

## LCB File No. R024-04

# PROPOSED REGULATION OF THE DIVISION OF INSURANCE OF THE DEPARTMENT OF BUSINESS AND INDUSTRY

## NOTICE OF WORKSHOPS TO SOLICIT COMMENTS ON PROPOSED REGULATION

The Department of Business and Industry, Division of Insurance (Division), is proposing new regulations pertaining to financial reporting and captive insurers; disclosure requirements for auto and homeowner's policies; employee leasing organization notification; uniform credentialing forms; and medicare supplement plans. A workshop has been set for 9:00 a.m., on March 23, 2004, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested parties may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, Manufactured Housing Division Conference Room, 2<sup>nd</sup> Floor, Las Vegas, Nevada 89104. The purpose of the workshop is to solicit comments from interested persons on the following general topics addressed in the proposed regulations.

- 1. Captive Insurers' Financial Reporting.** The proposed regulation updates and amends the captive insurers chapter to clarify and correct the financial reporting requirements of the domestic captive insurers. The proposed regulation amends chapter 694C of the NAC.
- 2. Disclosures and Notices.** The proposed regulation will require automobile insurers to provide a disclosure on the policy when coverage is reduced or limited for permissive users of the insured vehicle(s). The proposed regulation will also amend Nevada Administrative Code (NAC) 690B.240 to require insurers issuing homeowner's insurance policies to provide notice to the insured explaining the insurer's rating plan when the plan provides for an increase in premium based upon incidents or claims.
- 3. Employee Leasing Organization Notification.** The proposed regulation adds a new section to chapter 687B of the NAC. The new section sets forth the provisions whereby a carrier or an HMO providing health insurance coverage to an employee leasing organization has to notify the client companies of the employee leasing organization upon termination of the health insurance coverage.
- 4. Uniform Credentialing Form.** The proposed regulation adds a new section to chapter 679B of the NAC. The new section sets forth the provisions whereby insurers, carriers, societies, corporations, health maintenance organizations and managed care organizations will use a uniform credentialing form related to the credentials of a provider of health care.
- 5. Medicare Supplement Plans.** The proposed regulation will amend chapter 687B of the NAC by expanding the Medicare Supplement guaranteed issue requirements for standardized Medicare Supplement plans to allow any pre-standardized policyholder to obtain a standardized policy; amends chapter 687B of the NAC to ensure that senior citizen insureds do not lose policy benefits due to an unintentional lapse in coverage by

**allowing them to designate a third party to receive important notices; and amends NAC 687B.250, 687B.311 and 687B.319 by adding and deleting language to avoid future amendments to chapter 687B due to the annual changes in the Medicare Supplement deductible rates by using blanks in lieu of the dollar amounts. The reader is informed on how a change to plans F and J are calculated and directed to consult the most current version of the *Guide to Health Insurance for People with Medicare* for the most current deductible rates.**

A copy of this notice and the proposed regulations will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulations will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulations are also available in the **State of Nevada Register of Administrative Regulations** which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at **www.leg.state.nv.us**. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

This Notice of Workshop to Solicit Comments on Proposed Regulations has been sent to all persons on the agency's mailing list for administrative regulations and posted at the following locations:

Department of Business and Industry  
Division of Insurance  
788 Fairview Drive, Suite 300  
Carson City, NV 89701

Department of Business and Industry  
Division of Insurance  
2501 East Sahara Avenue, Suite 302  
Las Vegas, NV 89104

Legislative Counsel Bureau  
Capitol Complex  
Carson City, NV 89710

Blasdel Building  
Capitol Complex  
Carson City, NV 89710

State Capitol  
Capitol Complex  
Carson City, NV 89710

Capitol Press Room  
State Capitol Basement  
Carson City, NV 89710

County Clerk  
Courthouse  
Carson City, NV 89710

Nevada State Library & Archives  
Capitol Complex  
Carson City, NV 89710

Carson City Library  
900 North Roop Street  
Carson City, NV 89701

Churchill County Library  
553 South Maine Street  
Fallon, NV 89406

Las Vegas Library

Douglas County Library

833 Las Vegas Blvd. North  
Las Vegas, NV 89101

1625 Library Lane  
P.O. Box 337  
Minden, NV 89423

Elko County Library  
720 Court Street  
Elko, NV 89801

Goldfield Public Library  
Fourth & Cook Street  
P.O. Box 430  
Goldfield, NV 89013

Eureka Branch Library  
10190 Monroe Street  
P.O. Box 293  
Eureka, NV 89316

Humboldt County Library  
85 East 5<sup>th</sup> Street  
Winnemucca, NV 89445

Battle Mountain Branch Library  
P.O. Box 141  
Battle Mountain, NV 89820

Lincoln County Library  
93 Main Street  
P.O. Box 330  
Pioche, NV 89043

Lyon County Library  
20 Nevin Way  
Yerington, NV 89447

Mineral County Library  
First & A Street  
P.O. Box 1390  
Hawthorne, NV 89415

Tonopah Public Library  
171 Central Street  
P.O. Box 449  
Tonopah, NV 89049

Pershing County Library  
1125 Central Avenue  
P.O. Box 781  
Lovelock, NV 89419

Storey County Library  
95 South R Street  
P.O. Box 14  
Virginia City, NV 89440

Washoe County Library  
ATTN: Reference  
P.O. Box 2151  
Reno, NV 89505-2151

White Pine County Library  
950 Campton Street  
Ely, NV 89301

Clark County Library  
1401 East Flamingo Road  
Las Vegas, NV 89119

Members of the public who are disabled and require special accommodations or assistance at the hearing are requested to notify the Commissioner's secretary in writing at 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, or by calling no later than 5 working days prior to the hearing, (775) 687-4270, extension 260.

## NOTICE OF INTENT TO ACT UPON REGULATIONS

### Notice of Hearing for the Adoption of Regulations of the Department of Business and Industry, Division of Insurance

The Department of Business and Industry, Division of Insurance (Division), will hold a public hearing at 9:00 a.m., on March 23, 2004, immediately following a public workshop, at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Interested persons may also participate through a simultaneous video-conference conducted at the Bradley Building, 2501 East Sahara Avenue, Manufactured Housing Division Conference Room, 2<sup>nd</sup> Floor, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption of:

#### REGULATION CONCERNING DROP-DOWN LIMITS ON AUTOMOBILE LIABILITY – DISCLOSURE REQUIREMENTS

The following information is provided pursuant to the requirements of NRS 233B.0603:

1. The proposed regulation will require automobile insurers to provide a disclosure on the policy when coverage is reduced or limited for permissive users of the insured vehicle(s); insurers will also be required to notify policyholders of homeowner's insurance policies explaining the insurer's rating plan when the plan provides for an increase in premium based upon incidents.
2. The proposed regulation will provide policyholders with vital information about their insurance coverage and knowledge of how incidents will impact their premiums.
3. Estimated economic effect of the regulation:  
  
On the business which is to be regulated: Insurers will be required to provide notice to policyholders when (a) their automobile insurance policies contain such restrictions, and (b) when homeowner's rating plans provide for charges due to incidents.  
On the public: None
4. There should be no additional cost to the Division.
5. The Division is not aware of any overlap or duplication of the regulation with state, local or federal regulation.
6. The proposed regulation is not pursuant to federal law.
7. If the proposed regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, a summary of such provisions. Not applicable.
8. The proposed regulation does not require a new fee or increase of an existing fee.

Persons wishing to comment upon the proposed action of the Division may appear at the scheduled public hearing or may address their comments, data, views or arguments, in written form, to the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701. Written submissions must be received by the Division on or before March 16, 2004. If no person who is directly affected by the proposed action appears to request time to make an oral presentation, the Division may proceed immediately to act upon any written submissions.

A copy of this notice and the proposed regulation will be on file at the State Library, 100 Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the proposed regulation will be available at the offices of the Division, 788 Fairview Drive, Suite 300, Carson City, Nevada 89701, and 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, and in all counties in which an office of the agency is not maintained, at the main public library, for inspection and copying by members of the public during business hours. This notice and the text of the proposed regulation are also available in the **State of Nevada Register of Administrative Regulations** which is prepared and published monthly by the Legislative Counsel Bureau pursuant to NRS 233B.0653 and on the Internet at <http://www.leg.state.nv.us>. Copies will also be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, will issue a concise statement of the principal reasons for and against its adoption, and incorporate therein its reason for overruling the consideration urged against its adoption.

This notice of hearing has been posted at the following locations:

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Division of Insurance  
788 Fairview Drive, Suite 300  
Carson City, NV 89701

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LCB File No. R024-04

**PROPOSED REGULATION OF THE DIVISION OF INSURANCE OF  
THE DEPARTMENT OF BUSINESS AND INDUSTRY**

**PROPOSED REGULATION REGARDING DISCLOSURE REQUIREMENTS  
ON AUTOMOBILE LIABILITY DROP-DOWN LIMITS  
AND HOMEOWNER'S PREMIUM BASED UPON INCIDENTS**

Authority: NRS 679B.130

**Section 1.** Chapter 690B of NAC is hereby amended by adding thereto the provisions set forth as section 2 of this regulation.

**Sec. 2. 1.** *An insurer that issues an owners policy of liability insurance for automobiles which reduces coverage for permissive users other than the insured, as defined in the policy, shall disclose those reductions in coverage in the manner set forth in subsections 2, 3 and 4.*

*2. The disclosure statement must be included on the declarations page on every policy of automobile liability insurance. If a policy is currently in effect, this disclosure is not required until renewal. Upon renewal, the disclosure statement must be included on the declarations page and must be personally delivered to the insured or mailed first class or certified to the insured at his address last known by the insurer.*

*3. The statement may be imprinted, stamped or imprinted on a sticker. The statement is deemed approved by the commissioner if it is written as follows:*

*IMPORTANT NOTICE: This policy reduces liability coverage limits when an insured vehicle is operated by persons other than the insureds. The limits for bodily injury and property damage liability coverages are reduced to Nevada's*

*financial responsibility limits which currently are \$15,000 per person, \$30,000 per accident for bodily injury, and \$10,000 per accident for property damage regardless of the limits shown on the declaration page.*

*4. The “IMPORTANT NOTICE” portion of the disclosure statement must be in bold capital letters, in a size of font at least 12 points or larger, and the text portion of the disclosure statement must be in a size of font at least 10 points or larger.*

*5. An insurer may use a statement that is written substantially similar to the statement set forth in subsection 3 if:*

*(a) The insurer has filed the statement with the commissioner; and*

*(b) The commissioner has approved the statement.*

**Sec. 3.** NAC 690B.240 is hereby amended to read as follows:

1. No insurer may issue any private passenger automobile policy *or homeowner's insurance policy* without delivering to the named insured a notice explaining the manner in which the insurer's rating plan provides for an increase in premium based upon incidents *or claims*.

2. Each insurer shall, at least 30 days before the expiration of a private passenger automobile insurance policy *or homeowner's insurance policy*, advise the named insured of his right to request the reasons for any increase in premium for the ensuing policy period.