

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 **9:30 a.m. on February 15, 2018**, in the 1st Floor Hearing Room, 1818 East College Parkway, Suite 103, Carson City, Nevada 89706. Interested persons may also participate through a simultaneous videoconference conducted in the 4th Floor Nevada Room at the Nevada State Business Center/Division of Insurance, 3300 West Sahara Avenue, Suite 275, Las Vegas, Nevada 89102. The purpose of the hearing is to receive comments from all interested persons regarding the adoption, amendment or repeal of regulations pertaining to chapter 692C of the Nevada Administrative Code ("NAC").

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

LCB File No. R094-17. Corporate Governance Annual Disclosure. A regulation relating to insurance; authorizing an insurer or insurance group to determine and customize the format of a corporate governance annual disclosure; requiring certain insurers to submit a copy of a corporate governance annual disclosure to certain regulatory officials; providing that a public document cross-referenced in a corporate governance annual disclosure remains public and that a private or confidential document cross-referenced in a corporate governance annual disclosure remains private or confidential; requiring an insurer or insurance group to submit an amended corporate governance annual disclosure filed in the immediately preceding calendar year under certain circumstances or a letter stating no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year; requiring an insurer or insurance group to describe certain details regarding corporate governance and include certain information in a corporate governance annual disclosure; and providing other matters properly relating thereto.

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

In light of the 2008 financial crisis, growing regulatory needs, and various international developments, Nevada and other state insurance regulators, working together through the National Association of Insurance Commissioners ("NAIC"), concluded that a greater regulatory focus on corporate governance was necessary to address these matters. The NAIC developed a plan to outline high-level corporate governance principles for use in U. S. insurance regulation. To do so, the NAIC analyzed the existing statutory requirements, regulatory initiatives, and review practices of the state insurance departments, international supervisors, other U. S. functional regulators and the insurance industry. The NAIC was also asked to determine the appropriate method to ensure adherence with such principles, giving due consideration to development of a model law and to

development of additional regulatory guidance, including detailed best practices for the corporate governance of insurers. The NAIC Corporate Governance Annual Disclosure Model language was included in the 2017 Assembly Bill 35 ("AB 35") that was signed into law by Governor Sandoval on May 8, 2017. This regulation provides the details regarding the filing requirements that were included in AB 35.

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

Together, Sections 5 through 12 of Assembly Bill 35 and this proposed regulation require an insurer (or group of insurers) to provide a confidential disclosure regarding its corporate governance practices to the lead state and/or the Division of Insurance annually by June 1. The insurer (or group of insurers) may choose to provide information on governance activities that occur at the ultimate controlling parent level, an intermediate holding company level and/or the individual legal entity level, based on its determination of the level at which decisions are made. Oversight is provided and governance accountability is assessed in relation to the insurance activities of the insurer.

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

The proposed regulation will serve as housing the annual disclosure instructions already adopted by 2017 Assembly Bill 35.

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

No other regulation fully addresses this issue; however, there are other required statutory filings for only very large insurers that may provide the same information. In those instances, the instructions in this regulation allow for citing those previously filed reports.

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

This form of regulation is needed for NAIC Accreditation requirements.

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

This allows the Division of Insurance to properly evaluate and regulate the corporate practices of insurers to help avoid insolvencies such as those that led to the 2008 financial crisis.

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

a. Public

1. Immediate: *Proper disclosing of corporate governance practices to the Division, so any insufficient practices would be identified.*

2. Long Term: *Vibrant and sustainable economy with insurers operating with better corporate governance practices.*

b. Insurance Business

1. Immediate: *Disclosure to the Division, with confidentiality, of its existing corporate governance practices.*
 2. Long Term: *Setting new standards with regards to corporate governance practices that could lead the way for other businesses that are not insurers.*
- c. Small Businesses
1. Immediate: *No impact to small businesses.*
 2. Long Term: *No impact to small businesses.*
- d. Small Communities
1. Immediate: *No impact to small communities identified that would be different than impact to the public.*
 2. Long Term: *No impact to small communities identified that would be different than impact to the public.*
- e. Government Entities
1. Immediate: *Additional information on regulated insurers' corporate governance practices.*
 2. Long Term: *Additional information on regulated insurers' corporate governance practices, and better results as insurers and the Division advance in identifying and implementing better corporate governance practices that manage risk, deter fraud, and prevent insolvencies.*

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

- a. Public
1. Immediate: *None identified*
 2. Long Term: *None identified*
- b. Insurance Business
1. Immediate: *None identified*
 2. Long Term: *None identified*
- c. Small Businesses
1. Immediate: *None identified*
 2. Long Term: *None identified*
- d. Small Communities
1. Immediate: *None identified*
 2. Long Term: *None identified*
- e. Government Entities
1. Immediate: *None identified*
 2. Long Term: *None identified*

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

a. Enactment: *None, as the information already exists and simply needs to be disclosed to the Division.*

b. Enforcement: *None, as the Division will utilize existing personnel (examiners and analysts) to review information along with other documents.*

c. Compliance: *The insurers will likely incur a very small cost (paper and employee time) to prepare the information for the Division.*

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

No, the regulation does not establish a new fee or increase an existing fee.

(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 relied upon the expertise and experience of Division staff, along with testimony from industry representatives at NAIC meetings. The Division also relied upon the evaluation of the entities that this proposed regulation would impact.

(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 identified.

(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 actions 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 February 8, 2018.** 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 to be adopted, amended or repealed 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 3300 West Sahara Avenue, Suite 275, Las Vegas, Nevada 89102, 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:

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

Nevada Division of Insurance
3300 West Sahara Avenue, Suite 275
Las Vegas, Nevada 89102

Legislative Building
401 South Carson Street
Carson City, Nevada 89701

Nevada State Business Center
3300 West Sahara Avenue
Las Vegas, Nevada 89102

Blasdel Building
209 East Musser Street
Carson City, Nevada 89701

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

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

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

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

Carson City Library*
**Temporary closure of library
prevents posting at this location*

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 for the Corporate and Financial Affairs Section, 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 hearing: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or suebell@doi.nv.gov.

DATED this 10th day of January, 2018.



BARBARA D. RICHARDSON
Commissioner of Insurance

HEARING AGENDA

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

February 15, 2018 • 9:30 a.m.

Location of Hearing:

Nevada 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:

Nevada Division of Insurance
3300 W. Sahara Ave., 4th Floor Nevada Room
Las Vegas, NV 89102
(Division Offices located in Suite 275)

1. Open Hearing: R094-17.
2. Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)

LCB File No. R094-17. Corporate Governance Annual Disclosure. A regulation relating to insurance; authorizing an insurer or insurance group to determine and customize the format of a corporate governance annual disclosure; requiring certain insurers to submit a copy of a corporate governance annual disclosure to certain regulatory officials; providing that a public document cross-referenced in a corporate governance annual disclosure remains public and that a private or confidential document cross-referenced in a corporate governance annual disclosure remains private or confidential; requiring an insurer or insurance group to submit an amended corporate governance annual disclosure filed in the immediately preceding calendar year under certain circumstances or a letter stating no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year; requiring an insurer or insurance group to describe certain details regarding corporate governance and include certain information in a corporate governance annual disclosure; and providing other matters properly relating thereto.

3. Public Comment.
4. Close Hearing: R094-17.
5. Adjournment.

Supporting public material for this hearing 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; items may be pulled or removed from the agenda at any time; and, discussion relating to an item may be delayed or continued 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 hearing: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or suebell@doi.nv.gov.

NOTICES FOR THIS HEARING 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, 3300 W. Sahara Avenue, Suite 275, Las Vegas, Nevada 89102

Nevada State Business Center, 3300 W. Sahara Avenue, Las Vegas, Nevada 89102

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 REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R094-17

November 9, 2017

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

AUTHORITY: §§1-7, NRS 679B.130, 692C.120 and section 8 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 65; §8, NRS 679B.130, 692C.120 and sections 8 and 9 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 65; §9, NRS 679B.130 and 692C.120.

A REGULATION relating to insurance; authorizing an insurer or insurance group to determine and customize the format of a corporate governance annual disclosure; requiring certain insurers to submit a copy of a corporate governance annual disclosure to certain regulatory officials; providing that a public document cross-referenced in a corporate governance annual disclosure remains public and that a private or confidential document cross-referenced in a corporate governance annual disclosure remains private or confidential; requiring an insurer or insurance group to submit an amended corporate governance annual disclosure filed in the immediately preceding calendar year under certain circumstances or a letter stating no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year; requiring an insurer or insurance group to describe certain details regarding corporate governance and include certain information in a corporate governance annual disclosure; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law authorizes the Commissioner of Insurance to adopt reasonable regulations: (1) for the administration of the Nevada Insurance Code; (2) as required to ensure compliance by the Commissioner with any federal law or regulation relating to insurance; or (3) as are necessary to carry out the provisions governing insurance holding companies. (NRS 679B.130, 692C.120)

During the 2017 Legislative Session, the Legislature enacted Assembly Bill No. 35, which requires certain insurers or insurance groups to submit to the Commissioner a corporate governance annual disclosure that contains certain information. The bill additionally authorizes the Commissioner to adopt regulations to carry out the provisions relating to a corporate governance annual disclosure. (Sections 7 and 8 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at pages 64-65) **Sections 4-7** of this regulation set forth various provisions relating to a corporate governance annual disclosure. **Section 4** authorizes an insurer or insurance group

to: (1) determine the appropriate format of the corporate governance annual disclosure for providing certain information; and (2) customize the format of the corporate governance annual disclosure so that the insurer or insurance group may provide any additional information necessary for the Commissioner to understand the corporate governance of an insurer or insurance group. **Section 5** requires an insurer that is a member of an insurance group which submits a corporate governance annual disclosure to the insurance commissioner of the lead state for the insurance group to also, upon request, submit a copy of the corporate governance annual disclosure to the chief regulatory official of any other state where an insurer is, under the laws of that state, considered to be a domestic insurer of that state. **Section 6** provides that: (1) an insurer or insurance group may cross-reference other documents in the corporate governance annual disclosure; (2) if any documents which are cross-referenced in the corporate governance annual disclosure are otherwise public, the Commissioner will not deem such cross-referencing to affect the public nature of such documents; (3) if any documents which are cross-referenced in the corporate governance annual disclosure are otherwise private or confidential, the Commissioner will not deem such cross-referencing to affect the private or confidential nature of such documents; and (4) the insurer or insurance group shall clearly cross-reference the location of information cited in the corporate governance annual disclosure and attach the cross-referenced document. **Section 7** requires an insurer or insurance group to, not later than June 1 of each calendar year, submit: (1) an amended version of the corporate governance annual disclosure that was filed in the immediately preceding calendar year if any changes were made to the corporate governance annual disclosure that was filed in the immediately preceding calendar year; or (2) a letter stating that no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year if no changes were made. **Section 7** further requires the amended version of the corporate governance annual disclosure or the letter submitted by an insurer or insurance group to be signed by the chief executive officer or corporate secretary of the insurer or insurance group. **Section 7** additionally requires the Commissioner to deem: (1) the requirement to file a corporate governance annual disclosure to be satisfied if an insurer or insurance group submits an amended version of the corporate governance annual disclosure or a letter; and (2) the amended version of the corporate governance annual disclosure or the letter to contain the information contained in the initial corporate governance annual disclosure, except where any amended version of the corporate governance annual disclosure or any letter subsequently submitted indicates any changes to the corporate governance annual disclosure.

Assembly Bill No. 35 further authorizes the Commissioner to adopt regulations that set forth instructions for how an insurer or insurance group is to prepare a corporate governance annual disclosure. (Section 9 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 65) **Section 8** of this regulation sets forth instructions that detail the information an insurer or insurance group is required to include in a corporate governance annual disclosure. **Section 8** requires an insurer or insurance group to be as descriptive as possible in the corporate governance annual disclosure and to describe the: (1) framework and structure of the corporate governance of the insurer or insurance group; (2) policies and practices of the board of directors of the insurer or insurance group and any committees of the board of directors; (3) policies and practices of the board of directors of the insurer or insurance group for directing and managing senior management; and (4) policies and practices by which the board of directors of the insurer or insurance group, any committee of the board of directors and senior management oversee the critical risk areas that impact the business activities of the insurer or insurance group. **Section 8**

further requires an insurer or insurance group to include certain information in the corporate governance annual disclosure to adequately provide such descriptions.

Section 1. Chapter 692C of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 8, inclusive, of this regulation.

Sec. 2. *As used in this chapter, unless the context otherwise requires, the words and terms defined in NAC 692C.010 and section 3 of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Senior management” means each corporate officer responsible for reporting information to the board of directors of an insurer or insurance group at regular intervals, as determined by the board of directors in compliance with applicable state or federal law and regulations, or providing this information to shareholders or regulators in compliance with applicable state or federal law and regulations. The term includes, without limitation, the:*

- 1. Chief executive officer;*
- 2. Chief financial officer;*
- 3. Chief information officer;*
- 4. Chief legal officer or general counsel;*
- 5. Chief operating officer;*
- 6. Chief procurement officer;*
- 7. Chief revenue officer;*
- 8. Chief technology officer; and*
- 9. Chief visionary officer.*

Sec. 4. *Each insurer or insurance group may:*

1. Determine the appropriate format of the corporate governance annual disclosure for providing the information required by sections 2 to 8, inclusive, of this regulation and sections

5 to 12, inclusive, of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at pages 63-68; and

2. Customize the format of the corporate governance annual disclosure to provide any additional information necessary for the Commissioner to understand the structure of and policies and practices used by the insurer or insurance group for corporate governance.

Sec. 5. If an insurer is a member of an insurance group and submits the corporate governance annual disclosure to the insurance commissioner of the lead state for the insurance group pursuant to subsection 1 of section 7 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 64, the insurer shall, upon request, also submit a copy of the corporate governance annual disclosure to the chief regulatory official of any state where an insurer that is a member of the insurance group is, under the laws of that state, considered to be a domestic insurer of that state.

Sec. 6. 1. An insurer or insurance group may cross-reference in a corporate governance annual disclosure other documents, including, without limitation:

(a) An ORSA Summary Report;

(b) A form which is substantially similar to the Form B-Insurance Holding Company System Annual Registration Statement of the National Association of Insurance Commissioners;

(c) A form which is substantially similar to the Form F-Enterprise Risk Report of the National Association of Insurance Commissioners; or

(d) Any documents, materials or reports required by other state, federal and international financial regulatory agencies.

2. If any documents that are otherwise public are cross-referenced in a corporate governance annual disclosure pursuant to section 10 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 65, the Commissioner will:

(a) Not deem such cross-referencing to affect the public nature of such documents that are cross-referenced; and

(b) Consider such documents that are cross-referenced to be public documents.

3. If any documents that are otherwise private or confidential are cross-referenced in a corporate governance annual disclosure pursuant to section 10 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 65, the Commissioner will:

(a) Not deem such cross-referencing to affect the private or confidential nature of such documents that are cross-referenced; and

(b) Consider such documents that are cross-referenced to be private or confidential documents not available for disclosure to the public.

4. The insurer or insurance group shall clearly cross-reference the location of the relevant information within the corporate governance annual disclosure and attach the cross-referenced document if the document is not already filed with or available to the Commissioner.

Sec. 7. 1. After an insurer or an insurance group has submitted an initial corporate governance annual disclosure pursuant to subsection 1 of section 7 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 64, the insurer or insurance group shall, not later than June 1 of each subsequent calendar year:

(a) If any changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year, submit an amended version of the corporate governance

annual disclosure filed in the immediately preceding calendar year that indicates any changes to the corporate governance annual disclosure filed in the immediately preceding calendar year; or

(b) If no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year, submit a letter stating that no changes were made to the corporate governance annual disclosure filed in the immediately preceding calendar year.

2. An amended version of the corporate governance annual disclosure or a letter submitted by an insurer or insurance group pursuant to subsection 1 must include the signature of the chief executive officer or corporate secretary of the insurer or insurance group attesting that, to the best of that person's belief and knowledge, the insurer or insurance group has implemented and complied with the requirements set forth in subsection 2 of section 7 of Assembly Bill No. 35, chapter 12, Statutes of Nevada, at page 64.

3. The Commissioner will deem:

(a) The requirement to file a corporate governance annual disclosure pursuant to subsection 1 of section 7 of Assembly Bill No. 35, chapter 12, Statutes of Nevada, at page 64, as satisfied if an insurer or insurance group submits an amended version of the corporate governance annual disclosure or a letter pursuant to this section; and

(b) The amended version of the corporate governance annual disclosure or the letter submitted by an insurer or insurance group pursuant to this section to include the information provided in the initial corporate governance annual disclosure submitted by an insurer or an insurance group pursuant to subsection 1 of section 7 of Assembly Bill No. 35, chapter 12, Statutes of Nevada 2017, at page 64, except where any amended version of the corporate

governance annual disclosure or any letter subsequently submitted pursuant to this section indicates any changes to the corporate governance annual disclosure.

Sec. 8. 1. Each insurer or insurance group shall:

(a) Be as descriptive as possible in completing the corporate governance annual disclosure; and

(b) Include, without limitation, documents used in the corporate governance of the insurer or insurance group that demonstrate the strength of the framework and practices of the corporate governance of the insurer or insurance group.

2. For the purposes of describing the framework and structure of the corporate governance of an insurer or insurance group, the insurer or insurance group shall include, without limitation, in the corporate governance annual disclosure the following:

(a) An identification of the board of directors of the insurer or insurance group and any committee thereof that has the ultimate responsibility for overseeing the insurer or insurance group and an explanation of how such oversight occurs;

(b) The size and structure, including, without limitation, the structure of the leadership, of the board of directors and an explanation as to why the board of directors is of such size and structure;

(c) The duties of the board of directors and any committee thereof and whether the duties are governed by bylaws, charters, informal mandates or by some other method; and

(d) The roles of the chief executive officer and chairman of the board of directors.

3. For the purposes of describing the policies and practices of the board of directors of the insurer or insurance group and any committee thereof, the insurer or insurance group shall include, without limitation, in the corporate governance annual disclosure the following:

(a) The qualifications, expertise and experience of each member of the board of directors and an explanation of how such qualifications, expertise and experience assist in meeting the needs of the insurer or insurance group;

(b) An explanation of how the board of directors and any committee thereof maintain its independence;

(c) The number of meetings held by the board of directors and any committee thereof over the past year and information regarding the attendance of each member of the board of directors at such meetings;

(d) An explanation of how the insurer or insurance group identifies, nominates and elects a member of the board of directors and any committee thereof and:

(1) Whether the insurer or insurance group has established a committee to identify and select individuals for consideration as a member to the board of directors or any committee thereof;

(2) Whether term limits are placed on the members of the board of directors;

(3) The procedure for the election and reelection of a member of the board of directors; and

(4) Whether a policy promoting diversity on the board of directors and any committee thereof is in place and, if so, an explanation of how such a policy functions; and

(e) Information concerning any:

(1) Processes that are in place for the board of directors to evaluate its performance and the performance of any committee thereof; and

(2) Measures that the board of directors has recently taken to improve the performance of the board of directors and any committee thereof, including, without limitation, any training programs that the board of directors has put in place.

4. For the purposes of describing the policies and practices of the board of directors of the insurer or insurance group for directing and managing senior management, the insurer or insurance group shall include, without limitation, in the corporate governance annual disclosure the following:

(a) If the board of directors uses any suitability standard or other process to determine if each prospective member of senior management has the qualifications, expertise, experience and integrity required to fulfill his or her prospective position, the board of directors must identify:

(1) The specific positions for which suitability standards have been developed;
(2) A description of the suitability standards used; and
(3) Any changes that occur in the suitability standards for each member of senior management;

(b) The code of business conduct and ethics of the insurer or insurance group and an explanation of how such a code:

(1) Complies with any applicable federal or state laws and regulations; and
(2) Provides a method to report any behavior or conduct that is illegal or unethical;
(c) The plan of the insurer or insurance group for succession of the chief executive officer and the other members of senior management; and

(d) An explanation of how the insurer or insurance group ensures effective performance by senior management throughout the organization by using performance evaluations,

programs of compensation and corrective action. Such information must contain sufficient detail so that the Commissioner is able to understand how the insurer or insurance organization ensures that programs of compensation do not encourage or reward excessive risk-taking by senior management. The insurer or insurance group:

(1) Shall include a description of the general objectives of significant programs of compensation and the types of actions or results that the programs of compensation are designed to reward; and

(2) May include, without limitation:

(I) The role of the board of directors in overseeing programs of compensation and practices for senior management;

(II) The various elements of compensation provided by the programs of compensation of the insurer or insurance group and an explanation of how the insurer or insurance group determines and calculates the amount of each element of compensation paid;

(III) An explanation of how the programs of compensation of the insurer or insurance group are related to the performance of both the company and each member of senior management over a period of time;

(IV) Whether the programs of compensation contain risk adjustments and, if so, how such adjustments are incorporated into the programs of compensation of different members of senior management and other employees;

(V) Any provisions built into the programs of compensation to recover any awards or payments made to a member of senior management or another employee if the measure of performance upon which such awards or payments were calculated are restated or otherwise adjusted; and

(VI) Any other factors relevant in understanding how the insurer or insurance group monitors its programs of compensation and policies regarding such programs to determine whether the objectives for risk management of the insurer or insurance group are met by incentivizing its members of senior management and other employees.

5. For the purposes of describing the policies and practices by which the board of directors of the insurer or insurance group, any committee thereof and senior management oversee the critical risk areas that impact the business activities of the insurer or insurance group, each insurer or insurance group shall include, without limitation, in the corporate governance annual disclosure the following:

(a) An explanation of how the board of directors delegates the responsibilities of overseeing and managing critical risk areas among the board of the directors, any committees thereof and senior management;

(b) An explanation of how the insurer or insurance group keeps the board of directors informed of the:

(1) Strategic plans of the insurer or insurance group;

(2) Associated risks of those strategic plans; and

(3) What steps senior management is taking to monitor and manage those associated risks; and

(c) An explanation of how the insurer or insurance group organizes for each critical risk area the responsibility of reporting. Such information must contain sufficient detail so that the Commissioner can understand the frequency at which information on each critical risk area is reported to and reviewed by the board of directors and senior management. The insurer or

insurance group may include, without limitation, information on how the following critical risk areas of the insurer or insurance group are reported:

(1) Risk management processes or an ORSA Summary Report containing the information required pursuant to NRS 692C.351 to 692C.3548, inclusive;

(2) Actuarial function;

(3) Investment decision-making processes;

(4) Reinsurance decision-making processes;

(5) Business strategy and finance decision-making processes;

(6) Compliance function;

(7) Financial reporting and internal auditing; and

(8) Market regulation decision-making processes.

Sec. 9. NAC 692C.010 is hereby amended to read as follows:

692C.010 ~~[As used in this chapter, unless the context otherwise requires,]~~ “Commissioner”

means the Commissioner of Insurance.

STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE

Determination of Necessity - Small Business Impact Statement
NRS 233B.0608(1)

CORPORATE GOVERNANCE ANNUAL DISCLOSURE

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

1. BACKGROUND.

In light of the 2008 financial crisis, growing regulatory needs, and various international developments, Nevada and other state insurance regulators, working together through the National Association of Insurance Commissioners (“NAIC”), concluded that a greater regulatory focus on corporate governance was necessary to address these matters. The NAIC developed a plan to outline high-level corporate governance principles for use in U. S. insurance regulation. To do so, the NAIC analyzed the existing statutory requirements, regulatory initiatives, and review practices of the state insurance departments, international supervisors, other U. S. functional regulators and the insurance industry. The NAIC was also asked to determine the appropriate method to ensure adherence with such principles, giving due consideration to development of a model law and to development of additional regulatory guidance, including detailed best practices for the corporate governance of insurers. The NAIC Corporate Governance Annual Disclosure Model language was added to the Nevada Revised Statutes in 2017 Assembly Bill 35.

2. DESCRIPTION OF SOLICITATION SHOWING A CONCERTED EFFORT. NRS 233B.0608(1).

The Division relied upon the expertise and experience of Division staff, along with testimony from industry representatives at the NAIC meetings where this model regulation was being discussed. The Division also relied upon the evaluation of the entities that this proposed regulation would impact.

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 YES

4. HOW WAS THAT CONCLUSION REACHED? NRS 233B.0608(3).

The proposed regulation only provides for instructions of a filing that is required per Nevada Revised Statutes (2017 Assembly Bill 35), and, therefore, enacting the regulation will have no impact on small businesses in Nevada.

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))

9/6/17
(DATE)


BARBARA D. RICHARDSON
Commissioner of Insurance

Small Business Impact Statement
NRS 233B.0608(2)-(4) and 233B.0609

CORPORATE GOVERNANCE ANNUAL DISCLOSURE

1. SUMMARY OF COMMENTS RECEIVED FROM SMALL BUSINESSES. NRS 233B.0609(1)(a).

A solicitation of this regulation was not made with small businesses in Nevada, as none of the proposed changes in this regulation impact small business in Nevada. No comments were received. The changes will only impact insurance carriers regulated by the Division of Insurance. The changes proposed in this regulation are to provide instructions for the annual disclosure requirements that are contained in the changes made to the Nevada Revised Statutes in Assembly Bill 35, which was passed by the 2017 Nevada legislature and signed into law by Governor Sandoval on May 8, 2017. The regulation will not provide for an increase in costs to insurance carriers, so no premiums will be impacted.

Other interested parties may receive a copy of this summary by contacting Susan Bell, Legal Secretary, Nevada Division of Insurance, at (775) 687-0704 or suebell@doi.nv.gov.

2. HOW WAS THE ANALYSIS CONDUCTED? NRS 233B.0609(1)(b).

This regulation was reviewed and discussed by the Corporate and Financial Affairs section of the Nevada Division of Insurance. The experience and expertise of the section's members were used to analyze the proposed language of the regulation, and they determined that no impact to small businesses will occur.

3. ESTIMATED ECONOMIC EFFECT ON SMALL BUSINESSES THE REGULATION IS TO REGULATE. NRS 233B.0609(1)(c).

The regulations proposed in this regulation will not provide any economic impact on the small businesses in the state of Nevada.

4. METHODS CONSIDERED TO REDUCE IMPACT ON SMALL BUSINESSES. NRS 233B.0609(1)(d).

Not applicable.

5. ESTIMATED COST OF ENFORCEMENT. NRS 233B.0609(1)(e).

None.

6. FEE CHANGES. NRS 233B.0609(1)(f).

None.

7. DUPLICATIVE PROVISIONS. NRS 233B.0609(1)(g).


This regulation does not duplicate any existing federal, state or local standards. It is not more stringent than any existing federal, state or local standards.

8. REASONS FOR CONCLUSIONS. NRS 233B.0609(1)(h).

The changes provided by this regulation will not increase costs or expenses to insurance carriers doing business in Nevada. Therefore there are no other additional regulatory burdens that could impact carriers' rates, which could be passed down to small businesses. This is an explanation of the form filing requirements from 2017 Assembly Bill 35.

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))

9/6/17
(DATE)


BARBARA D. RICHARDSON
Commissioner of Insurance