

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 November 17, 2017**, 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 616B 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. R095-17. Financial Matters of Self-Insured Employers and Associations. A regulation relating to industrial insurance; revising requirements concerning information and security deposits that must be submitted to the Commissioner of Insurance by self-insured employers and associations of self-insured employers; repealing the adoption by reference of certain publications and certain reporting requirements of self-insured employers; and providing other matters properly relating thereto.

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

Section 1 revises NAC 616B.412 and the definition of Expected Annual Incurred Cost of Claims, by eliminating obsolete language and replacing it with a clear and easily understood definition.

Section 2 revises NAC 616B.424 by adding provisions to clarify the requirement of a self-insured employer to provide evidence of excess insurance coverage.

Section 3 revises NAC 616B.436 by eliminating obsolete language and clarifying the use of securities when posting a security deposit with the Division.

Section 4 revises NAC 616B.540 by adding a provision allowing for the use of securities when posting a security deposit with the Division.

Section 5 revises NAC 616B.609 by eliminating a requirement for Associations to submit forms unique to the National Association of Insurance Commissioners in conjunction with the requirement to submit annual audited financial statements.

Section 6 repeals NAC 616B.469 as the reporting requirements contained therein are already reported in the annual claims information report of self-insured employers.

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

The proposed regulation removes obsolete language and adds replacement or clarifying language. Section 4 adds a provision to allow associations of self-insured employers the use of securities when

posting a security deposit with the Division. This mirrors what is already in effect for self-insured employers. Section 5 eliminates the need to submit certain NAIC forms, and Section 6 repeals a section containing reporting requirements already contained in an annual report required of self-insured employers.

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

The regulation will provide clearer language and, therefore, better compliance. Section 3 will allow associations of self-insured employers to use an additional type of security when posting a security deposit with the Division. Section 5 eliminates the requirement to submit a financial reporting form that is not applicable to associations of self-insured employers, and Section 6 repeals a regulation that contains requirements already reported in an annual report.

(4) Do other regulations address the same problem(s)? *No.*

(5) Are alternate forms of regulation sufficient to address the problem(s)? *No.*

(6) What value does the regulation have to the public? *None identified.*

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

a. Public

1. Immediate: *None*
2. Long Term: *None*

b. Insurance Business

1. Immediate: *None*
2. Long Term: *None*

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 anticipated*
2. Long Term: *None anticipated*

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

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

- a. Enactment: *None*
- b. Enforcement: *None*
- c. Compliance: *None*

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

The proposed 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.

Analysis was performed by Terri Chambers, Chief Insurance Examiner for the regulation of Self-Insured entities. Ms. Chambers has been the chief of the section for 9 years, and she is the person most familiar with self-insurance in Nevada and the needs of self-insured employers and associations of self-insured employers. In order to qualify as a self-insured employer, a business must have a tangible net worth of \$2.5 million. Associations of self-insured employers, though comprised of members who are often small businesses, also have a requirement to maintain a tangible net worth of \$2.5 million. These entities are among the largest businesses in Nevada. Therefore, based on Ms. Chambers' review, there is no impact on small businesses.

(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 October 25, 2017.** 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 State Business Center
3300 West Sahara Avenue
Las Vegas, Nevada 89102

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 hearing: 1818 E. College Parkway, Suite 103, Carson City, Nevada 89706, or suebell@doi.nv.gov.

DATED this 13th day of October, 2017.

BARBARA D. RICHARDSON
Commissioner of Insurance

By: 
LAURIE SQUARTSOFF
Chief Deputy Commissioner
With Delegation of Authority

HEARING AGENDA

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

November 17, 2017 • 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: R095-17.
2. Presentation, Discussion and Adoption of Proposed Regulation. (For Possible Action)

LCB File No. R095-17. Financial Matters of Self-Insured Employers and Associations. A regulation relating to industrial insurance; revising requirements concerning information and security deposits that must be submitted to the Commissioner of Insurance by self-insured employers and associations of self-insured employers; repealing the adoption by reference of certain publications and certain reporting requirements of self-insured employers; and providing other matters properly relating thereto.

3. Public Comment.
4. Close Hearing: R095-17.
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 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)

BRIAN SANDOVAL
Governor

STATE OF NEVADA

C.J. MANTHE
Director

BARBARA D. RICHARDSON
Commissioner



DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

1818 East College Pkwy., Suite 103
Carson City, Nevada 89706
(775) 687-0700 • Fax (775) 687-0787
Website: doi.nv.gov
E-mail: insinfo@doi.nv.gov

TO: LAURIE SQUARTSOFF
Chief Deputy Commissioner of Insurance

FROM: BARBARA RICHARDSON
Commissioner of Insurance

DATE: October 6, 2017

SUBJECT: Delegation of Authority in the Commissioner's Absence

I hereby issue a Delegation of Authority for you to act on my behalf when I am absent from the state October 9, 2017 through October 12, 2017. You are empowered to exercise all authority necessary to handle matters coming before the Division of Insurance, unless otherwise delegated.



BARBARA RICHARDSON
Commissioner of Insurance

NRS 679B.110 Delegation of powers.
1. The Commissioner may delegate to his or her deputy, examiner or an employee of the Division the exercise or discharge in the Commissioner's name of any power, duty or function, whether ministerial, discretionary or of whatever character, vested in or imposed upon the Commissioner.
2. The official act of any such person acting in the Commissioner's name and by his or her authority shall be deemed an official act of the Commissioner.
(Added to NRS by 1971, 1563; A 1991, 1615; 1993, 1898)

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R095-17

October 5, 2017

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

AUTHORITY: §§1-4, NRS 616B.300 and 679B.130; §§5-7, NRS 616B.353, 616B.446 and 679B.130; §8, NRS 616B.404, 616B.446 and 679B.130; and §9, NRS 679B.130.

A REGULATION relating to industrial insurance; revising requirements concerning information and security deposits that must be submitted to the Commissioner of Insurance by self-insured employers and associations of self-insured employers; repealing the adoption by reference of certain publications and certain reporting requirements of self-insured employers; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law provides for the certification and regulation of self-insured employers for the purposes of industrial insurance. (NRS 616B.300-616B.336) Under existing law, to qualify and remain qualified as a self-insured employer an employer is required to deposit with the Commissioner of Insurance a bond or certain other security in lieu of a bond. Additionally, the Commissioner must require the self-insured employer to submit evidence of excess insurance to provide protection against catastrophic loss. (NRS 616B.300) **Sections 1 and 2** of this regulation revise the definition of the term “annual claims expenditures” and interpret the term “expected annual incurred cost of claims,” respectively, as used in existing law for the purpose of determining the security deposit required to be made by a self-insured employer. **Section 4** of this regulation revises certain requirements governing such security deposits. **Section 3** of this regulation sets forth requirements concerning evidence of excess insurance coverage that an employer must provide to the Commissioner to be eligible to establish a program of self-insurance.

Existing law provides for the formation, certification and regulation of associations of self-insured employers for the purposes of industrial insurance. (NRS 616B.350-616B.446) Under existing law, to qualify and remain qualified as an association of self-insured employers, a group of five or more employers is required to deposit with the Commissioner a bond or certain other security in lieu of a bond. (NRS 616B.350, 616B.353) **Sections 5 and 6** of this regulation revise the definitions of the terms “annual claims expenditures” and “expected annual incurred cost of claims,” respectively, for the purpose of determining the security deposit required to be made by an association of self-insured employers. **Section 7** of this regulation revises certain requirements governing such security deposits.

An association of self-insured employers is required to file an audited statement of financial condition with the Commissioner, and the Commissioner is authorized to adopt a uniform financial reporting system to ensure the accuracy and completeness of those filings. (NRS 616B.404) The Commissioner has, in existing regulations, adopted by reference the *Property/Casualty Insurance Annual Statement Blanks* and the *Annual Statement Instructions for Property/Casualty Manual* of the National Association of Insurance Commissioners. (NAC 616B.606) **Section 8** of this regulation eliminates the requirement that an association of self-insured employers submit certain exhibits and schedules from those publications with the audited statements. **Section 9** of this regulation repeals the adoption by reference of those publications.

Section 9 also repeals certain obsolete provisions and certain reporting requirements of self-insured employers.

Section 1. NAC 616B.406 is hereby amended to read as follows:

616B.406 “Annual claims expenditures” means the total amount of money actually disbursed in a ~~fiscal year~~ *12-month period* by or on behalf of an employer as benefits against all past and current industrial insurance claims.

Sec. 2. NAC 616B.412 is hereby amended to read as follows:

616B.412 ~~“Expected”~~ *As used in NRS 616B.300, the Commissioner will interpret “expected annual incurred cost of claims” to mean the result of a calculation in which the employer’s estimated payroll for the first 12 months of self insurance is multiplied by the sum of his or her annual average of the annual claims expenditures for those claims initiated during a period of 3 years ending 1 year before the date on which his or her election to be a self-insured employer is made plus an estimate of the of the employer during the immediately preceding 36 months plus any estimated additional costs, including , without limitation, future anticipated costs which are due or may become due, which will be paid in settlement of those claims, divided by the employer’s total payroll for the same 3-year period. The term also includes an estimate of the employer’s and the cost of administration of his or her administering the* program of self-insurance.

Sec. 3. NAC 616B.424 is hereby amended to read as follows:

616B.424 In order to be eligible to establish a program of self-insurance, an employer must:

1. Except as otherwise provided in NAC 616B.427 and 616B.433, be a legally qualified business entity having a tangible net worth of at least \$2,500,000.
2. If other than a governmental employer, be licensed to do business in Nevada.
3. Make the deposit required by NAC 616B.436. If the business has been operated at a loss in any of the past 3 years, the Commissioner may increase the required deposit by a minimum amount of 20 percent of the deposit.
4. *Provide a complete copy of a policy of excess insurance to the Commissioner within 60 days after the issuance of the policy as evidence of excess insurance in accordance with NRS 616B.300. The policy must, without limitation:*
 - (a) *Provide coverage for losses in excess of a self-insured retention of not less than \$100,000;*
 - (b) *Contain a provision requiring at least 60 days' notice of cancellation; and*
 - (c) *Contain a provision which states that the bankruptcy or insolvency of the self-insured employer will not relieve the insurer of its duties under the policy and that reimbursement will be made by the insurer as if the self-insured employer had not become bankrupt or insolvent.*
5. Present evidence that the business has administrative resources which will enable it to timely report, administer and settle all claims. The resources which are necessary include, ~~but are not limited to:~~ *without limitation:*
 - (a) The ability of the employer to know and correctly apply the worker's compensation laws and regulations of this State;
 - (b) A qualified, licensed and competent administrator of the program who is located in Nevada;

(c) An existing and feasible plan for the program of self-insurance which provides for an immediate and personal response to an employee's claim;

(d) A plan for the administration of claims which includes written instructions or examples of how to apply the worker's compensation law to ensure continuity of service to employees as well as ease of audit by company personnel and regulatory agencies;

(e) The ability to communicate the plan for the administration of the program, including , *without limitation*, such topics as benefits, filing procedures and the right of appeal, to the appropriate managers of the business and to all employees; and

(f) Standards of performance for the administration of the program of self-insurance.

Sec. 4. NAC 616B.436 is hereby amended to read as follows:

616B.436 1. Except as otherwise provided in subsection 3 of NRS 616B.300, a self-insured employer shall meet the deposit requirement of the self-insured program of workers' compensation by depositing with the Commissioner any of the following:

(a) Cash.

(b) A *savings certificate*, certificate of deposit ~~{~~ *or investment certificate. Any such savings certificate, certificate of deposit or investment certificate must be* from a financial institution ~~{in this State}~~ that is insured federally, made payable to the Commissioner of Insurance and the employer.

(c) ~~{The following securities, if they have a date of maturity that is not more than 1 year:~~

~~—— (1) Any obligation guaranteed by the full faith and credit of the United States, including:~~

~~—— (I) United States treasury notes;~~

~~—— (II) United States treasury bills; and~~

~~—— (III) Internal money market funds related to United States treasury notes or treasury bills, if the account is maintained with a financial institution in this State and does not exceed \$10,000; or~~

~~—— (2) Any obligation of an agency of the United States, including the Federal National Mortgage Association, Federal Housing Finance Board and Federal Home Loan Mortgage Corporation, that is guaranteed by the full faith and credit of the United States. If the obligation is an internal money market fund related to the Federal National Mortgage Association, Federal Housing Finance Board or Federal Home Loan Mortgage Corporation, the account must be maintained with a financial institution in this State and may not exceed \$10,000.~~

~~→ The securities deposited in compliance with this paragraph must have a fair market value of not less than 105 percent of the employer's expected annual incurred cost of claims, unless reduced by excess insurance in an amount approved by the Commissioner.~~

~~—— (d) A surety bond, if it is ~~f~~:~~

~~—— (1) ~~Written~~ *written* by an insurer authorized and licensed to transact the business of surety insurance in this State . ~~f~~; and~~

~~—— (2) Countersigned by a producer of insurance appointed by the insurer.~~

~~—— (e) *(d)* A letter of credit that meets the standards set forth in NAC 616B.439.~~

(e) Securities guaranteed by the full faith and credit of the United States.

(f) Any combination of ~~cash, certificates of deposit, securities guaranteed by the full faith and credit of the United States, surety bonds or letters of credit.~~ *paragraphs (a) to (e), inclusive.*

→ Priority of payment in case of loss must be in the order stated in this ~~paragraph.~~ *subsection.*

2. Securities guaranteed by the full faith and credit of the United States that are deposited in accordance with this section will be held in trust and administered by the Commissioner, unless:

(a) The self-insured employer elects to use the services of a custodial financial institution ~~in this State~~ for trust investments;

(b) The custodial financial institution holds and administers the securities on behalf of the Commissioner under an agreement approved by the Commissioner; and

(c) The custodial financial institution provides monthly statements of the account to the Division of Insurance of the Department of Business and Industry. ~~[The accuracy of each such statement must be certified monthly by a trust officer of the financial institution.]~~

↪ A deposit made pursuant to this subsection may not be withdrawn except upon written order of the Commissioner. A deposit must be revised on or before June 30 each year or as the Commissioner determines to be appropriate and necessary.

3. If necessary, the Commissioner may select a competent specialist to make an evaluation:

(a) Before accepting for deposit any security of the United States or asset; or

(b) At any time after the security of the United States or asset is deposited with the Commissioner or held by a custodial financial institution in this State.

↪ The self-insured employer shall pay the cost of any such evaluation.

~~[4. As used in this section, “producer of insurance” has the meaning ascribed to it in NRS 679A.117.]~~

Sec. 5. NAC 616B.513 is hereby amended to read as follows:

616B.513 “Annual claims expenditures” means the total amount of money actually disbursed in a ~~[fiscal year]~~ *12-month period* by or on behalf of an association of self-insured public or private employers as benefits against all past and current claims for industrial insurance.

Sec. 6. NAC 616B.522 is hereby amended to read as follows:

616B.522 “Expected annual incurred cost of claims” means the ~~result of a calculation in which the estimated aggregate payroll for all of the members of an association for the first 12 months of self insurance is multiplied by the sum of their~~ *average of the* annual claims expenditures ~~for those claims initiated during a period of 3 years ending 1 year before the date on which the association’s election to be self-insured is made plus an estimate of the~~ *of all of the members of an association during the immediately preceding 36 months plus any estimated* additional costs, including , *without limitation,* future *anticipated* costs which are due or may become due, which will be paid in settlement of those claims, divided by the aggregate payroll for all of the members of the association for the same ~~3-year~~ *36-month* period. The term also includes an estimate of the association’s cost of administering the claims arising from its program of self-insurance.

Sec. 7. NAC 616B.540 is hereby amended to read as follows:

616B.540 1. Except as otherwise provided in paragraph (e) of subsection 1 of NRS 616B.353, an association shall satisfy the requirement to make a security deposit by depositing with the Commissioner:

- (a) Cash . ~~;~~
- (b) A *savings certificate*, certificate of deposit ~~;~~ *or investment certificate. Any such savings certificate, certificate of deposit or investment certificate must be* from a financial institution ~~in this State~~ that is insured federally, made payable to the Commissioner and the association . ~~;~~
- (c) A surety bond, if it is ~~;~~
 - ~~—(1) Written~~ *written* by an insurer authorized and licensed to transact the business of surety insurance in this State . ~~;~~ *and*
 - ~~—(2) Countersigned by a producer of insurance appointed by the insurer;~~

(d) A letter of credit that meets the standards set forth in NAC 616B.543 . ~~or~~

(e) *Securities guaranteed by the full faith and credit of the United States.*

(f) Any combination of ~~cash, certificates of deposit, surety bonds or letters of credit.~~

paragraphs (a) to (e), inclusive.

↳ Priority of payment in case of loss must be in the order stated in this ~~section.~~

~~2. As used in this section, “producer of insurance” has the meaning ascribed to it in NRS 679A.117.~~ *subsection.*

2. Securities guaranteed by the full faith and credit of the United States that are deposited in accordance with this section will be held in trust and administered by the Commissioner, unless:

(a) The association elects to use the services of a custodial financial institution for trust investments; and

(b) The custodial financial institution holds and administers the securities on behalf of the Commissioner under an agreement approved by the Commissioner.

↳ *A deposit made pursuant to this subsection may not be withdrawn by the association without the express written consent of the Commissioner.*

Sec. 8. NAC 616B.609 is hereby amended to read as follows:

616B.609 ~~1.~~ The audited statement of the financial condition of an association required by NRS 616B.404 must be:

~~(a)~~ *1.* Prepared in accordance with generally accepted accounting principles of the United States, stated in United States dollars, and must contain the footnotes and opinions of the independent certified public accountant who prepared it.

~~{(b)}~~ 2. Accompanied by a statement, prepared by the independent certified public accountant who prepared the audited statement, certifying that the combined tangible net worth of all members of the association satisfies the requirements of NRS 616B.353 and that all members meet the financial requirements for membership that are established by law, the bylaws of the association or the underwriting plan of the association.

~~{2. In addition to the statements and schedules required by law, the association shall submit the following exhibits and schedules from the Annual Statement Blanks for Property/Casualty published by the National Association of Insurance Commissioners:~~

~~—(a) Exhibit 1—Analysis of Nonadmitted Assets and Related Items;~~

~~—(b) Schedule A—Real Estate;~~

~~—(c) Schedule B—Mortgage Loans;~~

~~—(d) Schedule BA—Other Long Term Invested Assets;~~

~~—(e) Schedule D—Bonds and Stocks;~~

~~—(f) Schedule DA—Short Term Investments;~~

~~—(g) Schedule DB—Derivative Instruments; and~~

~~—(h) Schedule P—Parts 1 through 4—Analysis of Losses and Loss Expenses.~~

~~→ The exhibits must be prepared in accordance with the Annual Statement Instructions for Property/Casualty published by the National Association of Insurance Commissioners. }~~

Sec. 9. NAC 616B.409, 616B.421, 616B.469 and 616B.606 are hereby repealed.

TEXT OF REPEALED SECTIONS

616B.409 “Expected annual claims expenditures” defined. (NRS 679B.130) “Expected annual claims expenditures” means an estimate of the total amount of money to be disbursed by or on behalf of an employer in the next fiscal year as benefits against all industrial insurance claims.

616B.421 “Regulation” defined. “Regulation” means NAC 616B.400 to 616B.496, inclusive.

616B.469 Submission of interim reports regarding occurrence of certain injuries and diseases. (NRS 679B.130) Each self-insured employer must submit to the Division of Insurance of the Department of Business and Industry the following interim reports as a condition for the continuance of his or her certificate of authority to self-insure:

1. Any injury or disease expected to result in the payment of at least \$100,000 for medical costs or indemnity, or which will trigger excess insurance coverage, must be reported to the Commissioner within 30 days after the actual occurrence of the claim or the projection of the reserve. The report must contain:

- (a) The name of the claimant and the date and type of injury;
- (b) The amount paid to date for medical costs and indemnity;
- (c) The projected amount of reserves that have been established; and

(d) The amount paid, or anticipated to be paid, by excess insurance.

2. Any injury involving five or more employees for the same accident must be reported to the Commissioner within 30 days after the actual occurrence. The report must contain:

(a) The names of the claimants and the dates and types of injuries;

(b) The amount paid to date for medical costs and indemnity;

(c) The projected amounts of reserves that have been established; and

(d) The amount anticipated to be paid by excess insurance.

616B.606 Adoption of certain publications by reference. (NRS 616B.446, 679B.130)

The Commissioner hereby adopts by reference the Property/Casualty Insurance Annual Statement Blanks and the Annual Statement Instructions for the Property/Casualty Manual of the National Association of Insurance Commissioners. A copy of these publications may be purchased from NAIC Publications Customer Service, 2301 McGee Street, Suite 800, Kansas City, Missouri 64108-2662, for \$200 and \$225, respectively.

STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE

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

Financial Matters of Self-Insured Employers and Associations of Self-Insured Employers

EFFECTIVE DATE OF REGULATION:

Upon filing with the Nevada Secretary of State

1. BACKGROUND.

Section 1 revises NAC 616B.412 and the definition of Expected Annual Incurred Cost of Claims, by eliminating obsolete language and replacing it with a clear and easily understood definition.

Section 2 revises NAC 616B.424 to provide the required contents of evidence of excess insurance coverage required of self-insured employers.

Section 3 revises NAC 616B.436 by eliminating obsolete language and clarifying the use of securities when posting a security deposit with the Division.

Section 4 revises NAC 616B.540 by adding a provision allowing for the use of securities when posting a security deposit with the Division.

Section 5 revises NAC 616B.609 by eliminating a requirement for Associations to remit forms unique to the National Association of Insurance Commissioners in conjunction with the requirement to submit annual audited financial statements.

Section 6 repeals NAC 616B.469.

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

Public comment is solicited by e-mailing the proposed regulation, notice(s) of workshop, notice(s) of intent to act upon the regulation to persons on the Division's mailing list of persons or businesses who have requested notification of proposed regulations. The documents are made available on the website of the Division, <http://doi.nv.gov>, and mailed to the main library for each county in Nevada. Both a workshop and hearing are being held and properly noticed.

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).

Analysis was performed by Terri Chambers, Chief Insurance Examiner for the regulation of Self-Insured entities. Ms. Chambers has been the chief of the section for 9 years. She is the person most familiar with self-insurance in Nevada and the needs of self-insured employers and associations of self-insured employers. In order to qualify as a self-insured employer, a business must have a tangible net worth of

\$2.5 million. Associations of self-insured employers, though comprised of members who are often small businesses, also have a requirement to maintain a tangible net worth of \$2.5 million. These entities are among the largest businesses in Nevada. Therefore, based on Ms. Chambers' review, there is no impact on small businesses.

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))

9/7/17
(DATE)


BARBARA D. RICHARDSON
Commissioner of Insurance

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

Financial Matters of Self-Insured Employers and Associations of Self-Insured Employers

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

No comment has been received from small businesses.

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).

Analysis was performed by Terri Chambers, Chief Insurance Examiner for the regulation of Self-Insured entities. Ms. Chambers has been the chief of the section for 9 years. She is the person most familiar with self-insurance in Nevada and the needs of self-insured employers and associations of self-insured employers. In order to qualify as a self-insured employer, a business must have a tangible net worth of \$2.5 million. Associations of self-insured employers, though comprised of members who are often small businesses, also have a requirement to maintain a tangible net worth of \$2.5 million. These entities are among the largest businesses in Nevada. Therefore, based on Ms. Chambers' review, there is no impact on small businesses.

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

No adverse or beneficial effects are anticipated. No direct or indirect effects are anticipated.

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

None were considered.

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

None anticipated.

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

The proposed regulation does not create a new fee or change an existing fee.

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

The proposed regulation does not duplicate any existing federal, state or local standards.

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

The proposed regulation only affects businesses with a tangible net worth of \$2.5 or greater. These are among the largest employers in the state. It is not anticipated that the regulations will have an effect on any businesses other than large employers which are specifically served by the regulations proposed for change.

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))

9/7/17
(DATE)

BARBARA D. RICHARDSON
Commissioner of Insurance