

**NOTICE OF INTENT TO ACT UPON REGULATION
AND
HEARING AGENDA**

Notice of Hearing for the Adoption, Amendment or Repeal of Regulations of
The Department of Business and Industry, Division of Insurance

The State of Nevada, Department of Business and Industry, Division of Insurance (“Division”), (775) 687-0700, will hold a public hearing at **2:00 p.m. on October 20, 2016**, in the 1st Floor Hearing Room at the Division’s offices located at 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted in the 3rd floor conference room, at the Division’s offices located in the Bradley Building, 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of the regulation(s) that pertain(s) to **chapters 679B and 692C** of the Nevada Administrative Code (“NAC”).

The following information is provided pursuant to the requirements of Nevada Revised Statute (“NRS”) 233B.0603 and the directives of the Governor:

LCB File No. R078-16. Holding Companies.

A regulation relating to insurance; requiring certain insurers to adopt a conflict of interest policy for certain persons; adopting, in substance, certain provisions of the National Association of Insurance Commissioners’ Insurance Holding Company System Model Regulation which govern the filing of consolidated registration statements; prescribing the form and procedures for filing an annual report of enterprise risk; prescribing certain provisions to be included in an agreement between certain insurers and their affiliates for sharing the costs of certain services; revising previously adopted provisions of the Model Regulation governing the filing of certain required forms and the acquisition of control of certain insurers; and providing other matters properly relating thereto.

- (1) Why is the regulation necessary and what is its purpose?

The regulation is necessary in order to meet National Association of Insurance Commissioners (“NAIC”) Accreditation standards. The regulation will add the following:

- *Guidance for filing Enterprise Risk Report (Form F) which was a new requirement as a result of Senate Bill 67 in 2015;*
- *Conflict of interest policy requirements for attorneys-in-fact, trustees, managers, officers, and directors; and*
- *Minimum provisions for management agreements.*

(2) What are the terms or substance of the proposed regulation?

The regulation, which is based on NAIC Model Regulation 450, addresses the following:

- *Adds new definitions such as executive officer, ultimate controlling person, material relationship, etc.*
- *Clarifies instructions on filing Enterprise Risk Reports, which are required per statute.*
- *Adds requirements to adopt conflict of interest policies that contain minimum provisions.*
- *Adds ability for affiliate to file on behalf of the insurer the registration statement whereby a holding company may file only once for multiple insurers it controls.*
- *Adds minimum provisions for management and/or cost-sharing agreements.*

(3) What is the anticipated impact of the regulation on the problem(s)?

The anticipated impacts on the regulated industry are as follows:

- *Definitions will allow for adoption of uniform standards across the country.*
- *Insurers are currently following the regulation by filing the appropriate form. However, the Division of Insurance (“Division”) would not meet NAIC Accreditation standards by having insurers file the form without also having the necessary regulation in place.*
- *Insurers are currently following the regulation by having the appropriate conflict of interest policies. However, the Division of Insurance (“Division”) would not meet NAIC Accreditation standards by having insurers file conflict of interest policies without also having the necessary regulation in place.*
- *Ability to not have to make separate filings for each insurer that is part of the same group. Not having to make separate filings is the practice around the country.*
- *Give the insurers better protection against affiliate agreements that are unfair or could potentially harm the insurer. These new requirements also provide the Commissioner for better support in case of receivership proceedings.*

(4) Do other regulations address the same problem(s)?

No.

(5) Are alternate forms of regulation sufficient to address the problem(s)?

Currently most of what the regulation provides for is already in practice. However, NAIC Accreditation standards also require these practices be part of state law pursuant to a regulation or statute.

(6) What value does the regulation have to the public?

Uniformity is a significant advantage to the public and the industry. Having a state that does not adopt these national standards would do harm to the public and disrupt the marketplace.

- (7) What is the anticipated economic benefit of the regulation?
- a. Public
 - 1. Immediate: *Keeps Nevada as an NAIC accredited state for financial solvency regulation.*
 - 2. Long Term: *Provides protection to insurance companies from getting into unfavorable affiliate agreements that could result in the non-payment of claims.*
 - b. Insurance Business
 - 1. Immediate: *Keeps Nevada as an NAIC accredited state for financial solvency regulation.*
 - 2. Long Term: *Protects the insurer from being harmed due to affiliate arrangements.*
 - c. Small Businesses
 - 1. Immediate: *Holding companies are not typically small businesses since holding companies are defined as groups with two or more entities.*
 - 2. Long Term: *Holding companies are not typically small businesses since holding companies are defined as groups with two or more entities.*
 - d. Small Communities
 - 1. Immediate: *Keeps Nevada as an NAIC accredited state for financial solvency regulation.*
 - 2. Long Term: *Provides protection to insurance companies from getting into unfavorable affiliate agreements that could result in the non-payment of claims.*
 - e. Government Entities
 - 1. Immediate: *Keeps the Division as an NAIC accredited state for financial solvency regulation.*
 - 2. Long Term: *Provides the Division with the ability to meet baseline industry standards for insurance regulation.*

- (8) What is the anticipated adverse impact, if any?

- a. Public
 - 1. Immediate: *None.*
 - 2. Long Term: *None.*
- b. Insurance Business
 - 1. Immediate: *Insurers are held accountable for their affiliate arrangements, and may not prefer these required regulatory restrictions that limit potential to charge exorbitant fees and then move that money out of the insurance company.*
 - 2. Long Term: *Insurers are held accountable for their affiliate arrangements, and may not prefer these required regulatory restrictions that limit potential to charge exorbitant fees and then move that money out of the insurance company.*

- c. Small Businesses
 - 1. Immediate: *Holding companies are not typically small businesses since holding companies are defined as groups with two or more entities.*
 - 2. Long Term: *Holding companies are not typically small businesses since holding companies are defined as groups with two or more entities.*
- d. Small Communities
 - 1. Immediate: *None.*
 - 2. Long Term: *None.*
- e. Government Entities
 - 1. Immediate: *Provides the Division with more regulation to enforce.*
 - 2. Long Term: *Provides the Division with more regulation to enforce.*

(9) What is the anticipated cost of the regulation, both direct and indirect?

- a. Enactment – *None to minimal, as the standards are currently in practice.*
- b. Enforcement – *The Division has the staff and resources to enforce these regulations since they are similar to other standards the Division already enforces.*
- c. Compliance – *Not enacting this regulation could do more harm to the public than the cost of ensuring compliance with the regulation.*

(10) Does the regulation establish a new fee or increase an existing fee?

No.

(11) Provide a statement which identifies the methods used by the agency in determining the impact of the proposed regulation on a small business, prepared pursuant to subsection 3 of NRS 233B.0608.

Currently the Division has 42 insurers that were possibly subject to this holding company focused regulation. Thirty (30) out of the 42 are subject to this regulation, but the other 12 are not because there is only one entity involved (the insurer) and, therefore, there is no holding company structure. Of the 30 insurers and holding company structures, none are considered small businesses, and they typically outsource most functions to affiliate companies within the same holding company system or to third parties.

(12) Provide a description of any regulations of other state or local governmental agencies which the proposed regulation overlaps or duplicates, and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, state the name of the regulating federal agency.

No regulation overlaps with the holding company regulation.

(13) If the regulation is required pursuant to federal law, provide a citation and description of the federal law.

N/A

(14) If the regulation includes provisions which are more stringent than a federal regulation that regulates the same activity, provide a summary of such provisions.

N/A

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, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. **Written submissions must be received by the Division on or before October 13, 2016.** 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 regulation will be on file at the State Library, 100 North Stewart Street, Carson City, Nevada, for inspection by members of the public during business hours. Additional copies of the notice and the regulation will be available at the offices of the Division, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, 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://leg.state.nv.us/register/>. Copies of this notice and the proposed regulation will be mailed to members of the public upon request. A reasonable fee may be charged for copies if it is deemed necessary. This does not apply to a public body subject to the Open Meeting Law.

Upon adoption of any regulation, the agency, if requested to do so by an interested person, either before adoption or within 30 days thereafter, shall 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.

Notice of the hearing was provided via electronic means to all persons on the agency's e-mail list for administrative regulations, and this Notice of Intent to Act Upon Regulation was posted to the agency's Internet Web site at <http://doi.nv.gov/> and was provided to or posted at the following locations:

Department of Business and Industry
Division of Insurance
1818 East College Parkway, Suite 103
Carson City, Nevada 89706

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

Legislative Building
401 South Carson Street
Carson City, Nevada 89701

Grant Sawyer Building
555 East Washington Avenue
Las Vegas, Nevada 89101

Blasdel Building
209 East Musser Street
Carson City, Nevada 89701

Capitol Building Main Floor
101 North Carson Street
Carson City, Nevada 89701

Nevada Department of Employment,
Training and Rehabilitation
2800 E. Saint Louis Ave.
Las Vegas, NV 89104

Nevada State Library & Archives
100 North Stewart Street
Carson City, Nevada 89701

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

Churchill County Library
553 South Main Street
Fallon, Nevada 89406

Douglas County Library
P.O. Box 337
Minden, Nevada 89423

Elko County Library
720 Court Street
Elko, Nevada 89801

Esmeralda County Library
P.O. Box 430
Goldfield, Nevada 89013

Eureka Branch Library
P.O. Box 293
Eureka, Nevada 89316

Humboldt County Library
85 East 5th Street
Winnemucca, Nevada 89445

Lander County Library
P.O. Box 141
Battle Mountain, Nevada 89820

Las Vegas-Clark County Library District
7060 W. Windmill Lane
Las Vegas, NV 89113

Lincoln County Library
P.O. Box 330
Pioche, Nevada 89043-0330

Lyon County Library
20 Nevin Way
Yerington, Nevada 89447

Mineral County Public Library
P.O. Box 1390
Hawthorne, Nevada 89415

Pershing County Library
P.O. Box 781
Lovelock, Nevada 89419

Storey County Clerk
P.O. Drawer D
Virginia City, Nevada 89440

Tonopah Public Library
P.O. Box 449
Tonopah, Nevada 89049

Washoe County/Downtown Reno Library
P.O. Box 2151
Reno, Nevada 89505-2151

White Pine County Library
950 Campton Street
Ely, Nevada 89301

Members of the public who would like additional information about the proposed regulation may contact Omar Akel, Chief Insurance Examiner, Corporate and Financial Affairs, at (775) 687-0743, or via e-mail to oakel@doi.nv.gov.

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, no later than five (5) working days before the meeting: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or bgould@doi.nv.gov.

DATED this 15th day of September, 2016.



BARBARA D. RICHARDSON
Commissioner of Insurance

HEARING AGENDA

The State of Nevada, Department of Business and Industry, Division of Insurance

October 20, 2016 • 2:00 p.m.

Location of Hearing:

Office of the Division of Insurance
1818 E. College Pkwy., 1st Floor Hearing Room
Carson City, NV 89706
(Division Offices located in Suite 103)

Available via Videoconference at:

Office of the Division of Insurance
2501 E. Sahara Ave., 3rd Floor Conference Room
Las Vegas, NV 89104
(Division Offices located in Suite 302)

- 1. Call to Order.**
- 2. Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)
LCB File No. R078-16. Holding Companies.**

A regulation relating to insurance; requiring certain insurers to adopt a conflict of interest policy for certain persons; adopting, in substance, certain provisions of the National Association of Insurance Commissioners' Insurance Holding Company System Model Regulation which govern the filing of consolidated registration statements; prescribing the form and procedures for filing an annual report of enterprise risk; prescribing certain provisions to be included in an agreement between certain insurers and their affiliates for sharing the costs of certain services; revising

previously adopted provisions of the Model Regulation governing the filing of certain required forms and the acquisition of control of certain insurers; and providing other matters properly relating thereto.

3. Public Comment.

4. Adjournment.

Supporting public material for this meeting may be requested from Betsy Gould, Legal Secretary, Nevada Division of Insurance, 1818 E. College Parkway, Carson City, Nevada 89706, (775) 687-0705, or bgould@doi.nv.gov.

Note: Any agenda item may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time. The Hearing Officer, within his/her discretion, may allow for public comment on individual agenda items. Public Comment may be limited to three minutes per speaker.

Members of the public are encouraged to submit written comments for the record.

We are pleased to make reasonable accommodations for attendees with disabilities. Please notify the Commissioner's secretary, in writing, no later than five (5) working days before the meeting: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or bgould@doi.nv.gov.

NOTICES FOR THIS MEETING HAVE BEEN POSTED IN ACCORDANCE WITH NRS 241 AT THE FOLLOWING LOCATIONS:

Nevada Division of Insurance, 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706

Nevada Division of Insurance, 2501 E. Sahara Avenue, Suite 302, Las Vegas, Nevada 89104

Nevada State Legislative Building, 401 S. Carson Street, Carson City, Nevada 89701

Grant Sawyer State Office Building, 555 E. Washington Avenue, Las Vegas, Nevada 89101

Blasdel State Office Building, 209 E. Musser Street, Carson City, Nevada 89701

Nevada State Capitol, 101 N. Carson Street, Carson City, Nevada 89701

Nevada Dept. of Employment, Training and Rehabilitation, 2800 E. Saint Louis Avenue, Las Vegas, Nevada 89104

The State of Nevada Website (www.nv.gov)

The Nevada State Legislature Website (www.leg.state.nv.us)

The Nevada Division of Insurance Website (www.doi.nv.gov)

PROPOSED

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R078-16

September 8, 2016

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

AUTHORITY: §1, NRS 679B.130; §2, NRS 679B.130 and 692C.120; §§3 and 8, NRS 679B.130, 692C.120, 692C.270, 692C.310 and 692C.320; §4, NRS 679B.130, 692C.120 and 692C.290; §5, NRS 679B.130, 692C.120 and 692C.360; §6, NRS 679B.130, 692C.120 and 692C.130; §7, NRS 679B.130, 692C.120 and 692C.180; §9, NRS 679B.130, 692C.120 and 692C.363; §10, NRS 679B.130, 692C.120 and 692C.254.

A REGULATION relating to insurance; requiring certain insurers to adopt a conflict of interest policy for certain persons; adopting, in substance, certain provisions of the National Association of Insurance Commissioners' Insurance Holding Company System Model Regulation which govern the filing of consolidated registration statements; prescribing the form and procedures for filing an annual report of enterprise risk; prescribing certain provisions to be included in an agreement between certain insurers and their affiliates for sharing the costs of certain services; revising previously adopted provisions of the Model Regulation governing the filing of certain required forms and the acquisition of control of certain insurers; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law authorizes the Commissioner of Insurance to adopt reasonable regulations for the administration of the Nevada Insurance Code. (NRS 679B.130) **Section 1** of this regulation requires each licensed insurer that is domiciled in this State to adopt a conflict of interest policy for its attorneys-in-fact, trustees, managers, officers and directors. **Section 1** also prescribes certain provisions that must be included in such a policy.

This State has enacted certain provisions of the National Association of Insurance Commissioners' (NAIC) Insurance Holding Company System Regulatory Act. (Chapter 692C of NRS) The Commissioner has also adopted, in substance, certain provisions of the NAIC's

Insurance Holding Company System Model Regulation. (Chapter 692C of NAC) **Sections 3-7 and 10** of this regulation adopt certain additional provisions of the NAIC Model Regulation.

An insurance company holding system consists of two or more persons or entities, at least one of which must be an insurer, that control, are controlled by or are under common control with another designated person or entity. Under existing law, with certain exceptions, each insurer that is authorized to do business in this State and is a member of an insurance holding company system is required to register and file certain information with the Commissioner on an annual basis. (NRS 692C.260, 692C.270) Existing law authorizes the Commissioner to require or allow two or more affiliated insurers to file such information on a consolidated basis. (NRS 692C.310) Existing law also authorizes the Commissioner to allow an authorized insurer to register and file the required information on behalf of an affiliated insurer. (NRS 692C.320) Existing regulations prescribe the form and procedures for providing the required information. (NAC 692C.030) **Section 3** prescribes the conditions under which the Commissioner will: (1) allow an authorized insurer to file the required information on behalf of one or more of its affiliates using the existing forms and procedures; (2) allow the principal insurance company in an insurance holding company system to file copies of certain forms filed by the principal insurance company in its state of domicile in lieu of using the forms that would otherwise be required; and (3) allow an unauthorized insurer, with the approval of the Commissioner, to provide registration information using the forms and procedures available to an authorized insurer. **Section 8** of this regulation makes a conforming change.

Existing law requires the principal of a registered insurer to file an annual report of enterprise risk that describes any matters concerning an affiliate of the insurer that could have a material adverse effect on the financial condition or liquidity of the insurer or its insurance holding company system as a whole. (NRS 692C.290) **Section 4** prescribes the form and procedures for filing such a report.

Existing law authorizes the Commissioner to adopt regulations governing agreements for sharing the cost of services or management between a registered insurer and an affiliate. (NRS 692C.360) **Section 5** prescribes certain provisions that must be included in such an agreement.

Existing law authorizes a domestic insurer, either by itself or in cooperation with one or more persons, to organize or acquire one or more subsidiaries. (NRS 692C.130) **Section 6** clarifies that this grant of authority to invest in a subsidiary is in addition to any authority to invest in a subsidiary conferred on a domestic insurer by any other provision of the Nevada Insurance Code.

Existing law requires a person who wishes to acquire control of a domestic insurer to provide certain information to the Commissioner in the form of a pre-acquisition statement or report. (NRS 692C.180) Existing regulations prescribe the form and procedures for providing that information. (NAC 692C.020) **Section 7** prescribes certain additional information that must be provided on the form in cases where the party being acquired is deemed to be a domestic insurer under existing law only because the party controls such an insurer.

Existing regulations require an insurer to give advance notice to the Commissioner of the potential competitive impact of a proposed merger or acquisition. (NAC 692C.045) **Section 10** provides that the Commissioner may require the submission of the opinion of an expert concerning the potential anticompetitive impact of the proposed merger or acquisition.

Section 1. Chapter 679B of NAC is hereby amended by adding thereto a new section to read as follows:

1. A licensed insurer that is domiciled in this State shall adopt a conflict of interest policy for its attorneys-in-fact, trustees, managers, officers and directors. For any person governed by the policy, the policy must include:

(a) A requirement that the person annually disclose any outside commitment, personal or otherwise, that would conflict with his or her duty to further the interests of the insurer;

(b) A clear expression that the person has a duty of care to protect the interests of the insurer above anyone other than the insurer; and

(c) A requirement that the person provide a complete annual disclosure of each material relationship that he or she has with the insurer or a consultant or service provider to the insurer.

2. Each attorney-in-fact, trustee, manager, officer or director of a licensed insurer that is domiciled in this State shall annually file a disclosure of his or her conflicts of interest with the board of directors or subscribers' advisory committee of the insurer.

3. Nothing in this section shall be construed to prevent an attorney-in-fact, trustee, manager, officer or director of a licensed insurer that is domiciled in this State from being a director or officer of more than one insurance company or insurer.

4. As used in this section:

(a) “Material relationship” means any relationship in which an attorney-in-fact, trustee, manager, officer or director of a licensed insurer that is domiciled in this State, any member of such a person’s immediate family or any business with which such a person is affiliated receives compensation or payment of any other item of value from the insurer or a consultant or service provider, as applicable, to the insurer of an amount greater than \$15,000 within any 12-month period.

(b) “Service provider” means any manager, auditor, accountant, actuary, investment adviser, attorney, managing general underwriter, managing general agent, attorney-in-fact or any other person responsible for underwriting, the determination of rates, the collection of premiums, adjusting and settling claims or the preparation of financial statements.

Sec. 2. Chapter 692C of NAC is hereby amended by adding thereto the provisions set forth as sections 3 to 6, inclusive, of this regulation.

Sec. 3. 1. Except as otherwise provided in subsection 4:

(a) An authorized insurer may file a registration statement on behalf of any affiliated insurer that is required to register pursuant to NRS 692C.260 to 692C.350, inclusive. A registration statement may include information not required pursuant to chapter 692C of NRS regarding any insurer in the insurance holding company system even if the insurer is not authorized to do business in this State. Except as otherwise provided in paragraph (b), the registration statement must be filed on Form B, as set forth in NAC 692C.030.

(b) In lieu of filing a registration statement on Form B, an authorized insurer may file a copy of the registration statement or similar report that it is required to file in its state of domicile if:

(1) The statement or report includes information that is substantially similar to the information required to be furnished on Form B; and

(2) The authorized insurer is the principal insurance company in the insurance holding company system.

2. The question of whether an authorized insurer is the principal insurance company in an insurance holding company system is a question of fact, and an authorized insurer filing a registration statement or report in lieu of Form B on behalf of an affiliated insurer shall set forth a brief statement of facts which substantiates the authorized insurer's claim that it is the principal insurer in the insurance holding company system.

3. After obtaining the approval of the Commissioner, an unauthorized insurer may file a registration statement or report in accordance with the provisions of subsections 1 and 2.

4. An affiliated insurer is not required to obtain the approval of the Commissioner before filing a consolidated statement or report or taking any other action that may be allowed by the Commissioner pursuant to NRS 692C.310 or 692C.320. The Commissioner may, however, require each affiliated insurer to provide any required information on an individual basis if the Commissioner determines it is necessary in the interest of clarity, ease of administration or the public good.

Sec. 4. 1. The principal of a registered insurer that is required to file an annual report of enterprise risk with the Commissioner pursuant to NRS 692C.290 shall furnish the required

information on the form provided by the Commissioner entitled “Form F – Enterprise Risk Report.” The principal shall file Form F with the Commissioner not later than June 30 of each year.

2. The insurer may attach any exhibit to the form if the exhibit is clearly marked to indicate the matter to which it refers.

3. If there is any change in the information provided on Form F, the insurer shall file an amendment to that form within 15 days after the end of the month in which the change occurred. The insurer shall file the amendment on that form by completing only those items which were affected by the change and by including, at the top of the first page of the form, “Amendment No. (number of amendment) to Form F for (year)” and the day and month on which the change occurred.

4. Form F must be completed in accordance with the current version of the Insurance Holding Company System Reporting Instructions of the National Association of Insurance Commissioners and the instructions provided by the Commissioner. A copy of Form F and the general instructions for Form F may be obtained at <http://doi.nv.gov>.

5. For the purposes of this section and NRS 692C.290, the Commissioner interprets the term “principal of a registered insurer” to mean a person who controls a registered insurer and is not controlled by any other person.

Sec. 5. Any agreement between a registered insurer and an affiliate for sharing the cost of services or for management services must, to the extent applicable:

- 1. Identify the person providing the services and the nature of those services;*
- 2. Set forth the methods to allocate each cost;*

3. Require:

(a) Timely settlement, not less frequently than quarterly; and

(b) Compliance with the requirements set forth in the Accounting Practices and

Procedures Manual of the National Association of Insurance Commissioners, as adopted by reference in NAC 679B.033;

4. Prohibit any advancement of money by the insurer to the affiliate, except to pay for services defined in the agreement;

5. State that the insurer will:

(a) Maintain oversight for any functions performed for the insurer by the affiliate; and

(b) Monitor services at least annually for quality assurance;

6. Define books and records of the insurer to include, without limitation, all books and records developed or maintained under or related to the agreement;

7. Specify that all books and records of the insurer are and remain the property of the insurer and are subject to the control of the insurer;

8. State that all money and invested assets of the insurer are the exclusive property of the insurer, are held for the benefit of the insurer and are subject to the control of the insurer;

9. Include standards for the termination of the agreement with and without cause;

10. Include provisions for the indemnification of the insurer in the event of gross negligence or willful misconduct on the part of the affiliate providing the services;

11. Specify that, if the insurer is placed in receivership or seized by the Commissioner pursuant to chapter 696B of NRS:

(a) All of the rights of the insurer under the agreement extend to the receiver or Commissioner; and

(b) All relevant books and records will immediately be made available to the receiver or the Commissioner, and must be turned over to the receiver or Commissioner immediately upon the receiver's or Commissioner's request;

12. Specify that the affiliate has no automatic right to terminate the agreement if the insurer is placed in receivership pursuant to chapter 696B of NRS; and

13. Specify that the affiliate will continue to maintain any systems, programs or other infrastructure related to the agreement, notwithstanding a seizure of the insurer by the Commissioner pursuant to chapter 696B of NRS, and will make them available to the receiver while the affiliate continues to receive timely payment for services rendered.

Sec. 6. *Except as otherwise provided by specific statute, the authority to organize or acquire one or more subsidiaries conferred on a domestic insurer by NRS 692C.130 is in addition to any authority to invest in a subsidiary conferred on a domestic insurer by any other provision of title 57 of NRS.*

Sec. 7. NAC 692C.020 is hereby amended to read as follows:

692C.020 1. A person required to file a statement with the Commissioner pursuant to NRS 692C.180 shall furnish the required information on the form provided by the Commissioner entitled "Form A - Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer."

2. If the subject of the proposed acquisition is deemed to be a domestic insurer pursuant to subsection 5 of NRS 692C.180 solely because it controls a domestic insurer:

(a) The names of the domestic insurers must be shown on the cover page of Form A in substantially the following form:

....., *a subsidiary of*
(domestic insurer) *(subject of proposed acquisition)*

(b) For the purposes of Form A, the term “insurer” means the subject of the proposed acquisition and its subsidiary.

3. The person may attach any exhibit to the form if the exhibit is clearly marked to indicate the matter to which it refers.

~~3.~~ 4. If there is any change in the information provided on the form filed with the Commissioner before the Commissioner approves or disapproves the merger or other acquisition of control, the person shall immediately notify the Commissioner of that change.

~~4.~~ 5. Form A must be completed in accordance with the current version of the Insurance Holding Company System Reporting Instructions of the National Association of Insurance Commissioners and the instructions provided by the Commissioner. A copy of Form A and the general instructions for Form A may be obtained at ~~<http://www.doi.state.nv.us>~~
<http://doi.nv.gov>.

Sec. 8. NAC 692C.030 is hereby amended to read as follows:

692C.030 1. ~~Am~~ *Except as otherwise provided in section 3 of this regulation, an* insurer required to file a registration statement with the Commissioner pursuant to NRS 692C.270 shall furnish the required information on the forms provided by the Commissioner entitled “Form B - Insurance Holding Company System Annual Registration Statement” and “Form C - Summary

of Registration Statement.” A domestic insurer shall file Form B and Form C with the Commissioner not later than June 30 of each year. An insurer shall file Form C with the agency that regulates insurance in each state in which the insurer is authorized to do business, if the information is requested by that agency.

2. The insurer may attach any exhibit to the form if the exhibit is clearly marked to indicate the matter to which it refers.

3. If there is any change in the information provided on Form B, the insurer shall file an amendment to that form within 15 days after the month in which the change occurred. The insurer shall file the amendment on that form by completing only those items which were affected by the change and by including, at the top of the first page of the form, “Amendment No. (number of amendment) to Form B for (year)” and the day and month on which the change occurred.

4. Form B and Form C must be completed in accordance with the current version of the Insurance Holding Company System Reporting Instructions of the National Association of Insurance Commissioners and the instructions provided by the Commissioner. A copy of Form B and Form C and the general instructions for Form B and Form C may be obtained at

~~<http://www.doi.state.nv.us>~~ <http://doi.nv.gov>.

Sec. 9. NAC 692C.040 is hereby amended to read as follows:

692C.040 1. An insurer required to give notice to the Commissioner of its intention to enter into any transaction set forth in NRS 692C.363 shall furnish the required information on the form provided by the Commissioner entitled “Form D - Prior Notice of a Transaction.” The

insurer may attach any exhibit to the form if the exhibit is clearly marked to indicate the matter to which it refers.

2. Form D must be completed in accordance with the current version of the Insurance Holding Company System Reporting Instructions of the National Association of Insurance Commissioners and the instructions provided by the Commissioner. A copy of Form D and the general instructions for Form D may be obtained at ~~<http://www.doi.state.nv.us>~~ <http://doi.nv.gov>.

Sec. 10. NAC 692C.045 is hereby amended to read as follows:

692C.045 1. An insurer shall give notice to the Commissioner of the potential competitive impact of a proposed merger or acquisition by a non-domiciliary insurer doing business in this state or by a domestic insurer on the form provided by the Commissioner entitled “Form E - Pre-Acquisition Notification Form Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition by a Non-Domiciliary Insurer Doing Business in this State or by a Domestic Insurer.”

2. Form E must be completed in accordance with the current version of the Insurance Holding Company System Reporting Instructions of the National Association of Insurance Commissioners and the instructions provided by the Commissioner. A copy of Form E and the general instructions for Form E may be obtained at ~~<http://www.doi.state.nv.us>~~ <http://doi.nv.gov>.

3. In addition to the information required by Form E, the Commissioner may require an insurer to submit the opinion of an expert concerning the potential competitive impact of the proposed merger or acquisition.

**STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE**

Determination of Necessity of Small Business Impact Statement

LCB File No. R078-16

INSURANCE HOLDING COMPANIES AMENDMENT TO UPDATE TO NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS ("NAIC") STANDARDS AND TO RESEMBLE NAIC MODEL #450.

EFFECTIVE DATE OF REGULATION:
Upon filing with the Nevada Secretary of State

1. BACKGROUND

The regulation is necessary in order to meet National Association of Insurance Commissioners ("NAIC") Accreditation standards. The regulation will add the following:

- Guidance for filing Enterprise Risk Report (Form F) which was a new requirement as a result of Senate Bill 67 in 2015;
- Conflict of interest policy requirements for attorneys-in-fact, trustees, managers, officers, and directors; and
- Minimum provisions for management agreements.

2. DESCRIPTION OF SOLICITATION

Currently no small business is subject to this regulation. The regulation applies to holding companies that, in addition to an insurance company, hold other operations and other types of legal entities. These holding companies typically have more than 150 employees.

3. DOES THE PROPOSED REGULATION IMPOSE A DIRECT AND SIGNIFICANT ECONOMIC BURDEN UPON A SMALL BUSINESS OR DIRECTLY RESTRICT THE FORMATION, OPERATION OR EXPANSION OF A SMALL BUSINESS? (NRS 233B.0608.1)

NO (answer #4) YES (skip to #5)


4. HOW WAS THAT CONCLUSION REACHED? (NRS 233B.0608.3)

Currently the Division has 42 insurers that were possibly subject to this holding company focused regulation. Thirty (30) out of the 42 are subject to this regulation, but the other 12 are not because there is only one entity involved (the insurer) and, therefore, there is no holding company structure. Of the 30 insurers and holding company structures, none are considered small businesses, and they typically outsource most functions to affiliate companies within the same holding company system or to third parties.

I, BARBARA D. RICHARDSON, Commissioner of Insurance for the State of Nevada, hereby certify to the best of my knowledge or belief a concerted effort was made to determine the impact of the proposed regulation on small businesses and that this statement was prepared properly and the information contained herein is accurate. (NRS 233B.0608.3)

9/15/16

(DATE)



BARBARA D. RICHARDSON
Commissioner of Insurance

Small Business Impact Statement

LCB File No. R078-16

5. SUMMARY OF COMMENTS RECEIVED FROM SMALL BUSINESSES (NRS 233B.0609.1.a)
N/A
6. ESTIMATED ECONOMIC EFFECT ON SMALL BUSINESSES THE REGULATION IS TO REGULATE (NRS 233B.0609.1.c)
N/A
7. METHODS CONSIDERED TO REDUCE IMPACT ON SMALL BUSINESSES (NRS 233B.0609.1.d)
N/A
8. ESTIMATED COST OF ENFORCEMENT (NRS 233B.0609.1.e)
N/A
9. FEE CHANGES (NRS 233B.0609.1.f)
N/A
10. DUPLICATIVE PROVISIONS (NRS 233B.0609.1.g)
N/A
11. HOW WAS THE ANALYSIS CONDUCTED? (NRS 233B.0609.1.b)
N/A
12. REASONS FOR CONCLUSIONS (NRS 233B.0609.1.h)
N/A

I, BARBARA D. RICHARDSON, Commissioner of Insurance for the State of Nevada, hereby certify to the best of my knowledge or belief a concerted effort was made to determine the impact of the proposed regulation on small businesses and that this statement was prepared properly and the information contained herein is accurate. (NRS 233B.0609.2)

9/15/16
(DATE)



BARBARA D. RICHARDSON
Commissioner of Insurance