

**NOTICE OF INTENT TO ACT UPON TEMPORARY¹ 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 on **November 30, 2016, at 9:30 a.m.**, at the Division’s office located at 1818 East College Parkway, Suite 103, Carson City, Nevada 89706, in the 1st floor hearing room. Interested persons may also participate through a simultaneous videoconference conducted at the Division’s office in the Bradley Building, 2501 East Sahara Avenue, Suite 302, Las Vegas, Nevada 89104, in the 3rd floor conference room. 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 **chapter(s) 680C** 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. T006-16. Annual Fees.

A REGULATION relating to insurance; revising initial and annual fees paid by certain insurers.

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

In 2015 the Legislature changed NRS 680C.110, giving the Commissioner the authority to determine annual fees based on certain factors while abolishing three fees. The statute requires the Commissioner to consider the direct written premiums, the number of insurers who pay the fee, and the budget of the Division in developing the fee structure; and, to present the Division’s proposed budget in a public meeting to allow for public input. Regulation R001-16 created the framework for the Division to implement the fee structure, imposing the time period when the Division must notify the carriers of the annual fee, and a requirement that a public hearing be held on even-numbered years to present the preliminary budget.

The purpose of the regulation is to establish the new fees based on the Division’s needs as expressed through the proposed budget for the next budget cycle.

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

The subject is annual fees. The issue is that the Division was required to establish how it would determine annual fees, which the Division did through R001-16. This regulation seeks to establish the annual fees based on the Division’s proposed budget for the next biennium. The proposed

¹ NRS 233B.063(3) An agency may adopt a temporary regulation between August 1 of an even-numbered year and July 1 of the succeeding odd-numbered year without following the procedure required by this section and NRS 233B.064, but any such regulation expires by limitation on November 1 of the odd-numbered year. A substantively identical permanent regulation may be subsequently adopted.

regulation also establishes when the annual fee is due, and when the annual fee will start being collected.

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

The Division anticipates that the proposed regulation will clarify the Division's funding needs, as well as the Division's intention to reduce examination administrative fees that are currently charged to domestic insurance carriers.

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

No.

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

No, because the statutory change imposes this requirement on the Division.

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

It allows for the Division's funding to be open and transparent, and also invites the public's input.

(7) What is the anticipated economic benefit of the regulation?

a. Public

1. Immediate: None
2. Long Term: None

b. Insurance Business

1. Immediate: Cost to operate in Nevada will be commensurate with direct premium written.
2. Long Term: Cost to operate in Nevada will be commensurate with direct premium written. Reduces the cost burden of domestic carriers which currently shoulder a more significant burden in funding the Division through an examination administrative fee.

c. Small Businesses

1. Immediate: None
2. Long Term: None

d. Small Communities

1. Immediate: None
2. Long Term: None

e. Government Entities

1. Immediate: None
2. Long Term: None

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

a. Public

1. Immediate: None
2. Long Term: None

b. Insurance Business

1. Immediate: Cost to operate in Nevada will be commensurate with direct premium written. Cost may increase for some.
2. Long Term: Cost to operate in Nevada will be commensurate with direct premium written. Cost may increase for some

c. Small Businesses

1. Immediate: None
2. Long Term: None

d. Small Communities

1. Immediate: None
2. Long Term: None

e. Government Entities

1. Immediate: None
2. Long Term: None

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

- a. Enactment – No direct cost, but the Division is now required to review fees annually based on the Division’s proposed budget, and hold public meetings.
- b. Enforcement – Since the fees are being restructured, there is no effect on enforcement.
- c. Compliance – No anticipated cost since carriers already pay fees.

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

The temporary regulation increases an existing fee. The increase is based on the legislative change in 2015 when the Legislature modified NRS 680C.110 to give the Commissioner some flexibility regarding the industry funding of the Division. These changes were made to allow the Division to adapt fees as needed and to avoid accumulating too high a reserve. The Legislature abolished three fees in favor of allowing the Commissioner to impose one adjustable fee under Corporate Assessments. The Division was required to promulgate regulations to institute the tiered fee structure, which occurred in R001-16, adopted in June 2016. This temporary regulation uses the process to arrive at the tiered fee structure mandated by the Legislature.

(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.

The Division conducted a comparative analysis of the proposed fee structure with the fee and examination administrative fees currently collected by the Division. The Division also presented its position at two of the Commissioner's insurance advisory committee meetings to get feedback from the industry. Both meetings were open to the public.

(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.

None.

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

Not applicable.

(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.

Not applicable.

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 November 9, 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 Susan Bell, Legal Secretary, at (775) 687-0704, or via e-mail to suebell@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 suebell@doi.nv.gov.

DATED this 26th day of October, 2016.



BARBARA D. RICHARDSON
Commissioner of Insurance

HEARING AGENDA

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

November 30, 2016 • 9:30 a.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. T006-16. Annual Fees.
A REGULATION relating to insurance; revising initial and annual fees paid by certain insurers.
3. **Public Comment.**
4. **Adjournment.**

Supporting public material for this meeting may be requested from Susan Bell, Legal Secretary, Nevada Division of Insurance, 1818 E. College Parkway, Carson City, Nevada 89706, (775) 687-0704, or suebell@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 suebell@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 Nevada State Legislature Website (www.leg.state.nv.us)
The Nevada Division of Insurance Website (www.doi.nv.gov)
The State of Nevada Website (www.nv.gov)

**PROPOSED TEMPORARY REGULATION OF
THE COMMISSIONER OF INSURANCE**

LCB File No. T006-16

October 11, 2016

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

AUTHORITY: NRS 679B.130 and 680C.110

A REGULATION relating to insurance; revising initial and annual fees paid by certain insurers.

Section 1. Chapter 680C of NAC is hereby amended by adding thereto a new section to read as follows:

1. All persons identified in subsection 5 of NRS 680C.110 shall pay the following annual fee based on the insurer's reported written annual premium:

<i>(a) \$0 Written Premiums.....</i>	<i>\$1,500</i>
<i>(b) \$1 to \$100,000.....</i>	<i>\$1,800</i>
<i>(c) \$1,000,001 to \$5,000,000.....</i>	<i>\$2,800</i>
<i>(d) Over \$5 million.....</i>	<i>\$3,600</i>

2. The annual fee shall be paid not later than July 1 of each year.

3. This fee schedule applies starting fiscal year 2019.

STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE

Determination of Necessity - Small Business Impact Statement

TEMPORARY REGULATION CONCERNING ANNUAL FEES
LCB FILE NO. T006-16

The Commissioner will establish through regulation the amount of the annual fee to be assessed on certain insurance carriers starting in fiscal year 2019, and address the administrative charge for examinations.

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

1. BACKGROUND

During the 2015 Legislative Session, NRS 680C.110 was modified to give the Commissioner flexibility regarding the industry funding of the Division. Three fees were abolished in favor of allowing the Commissioner to impose one adjustable annual fee. The statute requires the Commissioner to consider the direct written premiums, the number of insurers who pay the fee, and the budget of the Division in developing the fee structure; and, to present the Division's proposed budget in a public meeting to allow for public input. Regulation R001-16 created the framework for the Division to implement the fee structure, imposing the time period when the Division must notify the carriers of the annual fee, and a requirement that a public hearing be held on even-numbered years to present the preliminary budget.

2. DESCRIPTION OF SOLICITATION

Comments are to be solicited during the workshop and hearing. The subject matter of the regulation was also presented at two of the Commissioner's insurance advisory committee meetings which were open to the public.

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)

The proposed regulation affects insurance carriers regulated by the Division—the fee has no effect on businesses that are not insurance carriers. To the extent that insurance carriers may be small businesses, the annual fee is being adjusted to reflect the direct premiums written (meaning the lower the direct written premium, the lower the fee) and, at the same time, allow

for the Commissioner to change the examination administrative fees currently paid by insurance carriers to zero percent.

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)

10/20/16
(DATE)


BARBARA D. RICHARDSON
Commissioner of Insurance

Small Business Impact Statement

TEMPORARY REGULATION CONCERNING ANNUAL FEES LCB FILE NO. T006-16

5. SUMMARY OF COMMENTS RECEIVED FROM SMALL BUSINESSES (NRS 233B.0609.1.a)

No comments have been received from small businesses.

6. ESTIMATED ECONOMIC EFFECT ON SMALL BUSINESSES THE REGULATION IS TO REGULATE (NRS 233B.0609.1.c)

The proposed regulation will adjust fees across insurance carriers based on direct premium written, which spreads the economic burden of funding the Division among all insurance carriers more equitably. As required by NRS 679B.230, the Division conducts periodic examinations of domestic insurance carriers. The cost of examination is borne on the examined insurance carrier, and the cost currently includes a 50% administrative fee. The administrative fee charged through examinations will be reduced by the regulation to zero, effectively reducing domestic insurance carriers' economic burden. The annual fee structure will have no discernable effect on the insurance rates of small businesses in Nevada.

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)

Because the Division already processes fees, there is no additional cost to enforce this regulation.

9. FEE CHANGES (NRS 233B.0609.1.f)

The fee changes are required by NRS 680C.110. The planned change in the examination administration fee, which is included in NAC 679B.0335, will lower fees paid by domestic insurance carriers examined by the Division.

10. DUPLICATIVE PROVISIONS (NRS 233B.0609.1.g)

None.

11. HOW WAS THE ANALYSIS CONDUCTED? (NRS 233B.0609.1.b)

The Division conducted a comparative analysis of the proposed fee structure with the fee and examination administrative fees currently collected by the Division.

12. REASONS FOR CONCLUSIONS (NRS 233B.0609.1.h)

While the annual fee will increase on a sliding scale based on the amount of direct written premium, the regulation provides for a reduction of the examination administrative fee, which has been significant for domestic insurance carriers.

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)

10/26/16
(DATE)



BARBARA D. RICHARDSON
Commissioner of Insurance