
18 a registered dealer.

19 3. Each application must be made upon the appropriate form  
20 furnished by the Department and contain:

21 (a) The signature of the owner, except as otherwise provided in  
22 subsection 2 of NRS 482.294, if applicable.

23 (b) The owner's residential address.

24 (c) The owner's declaration of the county where he or she  
25 intends the vehicle to be based, unless the vehicle is deemed to have  
26 no base. The Department shall use this declaration to determine the  
27 county to which the governmental services tax is to be paid.

28 (d) A brief description of the vehicle to be registered, including  
29 the name of the maker, the engine, identification or serial number,  
30 whether new or used, and the last license number, if known, and the  
31 state in which it was issued, and upon the registration of a new  
32 vehicle, the date of sale by the manufacturer or franchised and  
33 licensed dealer in this State for the make to be registered to the  
34 person first purchasing or operating the vehicle.

35 (e) Except as otherwise provided in this paragraph, if the  
36 applicant is not an owner of a fleet of vehicles or a person described  
37 in subsection 5:

38 (1) Proof satisfactory to the Department or registered dealer  
39 that the applicant carries insurance on the vehicle provided by an  
40 insurance company licensed by the Division of Insurance of the  
41 Department of Business and Industry and approved to do business in  
42 this State as required by NRS 485.185; and

43 (2) A declaration signed by the applicant that he or she will  
44 maintain the insurance required by NRS 485.185 during the period  
45 of registration. If the application is submitted by electronic means



1 pursuant to NRS 482.294, the applicant is not required to sign the  
2 declaration required by this subparagraph.

3 (f) If the applicant is an owner of a fleet of vehicles or a person  
4 described in subsection 5, evidence of insurance provided by an  
5 insurance company licensed by the Division of Insurance of the  
6 Department of Business and Industry and approved to do business in  
7 this State as required by NRS 485.185:

8 (1) In the form of a certificate of insurance on a form  
9 approved by the Commissioner of Insurance;

10 (2) In the form of a card issued pursuant to NRS 690B.023 *or*  
11 *in an electronic format allowed pursuant to that section*, which  
12 identifies the vehicle or the registered owner of the vehicle; or

13 (3) In another form satisfactory to the Department.

14 ➔ The Department may file that evidence, return it to the applicant  
15 or otherwise dispose of it.

16 (g) If required, evidence of the applicant's compliance with  
17 controls over emission.

18 4. The application must contain such other information as is  
19 required by the Department or registered dealer and must be  
20 accompanied by proof of ownership satisfactory to the Department.

21 5. For purposes of the evidence required by paragraph (f) of  
22 subsection 3:

23 (a) Vehicles which are subject to the fee for a license and the  
24 requirements of registration of the Interstate Highway User Fee  
25 Apportionment Act, and which are based in this State, may be  
26 declared as a fleet by the registered owner thereof on his or her  
27 original application for or application for renewal of a proportional  
28 registration. The owner may file a single certificate of insurance  
29 covering that fleet.

30 (b) Other fleets composed of 10 or more vehicles based in this  
31 State or vehicles insured under a blanket policy which does not  
32 identify individual vehicles may each be declared annually as a fleet  
33 by the registered owner thereof for the purposes of an application  
34 for his or her original or any renewed registration. The owner may  
35 file a single certificate of insurance covering that fleet.

36 (c) A person who qualifies as a self-insurer pursuant to the  
37 provisions of NRS 485.380 may file a copy of his or her certificate  
38 of self-insurance.

39 (d) A person who qualifies for an operator's policy of liability  
40 insurance pursuant to the provisions of NRS 485.186 and 485.3091  
41 may file evidence of that insurance.

42 **Sec. 316.** NRS 485.034 is hereby amended to read as follows:

43 485.034 "Evidence of insurance" means:



1 1. The form , *or electronic format*, provided by an insurer  
2 pursuant to NRS 690B.023 as evidence of a contract of insurance  
3 for a motor vehicle liability policy; or

4 2. The certificate of self-insurance issued to a self-insurer by  
5 the Department pursuant to NRS 485.380.

6 **Sec. 317.** NRS 485.187 is hereby amended to read as follows:

7 485.187 1. Except as otherwise provided in subsection 5, the  
8 owner of a motor vehicle shall not:

9 (a) Operate the motor vehicle, if it is registered or required to be  
10 registered in this State, without having insurance as required by  
11 NRS 485.185.

12 (b) Operate or knowingly permit the operation of the motor  
13 vehicle without having evidence of insurance of the operator or the  
14 vehicle in the vehicle.

15 (c) Fail or refuse to surrender, upon demand, to a peace officer  
16 or to an authorized representative of the Department the evidence of  
17 insurance. *The surrender, upon demand, of an evidence of*  
18 *insurance issued in electronic format does not constitute consent*  
19 *for a peace officer or authorized representative of the Department*  
20 *to access other contents of any device used to display the evidence*  
21 *of insurance and surrendered in compliance with this section.*

22 (d) Knowingly permit the operation of the motor vehicle in  
23 violation of subsection 3 of NRS 485.186.

24 2. A person shall not operate the motor vehicle of another  
25 person unless the person who will operate the motor vehicle:

26 (a) First ensures that the required evidence of insurance is  
27 present in the motor vehicle ~~or~~ *or available electronically*; or

28 (b) Has his or her own evidence of insurance which covers that  
29 person as the operator of the motor vehicle.

30 3. Except as otherwise provided in subsection 4, any person  
31 who violates subsection 1 or 2 is guilty of a misdemeanor. Except as  
32 otherwise provided in this subsection, in addition to any other  
33 penalty, a person sentenced pursuant to this subsection shall be  
34 punished by a fine of not less than \$600 nor more than \$1,000 for  
35 each violation. The fine must be reduced to \$100 for the first  
36 violation if the person obtains a motor vehicle liability policy by the  
37 time of sentencing, unless:

38 (a) The person has registered the vehicle as part of a fleet of  
39 vehicles pursuant to subsection 5 of NRS 482.215; or

40 (b) The person has been issued a certificate of self-insurance  
41 pursuant to NRS 485.380.

42 4. A court:

43 (a) Shall not find a person guilty or fine a person for a violation  
44 of paragraph (a), (b) or (c) of subsection 1 or for a violation of  
45 subsection 2 if the person presents evidence to the court that the





1 insurance required by NRS 485.185 was in effect at the time  
2 demand was made for it.

3 (b) Except as otherwise provided in paragraph (a), may impose a  
4 fine of not more than \$1,000 for a violation of paragraph (a), (b) or  
5 (c) of subsection 1, and suspend the balance of the fine on the  
6 condition that the person presents proof to the court each month for  
7 12 months that the insurance required by NRS 485.185 is currently  
8 in effect.

9 5. The provisions of paragraphs (b) and (c) of subsection 1 do  
10 not apply if the motor vehicle in question displays a valid permit  
11 issued by the Department pursuant to subsection 1 or 2 of NRS  
12 482.3955, or NRS 482.396 or 482.3965 authorizing the movement  
13 or operation of that vehicle within the State for a limited time.

14 **Sec. 318.** NRS 616B.336 is hereby amended to read as  
15 follows:

16 616B.336 1. Each self-insured employer shall furnish  
17 ~~audited~~ financial statements ~~[, certified by an auditor licensed to~~  
18 ~~do business in this State,]~~ *audited by an independent certified*  
19 *public accountant, or foreign equivalent,* to the Commissioner  
20 annually within 120 days after the expiration of the self-insured  
21 employer's fiscal year ~~[-],~~ *or within such other timeframe as the*  
22 *Commissioner may allow.*

23 2. The Commissioner may examine the records and interview  
24 the employees of each self-insured employer as often as  
25 the Commissioner deems advisable to determine the adequacy of the  
26 deposit which the employer has made with the Commissioner, the  
27 sufficiency of reserves and the reporting, handling and processing of  
28 injuries or claims. The Commissioner shall examine the records for  
29 that purpose at least once every 3 years. The self-insured employer  
30 shall reimburse the Commissioner for the cost of the examination.

31 **Sec. 319.** NRS 682A.010, 682A.030, 682A.040, 682A.050,  
32 682A.060, 682A.070, 682A.080, 682A.090, 682A.100, 682A.110,  
33 682A.120, 682A.130, 682A.140, 682A.150, 682A.160, 682A.170,  
34 682A.180, 682A.190, 682A.200, 682A.210, 682A.220, 682A.230,  
35 682A.240, 682A.250, 682A.260, 682A.270, 682A.280, 682A.290,  
36 689A.695, 689B.115 and 689C.250 are hereby repealed.

37 **Sec. 320.** This act becomes effective on July 1, 2015.



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LEADLINES OF REPEALED SECTIONS

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- 682A.010 Scope.
- 682A.030 General qualifications.
- 682A.040 Authorization and record of investments.
- 682A.050 Diversification.
- 682A.060 Public obligations.
- 682A.070 Obligations and stock of certain federal and international agencies.
- 682A.080 Corporate obligations.
- 682A.090 Definitions; net earnings.
- 682A.100 Preferred or guaranteed stock.
- 682A.110 Common stocks.
- 682A.120 Insurance stocks.
- 682A.130 Stocks of subsidiaries.
- 682A.140 Common trust funds; mutual funds.
- 682A.150 Bankers' acceptances and bills of exchange.
- 682A.160 Equipment trust obligations or certificates.
- 682A.170 Loans secured by policy.
- 682A.180 Collateral loans.
- 682A.190 Savings and share accounts.
- 682A.200 Miscellaneous investments; records.
- 682A.210 Special accounts.
- 682A.220 Special investments of title insurers.
- 682A.230 Mortgages and deeds of trust.
- 682A.240 Real property.
- 682A.250 Time limited for disposal of real property.
- 682A.260 Time limited for disposal of other ineligible property and securities.
- 682A.270 Failure to dispose of real property, personal property or securities: Effect; penalty.
- 682A.280 Prohibited investments and underwriting.
- 682A.290 Investments of foreign insurers.
- 689A.695 Information and documents to be made available to Commissioner; proprietary information.
- 689B.115 Access by Commissioner to information concerning rates; confidentiality of information.
- 689C.250 Information considered to be trade secret; exception.

