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Compliance with NRS 682A – Investments, with Emphasis on Property & Casualty Insurers, Risk Retention Groups and Non-Pure Captives

In 2015, the investment laws in NRS 682A were updated to reflect the National Association of Insurance Commissioners ("NAIC") Investments of Insurers Model Act – Defined Limits Version. Because this was a major departure from previous investment laws in NRS 682A, Bulletin 15-006 was issued and provided a grace period for entities subject to these new laws for transition into compliance. The grace period provided by Bulletin 15-006 was given up to January 1, 2018, by which date full compliance with the new 2015 laws would be required. As a result, since the grace period has passed, full compliance with the NRS 682A investment laws enacted in 2015 apply to Annual Statements as of December 31, 2018. Please review your recent filings to the Division of Insurance ("Division") to ensure such compliance.

The current Bulletin is also intended as a reminder of specific requirements in NRS 682A which apply to certain domestic insurers in the Property & Casualty lines, pursuant to NRS 682A.500. These insurers include domestic captive insurers in the Property & Casualty lines (excluding pure captive insurers) pursuant to NRS 694C.340, as well as domestic risk retention groups pursuant to NRS 695E.140(1)(a). The requirement is to have sufficient liquid assets of the type detailed in NRS 682A.502 to cover the policy reserves as delineated in NRS 682A.504.

There is also an added filing requirement. Pursuant to NRS 682A.506, the Annual Statement must contain a reconciliation and summary of its qualified assets pursuant to NRS 682A.502 and its reserve requirement pursuant to NRS 682A.504. If the reconciliation and summary shows that qualified assets are greater than the reserve requirement, then no further activity is needed. For those entities required to use the NAIC Annual Statement blank, a good place to put the reconciliation and summary is in Statement Note 6 – Investments.

If, on the other hand, the reconciliation and summary indicates that qualified assets are insufficient to cover the reserve requirement, then the filing entity must provide prompt and separate notice of this condition to the Commissioner pursuant to NRS 682A.508. The notice must identify the amount of the deficiency and contain an explanation as to why the deficiency exists. Within 30 days thereafter, the filing entity is required to provide to the Division a proposed plan to remedy the deficiency.

Finally, please also review NRS 682A.510. In the event of noncompliance with the above, the Commissioner is required to take enforcement action against the filing entity to eliminate the condition causing noncompliance within a specified timeframe. If the filing entity remains out of compliance after the deadline set by the Commissioner, then it is to be deemed in hazardous financial condition (for more information about hazardous financial condition, see NRS 680A.205 and NAC 680A.220). The Commissioner is then required to take one or more of the actions identified in NAC 680A.222 and 680A.224.

BARBARA D. RICHARDSON
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