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Agency Dept of Business and Industry

Division of Insurance

R146-12

FOR EMERGENCY
REGULATIONS ONLY

Effective date _____

Expiration date _____

Governor's signature

Classification: PROPOSED ADOPTED BY AGENCY EMERGENCY

Brief description of action Actuarial Opinion and Memorandum Requirements for Life Insurers (LCB File No. R146-12). Adopted regulation concerning statements of actuarial opinion submitted in connection with the annual financial statements of life insurers.

Authority citation other than 233B NRS 679B.130, 681B.210, 681B.220 and 681B.230.

Notice date 5/10/13

Date of Adoption by Agency 6/26/13

Hearing date 6/13/13

**ADOPTED REGULATION OF
THE COMMISSIONER OF INSURANCE**

LCB File No. R146-12

Effective October 4, 2013

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

AUTHORITY: §§1, 3, 6-9, 11, 12 and 17, NRS 679B.130, 681B.210 and 681B.220; §§2, 15 and 16, NRS 679B.130 and 681B.230; §§4 and 14, NRS 679B.130 and 681B.220; §5, NRS 679B.130, 681B.110, 681B.220 and 681B.240; §10, NRS 679B.130, 681B.210, 681B.220 and 681B.230; §13, NRS 679B.130 and 681B.210.

A REGULATION relating to insurance; making various changes concerning statements of actuarial opinion submitted in connection with the annual statements of life insurers; and providing other matters properly relating thereto.

Section 1. Chapter 681B of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 5, inclusive, of this regulation.

Sec. 2. 1. *The regulatory asset adequacy issues summary required pursuant to NAC 681B.215 must include, without limitation:*

(a) Descriptions of the scenarios tested, including, without limitation, whether those scenarios are stochastic or deterministic and the sensitivity testing done relative to those scenarios. If negative ending surplus results under certain tests in the aggregate, the description of those tests must include the amount of additional reserve as of the valuation date which, if held, would eliminate the negative aggregate surplus values. For the purposes of this paragraph, ending surplus values must be determined by:

(1) Extending the projection period until the in-force and associated assets and liabilities at the end of the projection period are immaterial; or

(2) Adjusting the surplus amount at the end of the projection period by an amount that appropriately estimates the value that can reasonably be expected to arise from the assets and liabilities remaining in force.

(b) A discussion of the extent to which the appointed actuary uses assumptions in the current asset adequacy analysis that are materially different than the assumptions used in the previous asset adequacy analysis.

(c) The amount of reserves and the identity of the product lines that had been subjected to asset adequacy analysis in the previous opinion but were not subjected to analysis in the current opinion.

(d) Comments on any interim results that were of significant concern to the appointed actuary, such as the impact of an insufficiency of assets to support the payment of benefits and expenses or the establishment of statutory reserves during one or more interim periods.

(e) The methods used by the actuary to recognize the impact of reinsurance on the insurer's cash flows, including both assets and liabilities, under each of the scenarios tested.

(f) An explanation of whether the actuary is satisfied that all options, whether explicit or embedded, in any asset or liability, including, but not limited to, those affecting cash flows embedded in fixed income securities and equity-like features in any investments, have been appropriately considered in the asset adequacy analysis.

2. The regulatory asset adequacy issues summary must contain the name of the insurer for which the summary is prepared and must be signed and dated by the appointed actuary rendering the actuarial opinion.

Sec. 3. The adoption for new issues or new claims or other new liabilities of an actuarial assumption that differs from a corresponding assumption used for prior new issues or new claims or other new liabilities is not considered to be a change in actuarial assumptions for the purposes of NRS 681B.210 and 681B.220.

Sec. 4. 1. If an appointed actuary is unable to form an opinion as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the Commissioner satisfy the conditions set forth in NRS 681B.210 or 681B.220, the appointed actuary shall refuse to issue a statement of actuarial opinion.

2. If an appointed actuary's opinion as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the Commissioner satisfy the conditions set forth in NRS 681B.210 or 681B.220 is adverse or qualified, the appointed actuary shall issue an adverse or qualified actuarial opinion explicitly stating the reasons for the opinion.

Sec. 5. 1. The Commissioner may accept the opinion of a qualified actuary submitted by a foreign insurer that is based on the laws and regulations of the state in which the insurer is domiciled if:

(a) The Commissioner determines that the opinion satisfies the requirements of NRS 681B.240; or

(b) The opinion includes a statement that the reserves and related actuarial items meet the requirements of the laws and regulations of the state in which the insurer is domiciled and are at least as great as the minimum aggregate amounts required by the laws and regulations of this State or an alternative statement approved by the Commissioner. Upon request, the Commissioner will provide guidelines for language that will satisfy the provisions of this subsection.

2. The Commissioner may reject the opinion of a qualified actuary submitted by a foreign insurer pursuant to subsection 1 or NRS 681B.240 and require the insurer to submit the opinion of a qualified actuary that is based on the laws and regulations of this State.

3. If a foreign insurer required to submit the opinion of a qualified actuary pursuant to subsection 2 is unable to provide the opinion within 60 days after the request, or such other period determined by the Commissioner after consultation with the insurer, the Commissioner may engage an independent actuary at the expense of the insurer to prepare and submit the opinion.

Sec. 6. NAC 681B.100 is hereby amended to read as follows:

681B.100 As used in NAC 681B.100 to 681B.245, inclusive, *and sections 2 to 5, inclusive, of this regulation*, unless the context otherwise requires, the words and terms defined in NAC 681B.105 to 681B.155, inclusive, have the meanings ascribed to them in those sections.

Sec. 7. NAC 681B.115 is hereby amended to read as follows:

681B.115 “Appointed actuary” means a qualified actuary who is appointed or retained by *the board of directors or its equivalent of an insurer or by an executive officer of the insurer, other than the qualified actuary, acting under the authority of the board of directors or its*

equivalent, to prepare the opinions required pursuant to NRS 681B.210 and 681B.220 and the supporting memorandum required pursuant to NRS 681B.230.

Sec. 8. NAC 681B.150 is hereby amended to read as follows:

681B.150 “Opinion of a qualified actuary” means:

1. The opinion *of an appointed actuary* as to the computation of reserves and related items of an insurer required pursuant to NRS 681B.210; or

2. The opinion *of an appointed actuary* as to the adequacy of the reserves and related actuarial items of an insurer based on an asset adequacy analysis required pursuant to NRS 681B.220.

Sec. 9. NAC 681B.155 is hereby amended to read as follows:

681B.155 “Qualified actuary” means a person who:

1. Is a member in good standing of the American Academy of Actuaries;

2. Is qualified to sign ~~{opinions of qualified actuaries}~~ *a statement of actuarial opinion for annual statements of life and health insurers {pursuant to the standards of the organization;} in accordance with the qualification standards set by the American Academy of Actuaries for an actuary signing such a statement;*

3. Is familiar with the valuation requirements applicable to life and health insurers;

4. Has not been found by the Commissioner to have:

(a) In the course of the person’s dealings as a qualified actuary, violated any provision of, or any obligation imposed by, the Nevada Insurance Code or any other law;

(b) Been guilty of fraudulent or dishonest practices;

(c) Demonstrated his or her incompetency, lack of cooperation or untrustworthiness to act as a qualified actuary;

(d) Submitted to the Commissioner during the past 5 years an opinion of a qualified actuary or a supporting memorandum that the Commissioner rejected because it did not meet the standards set forth in NAC 681B.100 to 681B.245, inclusive, *and sections 2 to 5, inclusive, of this regulation* or the “*Actuarial Standards of [Actuarial] Practice*” adopted by the Actuarial Standards Board; or

(e) Resigned or been removed as an actuary within the past 5 years as a result of acts or omissions indicated in any adverse report on examination or because the person failed to adhere to generally acceptable actuarial standards; and

5. Has not failed to notify the Commissioner of the rejection by the insurance regulatory authority of any other state of a submitted opinion or supporting memorandum on grounds similar to those described in paragraph (d) of subsection 4.

↪ The term includes a person who has been found by the Commissioner to have committed one or more of the actions described in subsection 4 and has subsequently been reinstated as a qualified actuary by the Commissioner, unless the person otherwise does not meet the definition of the term.

Sec. 10. NAC 681B.165 is hereby amended to read as follows:

681B.165 1. Every insurer shall annually submit the opinion of a qualified actuary required pursuant to NRS 681B.210.

2. Every insurer ~~[unless exempted pursuant to NAC 681B.185, 681B.190 or 681B.195,]~~ shall also annually submit the opinion of a qualified actuary based on an asset adequacy analysis

required pursuant to NRS 681B.220 and prepare the supporting memorandum required pursuant to NRS 681B.230.

3. ~~Notwithstanding the provisions of subsection 2, the Commissioner may, if he or she determines that an asset adequacy analysis is necessary with respect to an insurer who is otherwise exempt from submitting the opinion of a qualified actuary based on an asset adequacy analysis required pursuant to NRS 681B.220 and preparing the supporting memorandum required pursuant to NRS 681B.230, require the insurer to submit such an opinion and prepare such a memorandum.~~

~~4. The~~ *An insurer shall, in accordance with the Annual Statement Instructions for Life, Accident and Health Insurance Companies, as adopted by the National Association of Insurance Commissioners for the year in which the insurer files the statement, file with the National Association of Insurance Commissioners, and the insurance regulatory authority of any other required jurisdiction, a copy of each opinion of a qualified actuary submitted to the Commissioner pursuant to subsection 2.*

4. *Except as otherwise provided in this section, the opinion or opinions of a qualified actuary submitted pursuant to this section must be included on or attached to the first page of the annual statement for the insurer and must be entitled "Statement of Actuarial Opinion."*

5. *The Commissioner may grant an extension of time for the submission of the opinion or opinions of a qualified actuary pursuant to this section. The request must be submitted in writing and be received by the Commissioner on or before the date established, pursuant to NRS 680A.270, for filing the annual statement of the insurer.*

Sec. 11. NAC 681B.170 is hereby amended to read as follows:

681B.170 1. Each insurer required to submit an opinion of a qualified actuary pursuant to NRS 681B.210 or 681B.220 shall notify the Commissioner, in writing, of:

(a) The name, title and manner of appointment or retention of each person appointed or retained by the insurer as an appointed actuary; and

(b) If the appointed actuary is a consulting actuary, the name of the firm ~~{appointed or retained.}~~ *that he or she represents.*

2. The insurer shall state in the notice required pursuant to subsection 1 that the person appointed as actuary is a qualified actuary.

3. Once notice is furnished pursuant to this section, no further notice is required with respect to the actuary, unless the actuary ceases to be appointed or retained as an appointed actuary or ceases to meet the requirements of a qualified actuary. The insurer shall timely notify the Commissioner, in writing, if the appointed actuary for the insurer ceases to be appointed or retained as an appointed actuary or ceases to meet the requirements of a qualified actuary. If any person appointed or retained as an appointed actuary replaces a previously appointed actuary, the notice must state that the appointed actuary is replacing the previously appointed actuary and give the reasons for the replacement.

Sec. 12. NAC 681B.180 is hereby amended to read as follows:

681B.180 1. An opinion of a qualified actuary must apply to all business in force on the date of the annual statement regardless of when or where issued, including reserves included in Exhibits ~~{8, 9 and 10}~~ **5, 6 and 7** of the annual statement, claim liabilities listed in Part I of Exhibit ~~{11}~~ **8** of the annual statement and equivalent items in the separate account statement or statements submitted with the annual statement.

2. If the appointed actuary determines from the asset adequacy analysis that a reserve should be held in addition to the aggregate reserve held by the insurer and calculated in accordance with the methods set forth in NRS 681B.130 and 681B.150, the insurer shall establish the additional reserve.

3. Additional reserves established under subsection 2 which are determined by a qualified actuary to be not necessary in subsequent years may be released. All ~~amount~~ *amounts* released must be disclosed in the opinion of a qualified actuary for the applicable year. The release of such reserves shall not be deemed an adoption of a lower standard of valuation.

Sec. 13. NAC 681B.205 is hereby amended to read as follows:

681B.205 1. An opinion of a qualified actuary submitted pursuant to NRS 681B.210 must contain:

(a) A paragraph which identifies the appointed actuary and lists his or her qualifications;

(b) A paragraph which states that the opinion is rendered in accordance with NRS 681B.210 and this section and is not based on an asset adequacy analysis;

(c) A paragraph which identifies the subjects on which the opinion is to be expressed and describes the scope of the appointed actuary's work; and

(d) A paragraph expressing the appointed actuary's opinion.

2. The paragraph required pursuant to paragraph (c) of subsection 1 must contain a list of the items and amounts with respect to which the actuary is expressing an opinion. The list must include, without limitation:

(a) Aggregate reserves and deposit funds for policies and contracts included in Exhibit ~~{8}~~ 5 of the insurer's annual statement;

(b) Aggregate reserves and deposit funds for policies and contracts included in Exhibit ~~{9}~~ 6 of the insurer's annual statement;

(c) Deposit funds, premiums, dividend and coupon accumulations and supplementary contracts not involving life contingencies included in Exhibit ~~{10}~~ 7 of the insurer's annual statement; and

(d) Liability for the end of the year based on policy and contract claims, included in part I of Exhibit ~~{11}~~ 8 of the insurer's annual statement.

3. Upon request, the Commissioner will provide guidelines for language that will satisfy the provisions of this section.

Sec. 14. NAC 681B.210 is hereby amended to read as follows:

681B.210 1. A statement of actuarial opinion based on an asset adequacy analysis submitted pursuant to NRS 681B.220 must contain:

(a) A paragraph which identifies the appointed actuary and lists his or her qualifications;

(b) A paragraph which identifies the subjects on which the opinion is expressed and describes the scope of the appointed actuary's work, including a tabulation which:

(1) Delineates the reserves and related actuarial items which have been analyzed for asset adequacy;

(2) Delineates the method of analysis; and

(3) Identifies the reserves and related actuarial items covered by the opinion which have not been analyzed;

(c) A paragraph which describes those areas, if any, where the appointed actuary has deferred to other experts in developing data, procedures or assumptions, including, but not limited to,

anticipated cash flows from currently owned assets, including variations in cash flows according to economic scenarios;

(d) A supporting statement prepared by each expert consulted pursuant to paragraph (c);

(e) A paragraph which expresses the appointed actuary's opinion with respect to the adequacy of the supporting assets to mature the liabilities;

(f) If the actuary determines that it is necessary to qualify his or her opinion, a paragraph which contains the qualification;

~~(g) If it is necessary for the appointed actuary to disclose the method of aggregation for reserves of different products or lines of business for asset adequacy analysis, a paragraph which contains the disclosure;~~

~~(h) If it is necessary for the appointed actuary to disclose reliance upon any portion of the assets supporting the Asset Valuation Reserve, Interest Maintenance Reserve or other mandatory or voluntary statement of reserves for asset adequacy analysis, a paragraph which contains the disclosure;~~

~~(i) If it is necessary for the appointed actuary to disclose an inconsistency in the method of analysis or basis of asset allocation used in a previous opinion with that used in the opinion, a paragraph which contains the disclosure;~~

~~(j) (h)~~ If it is necessary for the appointed actuary to disclose whether additional reserves required as of the date of a previous opinion are released as of the date of the current opinion and the extent of the release, a paragraph which contains the disclosure; and

~~(k) (i)~~ If the appointed actuary wishes to add a brief description of the assumptions which form the basis for the actuarial opinion, a paragraph which contains the description.

2. The paragraph required pursuant to paragraph (b) of subsection 1 must include, without limitation:

(a) Aggregate reserves and deposit funds for policies and contracts included in Exhibit ~~{8}~~ 5 of the insurer's annual statement;

(b) Aggregate reserves and deposit funds for policies and contracts included in Exhibit ~~{9}~~ 6 of the insurer's annual statement;

(c) Deposit funds, premiums, dividend and coupon accumulations and supplementary contracts not involving life contingencies included in Exhibit ~~{10}~~ 7 of the insurer's annual statement; and

(d) Liability for the end of the current year based on policy and contract claims included in Part I of Exhibit ~~{11}~~ 8 of the insurer's annual statement.

3. Upon request, the Commissioner will provide guidelines for language that will satisfy the provisions of this section.

Sec. 15. NAC 681B.215 is hereby amended to read as follows:

681B.215 1. ~~{The}~~ *Except as otherwise provided in this section, the* supporting memorandum required pursuant to NRS 681B.230 must be made available for examination by the Commissioner upon his or her request. The memorandum will be returned to the insurer after it is examined by the Commissioner and will not be considered a record of the Division or filed with the Commissioner.

2. In preparing the memorandum, the appointed actuary may rely on, and include as a part of the memorandum, memoranda prepared and signed by other qualified actuaries. Each

memorandum prepared and signed by another actuary must contain a statement that the actuary who prepared the memorandum is a qualified actuary.

3. If the Commissioner engages a qualified actuary to review the opinion of another qualified actuary pursuant to NRS 681B.230, the review will be directed and controlled by the Commissioner. The actuary engaged by the Commissioner will have the authority provided to an examiner pursuant to NRS 679B.230 to 679B.300, inclusive, for the purposes of obtaining data from the insurer. The work papers and documentation of the reviewing actuary will be retained by the Commissioner. All information provided by the insurer to the reviewing actuary and included in the work papers shall be deemed material provided by the insurer to the Commissioner and must be kept confidential in the same manner as material provided by the insurer to the Commissioner pursuant to NRS 679B.230 to 679B.300, inclusive. The reviewing actuary must not be an employee of a consulting firm involved with the preparation of any previous memorandum or opinion for the insurer submitted pursuant to NRS 681B.210, 681B.220 or 681B.230 for the current year or any of the immediately preceding 3 years.

4. The appointed actuary who prepares the supporting memorandum required pursuant to NRS 681B.230 shall prepare a regulatory asset adequacy issues summary that includes the information required by section 2 of this regulation. A domestic insurer shall, unless the Commissioner grants an extension of time, submit the regulatory asset adequacy issues summary to the Commissioner not later than March 15 of the year following the year for which the supporting memorandum is prepared. A foreign insurer shall make the regulatory asset adequacy issues summary available for examination by the Commissioner upon his or her request. Except as otherwise provided in NRS 681B.260, the regulatory asset adequacy

issues summary must be kept confidential to the same extent and under the same conditions as the supporting memorandum.

Sec. 16. NAC 681B.220 is hereby amended to read as follows:

681B.220 1. A supporting memorandum provided pursuant to NRS 681B.230 must *conform to the “Actuarial Standards of Practice” adopted from time to time by the Actuarial Standards Board and any additional standards set forth in NAC 681B.100 to 681B.245, inclusive, and sections 2 to 5, inclusive of this regulation and* demonstrate that the asset adequacy analysis has been performed in accordance with the provisions of NAC 681B.175. The memorandum must specify:

(a) For reserves:

(1) The product descriptions, including market description, underwriting and other aspects of a risk profile, and the specific risks the appointed actuary deems significant;

(2) The source of liability in force;

(3) The reserve method and basis;

(4) The investment reserves; ~~and~~

(5) The reinsurance arrangements;

(6) *Each guarantee, whether express or implied, made by the general account in support of benefits provided through a separate account or under a separate account policy or contract and the methods used by the appointed actuary to provide for the guarantee in the asset adequacy analysis; and*

(7) *The documentation of the assumptions used by the qualified actuary to test reserves for:*

(I) Lapse rates, including both base and excess rates;

(II) Interest crediting rate strategy;

(III) Mortality;

(IV) Policyholder dividend strategy;

(V) Competitor or market interest rate;

(VI) Annuitization rates;

(VII) Commissions and expenses; and

(VIII) Morbidity.

⇒ The documentation of the assumptions must be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions.

(b) For assets:

(1) The portfolio descriptions, including a risk profile disclosing the quality, distribution and types of assets;

(2) The investment and disinvestment assumptions;

(3) The source of asset data; ~~and~~

(4) The asset valuation bases; *and*

(5) The documentation of the assumptions made for:

(I) Default costs;

(II) Bond call function;

(III) Mortgage prepayment function;

(IV) Determination of market value for assets sold pursuant to a disinvestment strategy; and

(V) Determination of yield on assets acquired through an investment strategy.

↳ The documentation of the assumptions must be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions.

(c) The analysis basis, including:

(1) The methodology;

(2) The rationale for inclusion or exclusion of different blocks of business and the manner in which pertinent risks were analyzed;

(3) The rationale for degree of rigor in analyzing different blocks of business ~~{;}~~, *including, without limitation, the level of materiality used to determine how rigorously to analyze different blocks of business;*

(4) The criteria for determining asset adequacy ~~{;}~~, *including, without limitation, the precise basis for determining if assets are adequate to cover reserves under moderately adverse conditions or other conditions as specified in the applicable standards of actuarial practice;* and

(5) ~~{The}~~ *Whether the* effect of federal income taxes ~~{;}~~ *was considered and the method of treating* reinsurance ~~{and other relevant factors;}~~ *in the asset adequacy analysis.*

(d) A summary of *any material change in method, procedure or assumptions from the immediately preceding asset adequacy analysis.*

(e) A summary of results. ~~{;}~~ and

~~{(e)}~~ (f) A conclusion or conclusions.

2. The memorandum must include the following statement:

Actuarial methods, considerations and analyses used in the preparation of this memorandum conform to the appropriate “*Actuarial* Standards of ~~{Actuarial}~~ Practice ” adopted by the Actuarial Standards Board, which standards form the basis for this memorandum.

Sec. 17. NAC 681B.145, 681B.185, 681B.190, 681B.195 and 681B.200 are hereby repealed.

TEXT OF REPEALED SECTIONS

681B.145 “Noninvestment grade bond” defined. “Noninvestment grade bond” means a bond designated as a class 3, 4, 5 or 6 bond by the Securities Valuation Office of the National Association of Insurance Commissioners.

681B.185 Exemption from requirement to submit opinion based on asset adequacy analysis: Category A insurers.

1. Except as otherwise provided in subsection 3 of NAC 681B.165, an insurer who is a category A insurer at the end of the calendar year for which an annual statement is submitted is exempt from submitting the opinion of a qualified actuary based on an asset adequacy analysis required pursuant to NRS 681B.220 if, at the end of the year for which the annual statement is submitted:

(a) The ratio of the sum of capital and surplus to the sum of cash and invested assets is not less than 0.10;

(b) The ratio of the sum of the reserves and liabilities for annuities and deposits to the total admitted assets is less than 0.30;

(c) The ratio of the book value of the noninvestment grade bonds to the sum of capital and surplus is less than 0.50; and

(d) The Examiner Team for the National Association of Insurance Commissioners has not designated the insurer as a first priority company in either of the 2 calendar years immediately preceding the calendar year for which the annual statement is applicable or as a second priority company in each of the 2 calendar years immediately preceding the calendar year for which the annual statement is applicable, or:

(1) The insurer has resolved his or her status as a first or second priority company to the satisfaction of the Commissioner of Insurance of the state where the insurer is domiciled; and

(2) The Commissioner of Insurance of the state where the insurer is domiciled has notified the Chair of the Life and Health Actuarial Task Force of the National Association of Insurance Commissioners and the Staff and Support Office of the National Association of Insurance Commissioners that the insurer's status as a first or second priority company has been resolved.

2. As used in this section, "category A insurer" means an insurer who has not more than \$20,000,000 in admitted assets.

681B.190 Exemption from requirement to submit opinion based on asset adequacy analysis: Category B insurers.

1. Except as otherwise provided in subsection 3 of NAC 681B.165, an insurer who is a category B insurer at the end of the calendar year for which an annual statement is submitted is exempt from submitting the opinion of a qualified actuary based on an asset adequacy analysis required pursuant to NRS 681B.220 if, at the end of the year for which the annual statement is submitted:

(a) The ratio of the sum of capital and surplus to the sum of cash and invested assets is not less than 0.07;

(b) The ratio of the sum of the reserves and liabilities for annuities and deposits to the total admitted assets is less than 0.40;

(c) The ratio of the book value of the noninvestment grade bonds to the sum of capital and surplus is less than 0.50; and

(d) The Examiner Team for the National Association of Insurance Commissioners has not designated the insurer as a first priority company in either of the 2 calendar years immediately preceding the calendar year for which the annual statement is applicable or as a second priority company in each of the 2 calendar years immediately preceding the calendar year for which the annual statement is applicable, or:

(1) The insurer has resolved his or her status as a first or second priority company to the satisfaction of the Commissioner of Insurance of the state where the insurer is domiciled; and

(2) The Commissioner of Insurance of the state where the insurer is domiciled has notified the Chair of the Life and Health Actuarial Task Force of the National Association of Insurance Commissioners and the Staff and Support Office of the National Association of Insurance Commissioners that the insurer's status as a first or second priority company has been resolved.

2. As used in this section, “category B insurer” means an insurer who has more than \$20,000,000 in admitted assets but not more than \$100,000,000 in admitted assets.

681B.195 Exemption from requirement to submit opinion based on asset adequacy analysis: Category C insurers.

1. Except as otherwise provided in subsection 3 of NAC 681B.165, an insurer who is a category C insurer at the end of the calendar year for which an annual statement is submitted and who, for the preceding calendar year, submitted an opinion of a qualified actuary based on an asset adequacy analysis required pursuant to NRS 681B.220 is exempt for the next 2 years from submitting the opinion required pursuant to NRS 681B.220 if, at the end of the year for which the annual statement is submitted:

(a) The ratio of the sum of capital and surplus to the sum of cash and invested assets is not less than 0.05;

(b) The ratio of the sum of the reserves and liabilities for annuities and deposits to the total admitted assets is less than 0.50;

(c) The ratio of the book value of the noninvestment grade bonds to the sum of capital and surplus is less than 0.50; and

(d) The Examiner Team for the National Association of Insurance Commissioners has not designated the insurer as a first priority company in either of the 2 calendar years immediately preceding the calendar year for which the annual statement is applicable or as a second priority company in each of the 2 calendar years immediately preceding the calendar year for which the annual statement is applicable, or:

(1) The insurer has resolved its status as a first or second priority company to the satisfaction of the Commissioner of Insurance of the state where the insurer is domiciled; and

(2) The Commissioner of Insurance of the state where the insurer is domiciled has notified the Chair of the Life and Health Actuarial Task Force of the National Association of Insurance Commissioners and the Staff and Support Office of the National Association of Insurance Commissioners that the insurer's status as a first or second priority company has been resolved.

2. As used in this section, "category C insurer" means an insurer who has more than \$100,000,000 in admitted assets but not more than \$500,000,000 in admitted assets.

681B.200 Category D insurer not exempt from requirement to submit opinion based on asset adequacy analysis.

1. An insurer who is a category D insurer at the end of the calendar year for which an annual statement is submitted is not exempt from submitting the opinion of a qualified actuary based on an asset adequacy analysis required pursuant to NRS 681B.220.

2. As used in this section, "category D insurer" means an insurer who has more than \$500,000,000 in admitted assets.



DEPARTMENT OF BUSINESS AND INDUSTRY
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Received
JUN 27 2013
By LCB Legal

NRS 233B.066
INFORMATIONAL STATEMENT LETTER

June 26, 2013

Debra L. Corp, Paralegal Manager
Legislative Counsel Bureau, Legal Division
401 S. Carson Street
Carson City, NV 89701

Re: Proposed Regulation Concerning Actuarial Opinion and Memorandum
Requirements for Life Insurers
LCB File No. R146-12, Division's Cause No. 12.0587

Dear Ms. Corp:

A workshop was held on June 6, 2013, and a hearing was held on June 13, 2013, at the offices of the State of Nevada, Department of Business and Industry, Division of Insurance ("Division"), 1818 East College Parkway, 1st Floor Hearing Room, Carson City, Nevada 89706, with a simultaneous videoconference conducted at the Bradley Building, 2501 East Sahara Avenue, 2nd Floor Conference Room, Las Vegas, Nevada 89104, in regard to adoption of the regulation concerning statements of actuarial opinion submitted with the annual financial statements of life insurers.

Public comment was solicited by posting notice of the hearing in the following public locations: the Division's Website, the Division's Carson City and Las Vegas offices, the Carson City Courthouse, Office of the Attorney General, Capitol Building Lobby, Capitol Building Press Room, Blasdel Building, and Legislative Counsel Bureau; and by providing notice of the hearing to the Donald W. Reynolds Press Center, Nevada State Library, Carson City Library, Churchill County Library, Clark County District Library, Douglas County Library, Elko County

Library, Esmeralda County Library, Eureka Branch Library, Humboldt County Library, Lander County Library, Lincoln County Library, Lyon County Library, Mineral County Library, Pershing County Library, Storey County Clerk, Tonopah Public Library, Washoe County Library, White Pine County Library.

The Division maintains an e-mail list of interested parties, comprised mainly of insurance companies, agencies, and other persons regulated by the Division. These persons were notified of the workshop and hearing and that a copy of the regulation could be obtained from or examined on the Division's Internet Website.

At the workshop, oral comments were provided by Annette James, Lead Actuary for the Division. No member of the public was in attendance at the workshop. Written comments were received prior to the workshop from John Mangan, representing the American Council of Life Insurers ("ACLI").

At the hearing, testimony was provided by Ms. James. No member of the public was in attendance at the hearing.

Regarding the person(s) who gave testimony and/or submitted written comments, the following disclosures are made pursuant to NRS 233B.066(1)(c):

Name	Organization Represented	Business Address	Business Telephone No.	Electronic Mail Address
Annette James	Nevada Division of Insurance	1818 E. College Pkwy. Ste. 103 Carson City, NV 89706	(775) 687-0732	ajames@doi.nv.gov
John Mangan	American Council of Life Insurers	101 Constitution Ave. NW Ste. 700 Washington, DC 20001	(202) 577-7813	johnmangan@acli.com

After considering the record and the recommendation of the hearing officer, the Commissioner has issued an order adopting the proposed permanent regulation, LCB File No. R146-12, dated January 15, 2013, with the following amendments:

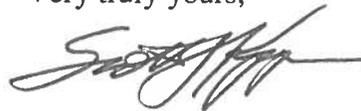
1. Section 13 will be deleted in its entirety and the remaining sections renumbered accordingly.
2. The renumbered section 16 will be revised to add NAC 681B.205 to the list of repealed sections, and the current text of NAC 681B.205 will be added to the end of the section entitled "Text of Repealed Sections."
3. Subsection 4 of the renumbered section 14 will read in its entirety as follows:

The appointed actuary who prepares the supporting memorandum required pursuant to NRS 681B.230 shall prepare a regulatory asset adequacy issues summary that includes the information required by section 2 of this regulation. Unless the Commissioner grants an extension of time, the regulatory asset adequacy issues summary must be submitted by insurers domiciled in this state to the Commissioner not later than March 15 of the year following the year for which the supporting memorandum is prepared. Insurers not domiciled in this state shall make the regulatory asset issues summary available to the Commissioner for examination upon request. Except as otherwise provided in NRS 681B.260, the regulatory asset adequacy issues summary must be kept confidential to the same extent and under the same conditions as the supporting memorandum.

This regulation is expected to have a beneficial impact on the public, small businesses and the business it regulates because it will provide consistent standards, which meet national accreditation requirements, for the establishment of appropriate life insurance reserves for insurers operating in the state of Nevada. This regulation is not expected to have an adverse impact on the business it regulates, small businesses or the public.

The Division does not anticipate any additional cost for enforcing the regulation. The Division is not aware of any overlap or duplication of the regulation with any state, local or federal regulation.

Very truly yours,



SCOTT J. KIPPER
Commissioner of Insurance

c: Brenda Erdoes, Legislative Counsel
Sheri LeTourneau, Commissioner's Secretary
Michael Lynch, Deputy Commissioner
Adam Plain, Insurance Regulation Liaison