



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

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**Approved Exceptions for Nevada Domestic Risk Retention Groups from Certain Laws, Regulations, and Requirements Applicable to Liability Insurers**

This Bulletin amends Bulletin 14-008, issued on August 5, 2014, which provided notice of the exceptions granted by the Commissioner of Insurance ("Commissioner") pursuant to Nevada Revised Statute ("NRS") 695E.140(1)(a) to Risk Retention Groups ("RRGs") chartered in this State. NRS 695E.140(1)(a) vests the Commissioner with the authority to grant certain exceptions to those RRGs from laws, regulations, and requirements normally applicable to liability insurers. Pursuant to this authority, Bulletin 14-008 is amended as follows:

The first amendment is the elimination of the exemption that had allowed RRGs to forego the requirements of filing rates for prior approval by the Division of Insurance ("Division") pursuant to Chapter 686B of NRS and the Nevada Administrative Code ("NAC"). The requirement to file and receive prior approval from the Division for regulated rates is effective for all new rates and rate changes proposed by a Nevada-domiciled RRG as of the date of this Bulletin 19-001.

The second amendment requires RRGs to accomplish the filing of rates as set forth above via the System for Electronic Rate and Form Filings ("SERFF") pursuant to NAC 686B.100.

The third amendment concerns Accounting Standards. Whereas the August 5, 2014 issuance of Bulletin 14-008 provided notice that only Generally Accepted Accounting Principles ("GAAP") filing was allowed, Bulletin 19-001 incorporates NRS 694C.390(3)(c) as amended during the 2015 Legislative Session, which gives RRGs a choice between filing on a GAAP basis, including any modifications or adaptations thereof that have been approved or accepted by the Commissioner, or on a Statutory Accounting Principle ("SAP") basis.

See attached to this Bulletin 19-001 a table showing the complete list of exceptions granted by the Commissioner pursuant to NRS 695E.140(1)(a) to RRGs chartered in this State.

A handwritten signature in blue ink, appearing to read "Barbara D. Richardson", written over a horizontal line.

BARBARA D. RICHARDSON  
Commissioner of Insurance

Area	Requirements That Apply to Traditional Insurers But Not to RRGs	Requirements That Apply Instead to RRGs in This Area
Accounting Standards	<p><b><u>NRS 680A.270(b)(2)</u></b>: NRS 680A.270(b)(2) requires the Annual Statement to be prepared in accordance with the NAIC <i>Accounting Practices and Procedures Manual</i> and the Statements of Statutory Accounting Principles (SSAPs) therein.</p> <p><b><u>NAC 679B.033(1)(b) and (2)(b)</u></b>: NAC 679B.033(1)(b) and (2)(b) specifically provide that the NAIC <i>Accounting Practices and Procedures Manual</i> is adopted by reference with regard to evaluation of the financial condition of an insurer.</p>	<p><b><u>NRS 694C.390(3)(c)</u></b>: Pursuant to NRS 694C.400 (1), captive insurers shall use Generally Accepted Accounting Principles (“GAAP”) including any modifications or adaptations that have been approved by the Commissioners. RRGs may also file on GAAP including any modifications or adaptations approved by the Commissioner pursuant to NRS 694C.390(3)(c)(1), but may opt to file on a SSAPs basis pursuant to NRS 694C.390(3)(c)(2). The basis of accounting selected shall remain consistent for financial statements submitted each year.</p>
Capital and Surplus – Minimum Requirements	<p><b><u>NRS 680A.120</u></b> prescribes absolute minimum capital and surplus requirements for liability insurers.</p>	<p><b><u>NRS 694C.250(1)(b)</u></b> prescribes absolute minimum capital and surplus requirements for association captive insurers, a category which encompasses risk-retention groups licensed in this State.</p>
Examination Timeframes	<p><b>None</b>: <b><u>NRS 679B.230(1)</u></b> requires examination of liability insurers at least once every 5 years.</p>	<p><b><u>NRS 694C.410</u></b>: NRS 694C.410(1) requires examination of RRGs at least once every 3 years, unless the RRG receives an exception from the Commissioner pursuant to NRS 694C.410(2).</p>
Guaranty-Fund Protection	<p>Chapter <b><u>687A</u></b> of NRS, pertaining to the Nevada Insurance Guaranty Association, applies to liability insurers.</p>	<p>Pursuant to <b><u>NRS 695E.200(5)</u></b>, a risk-retention group is <i>prohibited</i> from joining or contributing financially to the Nevada Insurance Guaranty Association or any other similar association or fund.</p>
Letters of Credit	<p><b><u>NRS 680A.120</u></b> prescribes absolute minimum capital and surplus requirements for liability insurers. The Division of Insurance does not consider letters of credit to satisfy these requirements for liability insurers.</p>	<p><b><u>NRS 694C.250(2)</u></b> provides that a letter of credit is one of two options (the other being cash) for fulfilling minimum capital and surplus requirements. <b><u>NRS 694C.250(4)</u></b> prescribes requirements that a letter of credit must meet to qualify as surplus.</p>

Area	Requirements That Apply to Traditional Insurers But Not to RRGs	Requirements That Apply Instead to RRGs in This Area
Risk Limitation	<p><a href="#">NRS 681A.100</a> provides that “an insurer shall not retain any risk on any one subject of insurance, whether located or to be performed in this state or elsewhere, in an amount exceeding 10 percent of its surplus to policyholders.”</p>	<p><a href="#">NRS 694C.240</a> requires a captive insurer, including an RRG, to file a business plan within its application and to file updated business plans if any changes are made.</p> <p><a href="#">NRS 694C.390(2)</a> requires an RRG to submit a plan of operation and revisions to the plan of operation, which are subject to approval by the Commissioner. Pursuant to <a href="#">NRS 695E.080(1)</a>, the definition of a “Plan of operation” includes “The coverages, deductibles, limits of coverage, rates and systems of rating classification for each line of insurance the group intends to offer”. The Commissioner may disapprove a plan of operation if it contains limits of coverage that are too high relative to an RRG’s surplus.</p> <p><a href="#">NRS 694C.250(3)</a> provides that “The Commissioner may prescribe additional requirements relating to capital or surplus based on the type, volume and nature of the insurance business that is transacted by the captive insurer”.</p> <p><a href="#">NAC 694C. 270</a> provides that a captive insurer shall not make any material change in its plan of operation (including any increase in the risk retained) without the prior approval of the Commissioner.</p> <p><a href="#">NRS 694C.300(2)(b)</a> provides that a captive insurer “Shall not accept or cede reinsurance, except as otherwise provided in <a href="#">NRS 694C.350</a>.”</p> <p><a href="#">NRS 694C.350</a> describes criteria for a captive insurer, including a risk-retention group, to accept or cede reinsurance and take credit for reinsurance.</p>