

ASSEMBLY BILL NO. 435—COMMITTEE  
ON COMMERCE AND LABOR

(ON BEHALF OF THE DEPARTMENT OF ADMINISTRATION)

MARCH 25, 2013

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing insurance.  
(BDR 57-1171)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

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

AN ACT relating to insurance; revising the manner in which an assessment imposed on insurers in this State is calculated; revising requirements concerning reinsurance; exempting certain prepaid limited health service organizations from a requirement to submit certain information to the Commissioner of Insurance; revising provisions governing the Nevada Life and Health Insurance Guaranty Association, the Interstate Insurance Product Regulation Compact, insurance holding companies and requirements that certain groups submit information to the Commissioner; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

- 1 Existing law provides for the regulation of the business of insurance in this
- 2 State, including, without limitation, kinds of insurance, assets and liabilities of
- 3 insurers, holding companies, captive insurers and liability risk retention. (Chapters
- 4 681A, 681B, 686C, 687C, 692C, 694C, 695E of NRS) This bill makes various
- 5 changes to those provisions.
- 6 Existing law requires insurers authorized to transact business in this State to
- 7 pay an assessment to fund a program to investigate unfair or fraudulent insurance
- 8 practices. (NRS 679B.630, 679B.700) **Section 1** of this bill revises the way in
- 9 which this assessment is calculated.
- 10 **Sections 2-5** of this bill revise the requirements certain insurers must meet in
- 11 order to be allowed credit when assuming reinsurance. **Section 6** of this bill
- 12 authorizes the Commissioner of Insurance to exempt certain prepaid limited health



13 service organizations from the requirement to prepare and submit to the  
14 Commissioner a report of the level of risk-based capital of the insurer at the end of  
15 the immediately preceding calendar year.

16 Existing law requires all insurers who provide life and health insurance in this  
17 State to maintain membership in the Nevada Life and Health Insurance Guaranty  
18 Association and requires the Association to cover the policies and contracts of an  
19 insolvent insurer. (NRS 686C.130, 686C.152) **Section 7** of this bill provides that  
20 the Association is not required to cover certain policies and contracts for health care  
21 benefits pursuant to Medicare. **Section 8** of this bill revises the amounts of certain  
22 benefits the Association is required to cover.

23 Under existing law, this State prospectively opts out of all uniform standards  
24 adopted by the Interstate Insurance Product Regulation Commission involving  
25 long-term care insurance products. (NRS 687C.030) **Section 9** of this bill deletes  
26 the prospective opt-out of this State. **Section 12** of this bill enacts certain  
27 requirements concerning the corporate governance of a domestic insurer.

28 **Section 13** of this bill authorizes the Commissioner to convene a supervisory  
29 college, which is a forum for communication and cooperation between regulators,  
30 to ascertain the financial condition or legality of the conduct of certain insurers.  
31 **Sections 15 and 16** of this bill revise provisions relating to the investments of a  
32 domestic insurer. **Sections 17-21** of this bill revise provisions governing the  
33 acquisition of an insurer. **Sections 22 and 23** of this bill require an insurer to  
34 submit certain information to the Commissioner concerning the insurer's general  
35 financial condition and corporate governance. **Sections 24 and 25** of this bill revise  
36 provisions governing transactions by registered insurers with their affiliates.

37 **Sections 26 and 27** revise the method used to determine whether a dividend or  
38 distribution may be paid without requesting approval from the Commissioner.  
39 **Section 28** of this bill revises provisions governing the authority of the  
40 Commissioner to examine an insurer. **Section 29** of this bill changes the date by  
41 which certain insurers are required to submit to the Commissioner a report of the  
42 financial condition of the insurer. **Sections 30-34** of this bill revise information  
43 which certain groups that conduct business concerning insurance are required to  
44 submit to the Commissioner.

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THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 679B.700 is hereby amended to read as  
2 follows:

3 679B.700 1. The Special Investigative Account is hereby  
4 established in the Fund for Insurance Administration and  
5 Enforcement created by NRS 680C.100 for use by the  
6 Commissioner. The Commissioner shall deposit all money received  
7 pursuant to this section with the State Treasurer for credit to the  
8 Account. Money remaining in the Account at the end of a fiscal year  
9 does not lapse to the State General Fund and may be used by the  
10 Commissioner in any subsequent fiscal year for the purposes of this  
11 section.

12 2. The Commissioner shall:

13 (a) In cooperation with the Attorney General, biennially prepare  
14 and submit to the Governor, for inclusion in the executive budget, a



1 proposed budget for the program established pursuant to NRS  
2 679B.630; and

3 (b) Authorize expenditures from the Special Investigative  
4 Account to pay the expenses of the program established pursuant to  
5 NRS 679B.630 and of any unit established in the Office of the  
6 Attorney General that investigates and prosecutes insurance fraud.

7 3. The money authorized for expenditure pursuant to paragraph  
8 (b) of subsection 2 must be distributed in the following manner:

9 (a) Fifteen percent of the money authorized for expenditure must  
10 be paid to the Commissioner to oversee and enforce the program  
11 established pursuant to NRS 679B.630; and

12 (b) Eighty-five percent of the money authorized for expenditure  
13 must be paid to the Attorney General to pay the expenses of the unit  
14 established in the Office of the Attorney General that investigates  
15 and prosecutes insurance fraud.

16 4. Except as otherwise provided in ~~{subsections}~~ *subsection 5 ,*  
17 ~~{and 6,}~~ costs of the program established pursuant to NRS 679B.630  
18 must be paid by the insurers authorized to transact insurance in this  
19 State. The Commissioner shall ~~{annually determine the total cost of~~  
20 ~~the program and divide that amount among the insurers pro rata~~  
21 ~~based upon the total amount of premiums charged to the insureds in~~  
22 ~~this State by the insurer.~~

23 ~~— 5. The annual amount so assessed on each reinsurer that has the~~  
24 ~~authority to assume only reinsurance must not exceed \$500. For all~~  
25 ~~other insurers subject to the annual assessment, the~~ *collect an*  
26 *annual assessment from each insurer authorized to transact*  
27 *insurance in this State. The annual amount so assessed to each*  
28 *insurer:*

29 (a) ~~{Must not exceed}~~ *Is* \$500, if the total amount of the  
30 premiums charged to insureds in this State by the insurer is less than  
31 \$100,000 ~~{}~~ *or if the insurer is a reinsurer that has the authority*  
32 *to assume only reinsurance;*

33 (b) ~~{Must not exceed}~~ *Is* \$750, if the total amount of the  
34 premiums charged to insureds in this State by the insurer is  
35 \$100,000 or more, but less than \$1,000,000;

36 (c) ~~{Must not exceed}~~ *Is* \$1,000, if the total amount of the  
37 premiums charged to insureds in this State by the insurer is  
38 \$1,000,000 or more, but less than \$10,000,000;

39 (d) ~~{Must not exceed}~~ *Is* \$1,500, if the total amount of the  
40 premiums charged to insureds in this State by the insurer is  
41 \$10,000,000 or more, but less than \$50,000,000; and

42 (e) ~~{Must not exceed}~~ *Is* \$2,000, if the total amount of the  
43 premiums charged to insureds in this State by the insurer is  
44 \$50,000,000 or more.



1 ~~16-~~ 5. The provisions of this section do not apply to an insurer  
2 who provides only workers' compensation insurance and pays the  
3 assessment provided in NRS 232.680.

4 ~~17-~~ 6. The Commissioner shall adopt regulations to carry out  
5 the provisions of this section, including, without limitation, the  
6 ~~calculation and~~ collection of the assessment.

7 ~~18-~~ 7. As used in this section, "reinsurer" has the meaning  
8 ascribed to it in NRS 681A.370.

9 **Sec. 2.** NRS 681A.140 is hereby amended to read as follows:

10 681A.140 As used in NRS 681A.140 to 681A.240, inclusive,  
11 "qualified financial institution in the United States" means an  
12 institution that:

13 1. Is organized, or in the case of a branch or agency of a  
14 foreign banking organization in the United States licensed, under the  
15 laws of the United States or any state thereof and has been granted  
16 authority to operate with fiduciary powers; ~~and~~

17 2. Is regulated, supervised and examined by federal or state  
18 authorities having regulatory authority over banks and trust  
19 companies ~~;~~ **and**

20 3. *Is determined:*

21 *(a) By the Commissioner to meet the standards of financial*  
22 *condition and standing prescribed by the Commissioner; or*

23 *(b) By the National Association of Insurance Commissioners*  
24 *to meet the standards of financial condition and standing*  
25 *prescribed by the National Association of Insurance*  
26 *Commissioners.*

27 **Sec. 3.** NRS 681A.160 is hereby amended to read as follows:

28 681A.160 1. Except as otherwise provided in subsection 2,  
29 credit must be allowed if reinsurance is ceded to an assuming  
30 insurer which is accredited as a reinsurer in this state. An accredited  
31 reinsurer is one which:

32 (a) Files with the Commissioner an executed form approved by  
33 the Commissioner as evidence of its submission to this state's  
34 jurisdiction;

35 (b) Submits to this state's authority to examine its books and  
36 records;

37 (c) Files with the Commissioner a certified copy of a certificate  
38 of authority or other evidence approved by the Commissioner  
39 indicating that it is licensed to transact insurance or reinsurance in at  
40 least one state, or in the case of a branch in the United States of an  
41 alien assuming insurer is entered through and licensed to transact  
42 insurance or reinsurance in at least one state;

43 (d) Files annually with the Commissioner a copy of its annual  
44 statement filed with the Division of its state of domicile or entry and  
45 a copy of its most recent audited financial statement;



1 (e) Maintains a surplus as regards policyholders in an amount  
2 which is ~~not~~ :

3 ~~(1) Not~~ less than \$20,000,000 and whose accreditation ~~+~~  
4 ~~(1) Has~~ *has* not been denied by the Commissioner within 90  
5 days after its submission; or

6 (2) ~~Has~~ *Less than \$20,000,000 and whose accreditation*  
7 *has* been approved by the Commissioner; and

8 (f) Pays all applicable fees, including, without limitation, all  
9 applicable fees required pursuant to NRS 680C.110.

10 2. No credit may be allowed for a domestic ceding insurer if  
11 the assuming insurer's accreditation has been revoked by the  
12 Commissioner after notice and a hearing.

13 **Sec. 4.** NRS 681A.180 is hereby amended to read as follows:

14 681A.180 1. Except as otherwise provided in subsection 4,  
15 credit must be allowed if reinsurance is ceded to an assuming  
16 insurer which maintains a trust fund in a qualified financial  
17 institution in the United States for the payment of the valid claims of  
18 its policyholders and ceding insurers in the United States, their  
19 assigns and successors in interest. The assuming insurer shall  
20 ~~report~~ :

21 (a) *Report* annually to the Commissioner information  
22 substantially the same as that required to be reported on the National  
23 Association of Insurance Commissioners' form of annual statement  
24 by licensed insurers to enable the Commissioner to determine the  
25 sufficiency of the trust fund ~~+~~; and

26 (b) *Submit to the authority of this State to examine its books*  
27 *and records.*

28 2. In the case of a single assuming insurer, the trust must  
29 consist of an account in trust equal to the assuming insurer's  
30 liabilities attributable to business written in the United States and  
31 the assuming insurer shall maintain a surplus in trust of not less than  
32 \$20,000,000.

33 3. In the case of a group of incorporated and individual  
34 unincorporated underwriters ~~+~~ ~~the~~ :

35 (a) *The* trust must consist of an account in trust equal to the  
36 group's liabilities attributable to business written in the United  
37 States. ~~and the~~

38 (b) *The* group shall ~~maintain~~ :

39 (1) *Maintain* a surplus in trust of which \$100,000,000 must  
40 be held jointly for the benefit of ceding insurers in the United States  
41 to any member of the group; ~~+~~ and ~~the group shall make~~

42 (2) *Make* available to the Commissioner an annual  
43 certification of the solvency of each underwriter by the group's  
44 domiciliary regulator and its independent public accountants.

45 (c) *The incorporated members of the group:*



1           (1) *Shall not engage in any business other than*  
2 *underwriting as a member of the group; and*

3           (2) *Must be subject to the same level of regulation and*  
4 *solvency control by the applicable regulatory agency of the state in*  
5 *which the group is domiciled as the individual unincorporated*  
6 *members of the group.*

7           4. If the assuming insurer does not meet the requirements of  
8 NRS 681A.110, 681A.160 or 681A.170, credit must not be allowed  
9 unless the assuming insurer has agreed to the following conditions  
10 set forth in the trust agreement:

11           (a) Notwithstanding any provision to the contrary in the trust  
12 instrument, if the trust fund consists of an amount that is less than  
13 the amount required pursuant to this section, or if the grantor of the  
14 trust fund is declared to be insolvent or placed into receivership,  
15 rehabilitation, liquidation or a similar proceeding in accordance with  
16 the laws of the grantor's state or country of domicile, the trustee of  
17 the trust fund must comply with an order of the commissioner of  
18 insurance or other appropriate person with regulatory authority over  
19 the trust fund in that state or country or a court of competent  
20 jurisdiction requiring the trustee to transfer to that commissioner or  
21 person all the assets of the trust fund;

22           (b) The assets of the trust fund must be distributed by and claims  
23 filed with and valued by the commissioner of insurance or other  
24 appropriate person with regulatory authority over the trust fund in  
25 accordance with the laws of the state in which the trust fund is  
26 domiciled that are applicable to the liquidation of domestic insurers  
27 in that state;

28           (c) If the commissioner of insurance or other appropriate person  
29 with regulatory authority over the trust fund determines that the  
30 assets of the trust fund or any portion of the trust fund are not  
31 required to satisfy any claim of any ceding insurer of the grantor of  
32 the trust fund in the United States, the assets must be returned by  
33 that commissioner or person to the trustee of the trust fund for  
34 distribution in accordance with the trust agreement; and

35           (d) The grantor of the trust must waive any right that:

36           (1) Is otherwise available to the grantor under the laws of the  
37 United States; and

38           (2) Is inconsistent with the provisions of this subsection.

39           **Sec. 5.** NRS 681A.240 is hereby amended to read as follows:

40           681A.240 A reduction from liability for the reinsurance ceded  
41 by a domestic insurer to an assuming insurer not meeting the  
42 requirements of NRS 681A.110 or the regulations of the  
43 Commissioner concerning risk-based capital must be allowed in an  
44 amount not exceeding the liabilities carried by the ceding insurer  
45 and the reduction must be in the amount of assets held by or on



1 behalf of the ceding insurer, including assets held in trust for the  
2 ceding insurer, under a contract of reinsurance with the assuming  
3 insurer as security for the payment of obligations thereunder, if the  
4 security is held in the United States subject to withdrawal solely by,  
5 and under the exclusive control of, the ceding insurer, or, in the case  
6 of a trust, held in a qualified financial institution in the United  
7 States. The security may be in any of the following forms:

8 1. Cash.

9 2. Securities listed by the Securities Valuation Office of the  
10 National Association of Insurance Commissioners and qualifying as  
11 admitted assets.

12 3. Irrevocable, unconditional letters of credit, each issued or  
13 confirmed by a qualified financial institution in the United States  
14 ~~[which has been determined by the Commissioner, or the Securities~~  
15 ~~Valuation Office of the National Association of Insurance~~  
16 ~~Commissioners, to meet such standards of financial condition and~~  
17 ~~standing as are considered necessary or appropriate to regulate the~~  
18 ~~quality of financial institutions]~~ whose letters of credit are  
19 acceptable to the Commissioner, no later than December 31 of the  
20 year for which filing is made, and in the possession of the ceding  
21 company on or before the date of filing its annual statement. A letter  
22 of credit meeting applicable standards of acceptability of its issuer  
23 as of the date of its issuance or confirmation, notwithstanding the  
24 issuing or confirming institution's subsequent failure to meet  
25 applicable standards of acceptability, continues to be acceptable as  
26 security until its expiration, extension, renewal, modification or  
27 amendment, whichever first occurs.

28 4. Any other form of security acceptable to the Commissioner.

29 **Sec. 6.** NRS 681B.290 is hereby amended to read as follows:

30 681B.290 1. Except as otherwise provided in subsection 3,  
31 on or before March 1 of each year, each domestic insurer, and each  
32 foreign insurer domiciled in a state which does not have  
33 requirements for reporting risk-based capital, that transacts property,  
34 casualty, life or health insurance in this state shall prepare and  
35 submit to the Commissioner, and to each person designated by the  
36 Commissioner, a report of the level of the risk-based capital of the  
37 insurer as of the end of the immediately preceding calendar year.  
38 The report must be in such form and contain such information as  
39 required by the regulations adopted by the Commissioner pursuant to  
40 this section.

41 2. The Commissioner shall adopt regulations concerning the  
42 amount of risk-based capital required to be maintained by each  
43 insurer licensed to do business in this state that is transacting  
44 property, casualty, life or health insurance in this state. The  
45 regulations must be consistent with the instructions for reporting



1 risk-based capital adopted by the National Association of Insurance  
2 Commissioners, as those instructions existed on January 1, 1997. If  
3 the instructions are amended, the Commissioner may amend the  
4 regulations to maintain consistency with the instructions if the  
5 Commissioner determines that the amended instructions are  
6 appropriate for use in this state.

7 3. The Commissioner may exempt from the provisions of this  
8 section ~~1a~~:

9 (a) A domestic insurer who:

10 ~~1(a)~~ (1) Does not transact insurance in any other state; and

11 ~~1(b)~~ (2) Does not assume reinsurance that is more than 5  
12 percent of the direct premiums written by the insurer.

13 (b) *A prepaid limited health service organization that provides*  
14 *or arranges for the provision of limited health services to fewer*  
15 *than 1,000 enrollees.*

16 4. *As used in this section, "prepaid limited health service*  
17 *organization" has the meaning ascribed to it in NRS 695F.050.*

18 **Sec. 7.** NRS 686C.035 is hereby amended to read as follows:

19 686C.035 1. This chapter does not provide coverage for:

20 (a) A portion of a policy or contract not guaranteed by the  
21 insurer, or under which the risk is borne by the owner of the policy  
22 or contract.

23 (b) A policy or contract of reinsurance unless assumption  
24 certificates have been issued pursuant to that policy or contract.

25 (c) A portion of a policy or contract to the extent that the rate of  
26 interest on which it is based, or the interest rate, crediting rate or  
27 similar factor determined by the use of an index or other external  
28 reference stated in the policy or contract employed in calculating  
29 returns or changes in value:

30 (1) Averaged over the period of 4 years before the date on  
31 which the association becomes obligated with respect to the policy  
32 or contract, exceeds the rate of interest determined by subtracting 2  
33 percentage points from Moody's Corporate Bond Yield Average  
34 averaged for the same period, or for the period between the date of  
35 issuance of the policy or contract and the date the association  
36 became obligated, whichever period is less; and

37 (2) On or after the date on which the association becomes  
38 obligated with respect to the policy or contract, exceeds the rate of  
39 interest determined by subtracting 3 percentage points from  
40 Moody's Corporate Bond Yield Average as most recently available.

41 (d) A portion of a policy or contract issued to a plan or program  
42 of an employer, association or other person to provide life, health or  
43 annuity benefits to its employees, members or other persons to the  
44 extent that the plan or program is self-funded or uninsured,





1 including, but not limited to, benefits payable by an employer,  
2 association or other person under:

3 (1) A multiple employer welfare arrangement described in 29  
4 U.S.C. § ~~H144;~~ **1002(40)**;

5 (2) A minimum-premium group insurance plan;

6 (3) A stop-loss group insurance plan; or

7 (4) A contract for administrative services only.

8 (e) A portion of a policy or contract to the extent that it provides  
9 for dividends, credits for experience, voting rights or the payment of  
10 any fee or allowance to any person, including the owner of a policy  
11 or contract, for services or administration connected with the policy  
12 or contract.

13 (f) A policy or contract issued in this state by a member insurer  
14 at a time when the member insurer was not authorized to issue the  
15 policy or contract in this state.

16 (g) A portion of a policy or contract to the extent that the  
17 assessments required by NRS 686C.230 with respect to the policy or  
18 contract are preempted by federal law.

19 (h) An obligation that does not arise under the express written  
20 terms of the policy or contract issued by the insurer, including:

21 (1) Claims based on marketing materials;

22 (2) Claims based on side letters or other documents that were  
23 issued by the insurer without satisfying applicable requirements for  
24 filing or approval of policy forms;

25 (3) Misrepresentations of or regarding policy benefits;

26 (4) Extra-contractual claims; or

27 (5) A claim for penalties or consequential or incidental  
28 damages.

29 (i) A contractual agreement that establishes the member  
30 insurer's obligation to provide a guarantee based on accounting at  
31 book value for participants in a defined-contribution benefit plan by  
32 reference to a portfolio of assets owned by the benefit plan or its  
33 trustee, which in each case is not an affiliate of the member insurer.

34 (j) A portion of a policy or contract to the extent that it provides  
35 for interest or other changes in value which are determined by the  
36 use of an index or other external reference stated in the policy or  
37 contract, but which have not been credited to the policy or contract,  
38 or as to which the rights of the owner of the policy or contract are  
39 subject to forfeiture, determined on the date the member insurer  
40 becomes an impaired or insolvent insurer, whichever occurs first. If  
41 the interest or changes in value of a policy or contract are credited  
42 less frequently than annually, for the purpose of determining the  
43 values that have been credited and are not subject to forfeiture, the  
44 interest or change in value determined by using procedures stated in  
45 the policy or contract must be credited as if the contractual date for



1 crediting interest or changing values was the date of the impairment  
2 or insolvency of the insured member, whichever occurs first and is  
3 not subject to forfeiture.

4 (k) An unallocated annuity contract other than an annuity owned  
5 by a governmental retirement plan established under section 401,  
6 403(b) or 457 of the Internal Revenue Code, 26 U.S.C. §§ 401,  
7 403(b) and 457, respectively, or the trustees of such a plan.

8 *(l) A policy or contract providing any hospital, medical,*  
9 *prescription drug or other health care benefits pursuant to 42*  
10 *U.S.C. §§ 1395w-21 et seq. and 1395w-101 et seq., and any*  
11 *regulations adopted pursuant thereto.*

12 2. As used in this section, "Moody's Corporate Bond Yield  
13 Average" means the monthly average for corporate bonds published  
14 by Moody's Investors Service, Inc., or any successor average.

15 **Sec. 8.** NRS 686C.210 is hereby amended to read as follows:

16 686C.210 1. The benefits that the Association may become  
17 obligated to cover may not exceed the lesser of:

18 (a) The contractual obligations for which the insurer is liable or  
19 would have been liable if it were not an impaired or insolvent  
20 insurer;

21 (b) With respect to one life, regardless of the number of policies  
22 or contracts:

23 (1) Three hundred thousand dollars in death benefits from  
24 life insurance, but not more than \$100,000 in net cash for surrender  
25 and withdrawal for life insurance; or

26 (2) ~~One~~ *Two* hundred *fifty* thousand dollars in the present  
27 value of benefits from annuities, including net cash for surrender  
28 and withdrawal;

29 (c) With respect to health insurance for any one ~~natural person;~~  
30 *life:*

31 (1) One hundred thousand dollars for coverages other than  
32 disability insurance, *long-term care insurance*, basic hospital,  
33 medical and surgical insurance or major medical insurance,  
34 including any net cash for surrender or withdrawal;

35 (2) Three hundred thousand dollars for disability *insurance*  
36 *or long-term care* insurance; or

37 (3) Five hundred thousand dollars for basic hospital, medical  
38 and surgical insurance or major medical insurance;

39 (d) With respect to each payee of a structured settlement  
40 annuity, or beneficiary or beneficiaries of the payee if deceased,  
41 ~~\$100,000~~ *\$250,000* in present value of benefits from the annuity in  
42 the aggregate, including any net cash for surrender or withdrawal; or

43 (e) With respect to each participant in a governmental retirement  
44 plan covered by an unallocated annuity contract which is owned by  
45 a governmental retirement plan established under section 401,



1 403(b) or 457 of the Internal Revenue Code, 26 U.S.C. §§ 401,  
2 403(b) and 457, respectively, or the trustees of such a plan, and  
3 which is approved by the Commissioner, an aggregate of  
4 ~~[\$100,000,]~~ *\$250,000 in present-value annuity benefits, including*  
5 *the value of net cash for surrender and net cash for withdrawal,*  
6 regardless of the number of contracts.

7 2. In no event is the Association obligated to cover more than:

8 (a) With respect to any one life or person under paragraphs (b)  
9 ~~and (c)]~~ *to (e), inclusive,* of subsection 1:

10 (1) An aggregate of \$300,000 in benefits, excluding benefits  
11 for basic hospital, medical and surgical insurance or major medical  
12 insurance; or

13 (2) An aggregate of \$500,000 in benefits, including benefits  
14 for basic hospital, medical and surgical insurance or major medical  
15 insurance.

16 (b) With respect to one owner of several nongroup policies of  
17 life insurance, whether the owner is a natural person or an  
18 organization and whether the persons insured are officers, managers,  
19 employees or other persons, more than \$5,000,000 in benefits,  
20 regardless of the number of policies and contracts held by the  
21 owner.

22 3. The limitations set forth in this section are limitations on the  
23 benefits for which the Association is obligated before taking into  
24 account its rights to subrogation or assignment or the extent to  
25 which those benefits could be provided out of the assets of the  
26 impaired or insolvent insurer attributable to covered policies. The  
27 cost of the Association's obligations under this chapter may be met  
28 by the use of assets attributable to covered policies, or reimbursed to  
29 the Association pursuant to its rights to subrogation or assignment.

30 4. In performing its obligation to provide coverage under NRS  
31 686C.150 and 686C.152, the Association need not guarantee,  
32 assume, reinsure or perform, or cause to be guaranteed, assumed,  
33 reinsured or performed, the contractual obligations of the impaired  
34 or insolvent insurer under a covered policy or contract which do not  
35 materially affect the economic value or economic benefits of the  
36 covered policy or contract.

37 **Sec. 9.** NRS 687C.030 is hereby amended to read as follows:

38 687C.030 1. It is the policy of this State to opt out of and the  
39 Commissioner of Insurance shall by regulation opt out of any  
40 uniform standard adopted by the Interstate Insurance Product  
41 Regulation Commission which provides less protection than a law  
42 of this State or otherwise diminishes the rights of policyholders and  
43 persons applying for a policy of insurance in this State.

44 2. Upon determining, or upon becoming aware of a finding of a  
45 court of competent jurisdiction which found, that this State must opt



1 out of a uniform standard pursuant to subsection 1, the  
2 Commissioner shall provide to the Director of the Legislative  
3 Counsel Bureau for transmittal to the next regular session of the  
4 Legislature notice of such determination or finding.

5 ~~3.—This State prospectively opts out of all uniform standards  
6 adopted by the Interstate Insurance Product Regulation Commission  
7 involving long-term care insurance products.~~

8 **Sec. 10.** Chapter 692C of NRS is hereby amended by adding  
9 thereto the provisions set forth as sections 11, 12 and 13 of this act.

10 **Sec. 11.** *“Enterprise risk” means any activity, circumstance,  
11 event or series of events involving one or more affiliates of an  
12 insurer that, if not remedied promptly, is likely to have a material  
13 adverse effect on the financial condition or liquidity of the insurer  
14 or its insurance holding company system as a whole, including,  
15 without limitation, any activity, circumstance, event or series of  
16 events that may cause:*

17 *1. The risk-based capital of the insurer to fall below the  
18 minimum amount of risk-based capital required by regulations  
19 adopted pursuant to NRS 681B.290; or*

20 *2. The insurer to be in a hazardous financial condition as set  
21 forth in regulations adopted pursuant to NRS 680A.205.*

22 **Sec. 12.** *1. If a domestic insurer is under the control of a  
23 foreign person, the officers and directors of the domestic insurer  
24 are not relieved of any obligations or liabilities to which they are  
25 subject by law. The domestic insurer must be managed in a  
26 manner that ensures its separate operating identity.*

27 *2. The provisions of this section do not prohibit a registered  
28 domestic insurer and one or more other persons from having or  
29 sharing common management, participating as a cooperative or  
30 sharing employees, property or services in a manner authorized  
31 under NRS 692C.360.*

32 *3. Except as otherwise provided in subsections 6 and 7, at  
33 least one person in any quorum for the transaction of business at  
34 any meeting of the board of directors of a registered domestic  
35 insurer or any committee thereof must be a person who is not:*

36 *(a) An officer or employee of the domestic insurer or of any  
37 entity controlling, controlled by or under common control with the  
38 domestic insurer; or*

39 *(b) A beneficial owner of a controlling interest in the voting  
40 stock of the domestic insurer or entity.*

41 *4. Except as otherwise provided in subsections 6 and 7, not  
42 less than one-third of the members of the board of directors of a  
43 registered domestic insurer and not less than one-third of the  
44 members of each committee of the board of directors of any*



1 registered domestic insurer must be persons described in  
2 subsection 3.

3 5. Except as otherwise provided in subsections 6 and 7, the  
4 board of directors of a registered domestic insurer shall establish  
5 one or more committees consisting solely of persons described in  
6 subsection 3. Each committee shall:

7 (a) Nominate candidates for director for election by  
8 shareholders or policyholders;

9 (b) Evaluate the performance of each principal officer of the  
10 registered domestic insurer; and

11 (c) Make recommendations to the board of directors  
12 concerning the selection and compensation of each of those  
13 principal officers.

14 6. The provisions of subsections 3, 4 and 5 do not apply to a  
15 registered domestic insurer if the registered domestic insurer is  
16 controlled by an entity and the board of directors of the  
17 controlling entity and the committees thereof meet the  
18 requirements of subsections 3, 4 and 5.

19 7. A registered domestic insurer may apply to the  
20 Commissioner for a waiver of the provisions of this section if the  
21 registered domestic insurer has:

22 (a) Annual direct written and assumed premiums of less than  
23 \$300,000,000, excluding any premiums reinsured with:

24 (1) The Federal Crop Insurance Corporation of the Risk  
25 Management Agency of the United States Department of  
26 Agriculture; and

27 (2) The National Flood Insurance Program of the Federal  
28 Emergency Management Agency of the United States Department  
29 of Homeland Security; or

30 (b) In any other circumstances determined by the  
31 Commissioner to warrant a waiver.

32 8. In considering whether or not to grant a waiver pursuant  
33 to subsection 7, the Commissioner may consider any relevant  
34 factors, including, without limitation:

35 (a) The type of business entity applying for the waiver;

36 (b) The volume of business written;

37 (c) The availability of persons specified in subsection 3 to serve  
38 on the board of directors; and

39 (d) The ownership or organizational structure of the registered  
40 domestic insurer or controlling person thereof.

41 **Sec. 13.** 1. The Commissioner may, for any registered  
42 insurer who is part of an insurance holding company system with  
43 international operations, convene a supervisory college or  
44 participate in a supervisory college convened by a state, federal or



1 *international regulatory agency with authority over any insurer*  
2 *who is part of the insurance holding company system:*

3 (a) *To determine whether or not the registered insurer is in*  
4 *compliance with the provisions of this chapter;*

5 (b) *To assess the business strategy, financial position, legal*  
6 *and regulatory compliance, risk exposure, risk management and*  
7 *governance procedures of the registered insurer; or*

8 (c) *As part of an examination of the registered insurer*  
9 *pursuant to NRS 692C.410.*

10 2. *In convening a supervisory college pursuant to subsection*  
11 *1, the Commissioner may, without limitation:*

12 (a) *Establish:*

13 (1) *The membership of the supervisory college;*

14 (2) *The functions of the supervisory college; and*

15 (3) *The role of each regulatory agency participating in the*  
16 *supervisory college;*

17 (b) *Designate a regulatory agency as supervisor of the*  
18 *supervisory college; and*

19 (c) *Coordinate the activities of the supervisory college,*  
20 *including, without limitation:*

21 (1) *Meetings;*

22 (2) *Supervisory activities; and*

23 (3) *The sharing of information among members of the*  
24 *supervisory college.*

25 3. *In convening or participating in a supervisory college*  
26 *pursuant to this section, the Commissioner may enter into*  
27 *agreements with other state, federal or international regulatory*  
28 *agencies concerning the governance of a supervisory college.*  
29 *Such an agreement must meet the confidentiality requirements of*  
30 *NRS 692C.420.*

31 4. *The provisions of this section must not be construed to:*

32 (a) *Limit the authority of the Commissioner; or*

33 (b) *Delegate to any supervisory college the authority of the*  
34 *Commissioner to regulate a registered insurer or any affiliate of a*  
35 *registered insurer pursuant to this title.*

36 5. *As used in this section, “supervisory college” means a*  
37 *temporary or permanent forum for communication and*  
38 *cooperation between regulators, including, without limitation,*  
39 *state, federal and international regulatory agencies which are*  
40 *charged with regulating and supervising an insurer.*

41 **Sec. 14.** NRS 692C.020 is hereby amended to read as follows:

42 692C.020 As used in this chapter, unless the context otherwise  
43 requires, the words and terms defined in NRS 692C.025 to  
44 692C.110, inclusive, *and section 11 of this act* have the meanings  
45 ascribed to them in those sections.



1 **Sec. 15.** NRS 692C.140 is hereby amended to read as follows:

2 692C.140 In addition to making investments in common stock,  
3 preferred stock, debt obligations and other securities permitted  
4 under chapter 682A of NRS, a domestic insurer may invest:

5 1. In common stock, preferred stock, debt obligations and other  
6 securities of one or more subsidiaries, amounts which do not exceed  
7 the lesser of 10 percent of the insurer's assets or 50 percent of its  
8 surplus as regards policyholders, if the insurer's surplus as regards  
9 policyholders remains at a reasonable level in relation to the  
10 insurer's outstanding liabilities and adequate to its financial needs.  
11 In calculating the amount of such investments ~~+, the~~:

12 *(a) Any investment in a domestic or foreign insurance*  
13 *subsidiary or health maintenance organization must be excluded.*

14 *(b) The following must be included:*

15 ~~+(a)~~ (1) Total *net* money or other consideration expended and  
16 obligations assumed in the acquisition or formation of a subsidiary,  
17 including all organizational expenses and contributions to capital  
18 and surplus of the subsidiary whether or not represented by the  
19 purchase of capital stock or issuance of other securities; and

20 ~~+(b)~~ (2) All amounts expended in acquiring additional common  
21 stock, preferred stock, debt obligations and other securities and all  
22 contributions to the capital or surplus of a subsidiary after its  
23 acquisition or formation.

24 2. Any amount in common stock, preferred stock, debt  
25 obligations and other securities of one or more subsidiaries ~~+~~ *that*  
26 *are engaged exclusively in or organized to engage exclusively in*  
27 *the ownership and management of assets which are authorized as*  
28 *investments of the domestic insurer*, if each subsidiary agrees to  
29 limit its investments in any asset so that those investments will not  
30 cause the amount of the total investment of the insurer to exceed any  
31 of the investment limitations specified in subsection 1 or in chapter  
32 682A of NRS. For the purpose of this subsection, "total investment  
33 of the insurer" includes any direct investment by the insurer in an  
34 asset and the insurer's proportionate share of any investment in an  
35 asset by any subsidiary of the insurer, which must be calculated by  
36 multiplying the amount of the subsidiary's investment by the  
37 percentage of the insurer's ownership of the subsidiary.

38 3. Any amount in common stock, preferred stock, debt  
39 obligations or other securities of one or more subsidiaries, with the  
40 approval of the Commissioner, if the insurer's surplus as regards  
41 policyholders remains at a reasonable level in relation to the  
42 insurer's outstanding liabilities and adequate to its financial needs.

43 **Sec. 16.** NRS 692C.160 is hereby amended to read as follows:

44 692C.160 Whether or not any investment made pursuant to  
45 NRS 692C.140 meets the applicable requirements thereof is to be



1 determined ~~immediately after~~ *before* such investment is made ~~H~~  
2 *by calculating the applicable investment limitations as though the*  
3 *investment has already been made*, taking into account the then  
4 outstanding principal balance on all previous investments in debt  
5 obligations, ~~and~~ the value of all previous investments in equity  
6 securities as of the date they were made ~~H~~ *and the net of any*  
7 *return of capital invested, not including dividends.*

8 **Sec. 17.** NRS 692C.180 is hereby amended to read as follows:

9 692C.180 1. No person other than the issuer may make a  
10 tender for or a request or invitation for tenders of, or enter into any  
11 agreement to exchange securities for, seek to acquire or acquire in  
12 the open market or otherwise, any voting security of a domestic  
13 insurer if, after the consummation thereof, the person would directly  
14 or indirectly, or by conversion or by exercise of any right to acquire,  
15 be in control of the insurer, nor may any person enter into an  
16 agreement to merge with or otherwise acquire control of a domestic  
17 insurer, unless, at the time any such offer, request or invitation is  
18 made or any such agreement is entered into, or before the  
19 acquisition of those securities if no offer or agreement is involved,  
20 the person has filed with the Commissioner and has sent to the  
21 insurer, and the insurer has sent to its shareholders, a statement  
22 containing the information required by NRS 692C.180 to 692C.250,  
23 inclusive, and *, except as otherwise provided in subsection 4,* the  
24 offer, request, invitation, agreement or acquisition has been  
25 approved by the Commissioner in the manner prescribed in this  
26 chapter.

27 2. *The statement required by subsection 1 must be filed with*  
28 *the Commissioner at least 60 days before the proposed date of the*  
29 *acquisition. The statement must set forth, without limitation, the*  
30 *information required by NRS 692C.254. A person who fails to*  
31 *comply with this subsection is subject to the penalties set forth in*  
32 *subsections 6 and 7 of NRS 692C.258.*

33 3. *A person controlling a domestic insurer who is seeking to*  
34 *divest his or her controlling interest in the domestic insurer shall*  
35 *file with the Commissioner, and send to the insurer, notice of the*  
36 *proposed divestiture at least 30 days before the proposed*  
37 *divestiture, unless a statement has been filed pursuant to*  
38 *subsection 1 concerning the proposed transaction. Notice filed*  
39 *pursuant to this subsection is confidential until the conclusion, if*  
40 *any, of the divestiture unless the Commissioner determines that*  
41 *such confidentiality will interfere with the enforcement of this*  
42 *section.*

43 4. *Upon receiving a statement or notice pursuant to this*  
44 *section by a person seeking to acquire a controlling interest in a*  
45 *domestic insurer or divest a controlling interest in a domestic*





1 *insurer, the Commissioner shall determine whether or not the*  
2 *person will be required to file for and obtain the approval of the*  
3 *Commissioner for the acquisition or divestiture. As soon as*  
4 *practicable after making that determination, the Commissioner*  
5 *shall notify the person of the results of the determination.*

6 5. For purposes of this section, a domestic insurer includes any  
7 other person controlling a domestic insurer unless the other person  
8 is directly or through affiliates primarily engaged in a business other  
9 than the business of insurance. If a person is directly or through  
10 affiliates primarily engaged in a business other than the business of  
11 insurance, the person shall, at least 60 days before the proposed  
12 effective date of the acquisition, file a notice of intent to acquire  
13 with the Commissioner setting forth the information required by  
14 NRS 692C.254.

15 6. *As used in this section, "person" does not include a*  
16 *securities broker who, in the regular course of business as a*  
17 *broker, holds less than 20 percent of the voting securities of an*  
18 *insurer or of any person who controls an insurer.*

19 **Sec. 18.** NRS 692C.190 is hereby amended to read as follows:

20 692C.190 The statement to be filed with the Commissioner  
21 hereunder shall be made under oath or affirmation and shall contain  
22 the following:

23 1. The name and address of each person (hereinafter called the  
24 "acquiring party") by whom or on whose behalf the merger or other  
25 acquisition of control referred to in *subsection 1 of* NRS 692C.180  
26 is to be effected and, if such person is:

27 (a) An individual, the individual's principal occupation and all  
28 offices and positions held by the individual during the past 5 years,  
29 and any conviction of crimes other than for minor traffic violations  
30 during the past 10 years.

31 (b) Not an individual, a report of the nature of its business  
32 operations during the past 5 years or for such lesser period as such  
33 person and any predecessors thereof shall have been in existence,  
34 together with an informative description of the business intended to  
35 be done by such person and such person's subsidiaries, and a list of  
36 all individuals who are or who have been selected to become  
37 directors or executive officers of such person or who perform or will  
38 perform functions appropriate to such positions. Such list shall  
39 include for each such individual the information required by  
40 paragraph (a) of this subsection.

41 2. The source, nature and amount of the consideration used or  
42 to be used in effecting the merger or other acquisition of control, a  
43 description of any transaction wherein funds were or are to be  
44 obtained for any such purpose, and the identity of persons furnishing  
45 such consideration, but where a source of such consideration is a



1 loan made in the lender's ordinary course of business, the identity of  
2 the lender shall remain confidential, if the person filing such  
3 statement so requests.

4 3. Fully audited financial information as to the earnings and  
5 financial condition of each acquiring party for the preceding 5 fiscal  
6 years of each such acquiring party (or for such lesser period as such  
7 acquiring party and any predecessors thereof shall have been in  
8 existence), and similar unaudited information as of a date not earlier  
9 than 90 days prior to the filing of the statement.

10 4. Any plans or proposals which each acquiring party may  
11 have to liquidate such insurer, to sell its assets or merge or  
12 consolidate it with any person, or to make any other material change  
13 in its business or corporate structure or management.

14 5. The number of shares of any security referred to in  
15 *subsection 1 of* NRS 692C.180 which each acquiring party proposes  
16 to acquire, and the terms of the offer, request, invitation, agreement  
17 or acquisition referred to in *subsection 1 of* NRS 692C.180 and a  
18 statement as to the method by which the fairness of the proposal was  
19 determined.

20 6. The amount of each class of any security referred to in  
21 *subsection 1 of* NRS 692C.180 which is beneficially owned or  
22 concerning which there is a right to acquire beneficial ownership by  
23 each acquiring party.

24 7. A full description of any contracts, arrangements or  
25 understandings with respect to any security referred to in *subsection*  
26 *1 of* NRS 692C.180 in which any acquiring party is involved,  
27 including but not limited to transfer of any of the securities, joint  
28 ventures, loan or option arrangements, puts or calls, guarantees of  
29 loans, guarantees against loss or guarantees of profits, division of  
30 losses or profits or the giving or withholding of proxies. Such  
31 description shall identify the persons with whom such contracts,  
32 arrangements or understandings have been made.

33 8. A description of the purchase of any security referred to in  
34 *subsection 1 of* NRS 692C.180 during the 12 calendar months  
35 preceding the filing of the statement by any acquiring party,  
36 including the dates of purchase, names of the purchasers and  
37 consideration paid or agreed to be paid therefor.

38 9. A description of any recommendations to purchase any  
39 security referred to in *subsection 1 of* NRS 692C.180 made during  
40 the 12 calendar months preceding the filing of the statement by any  
41 acquiring party, or by anyone based upon interviews with or at the  
42 suggestion of such acquiring party.

43 10. Copies of all tenders, offers for, requests or invitations for  
44 tenders of, exchange offers for, and agreements to acquire or



1 exchange any securities referred to in subsection 1, and, if  
2 distributed, additional soliciting material relating thereto.

3 11. The terms of any agreement, contract or understanding  
4 made with any broker-dealer, as to solicitation of securities referred  
5 to in **subsection 1 of** NRS 692C.180, for tender, and the amount of  
6 any fees, commissions or other compensation to be paid to broker-  
7 dealers with regard thereto.

8 12. Such additional information as the Commissioner may by  
9 rule or regulation prescribe as necessary or appropriate for the  
10 protection of policy holders and security holders of the insurer or for  
11 the protection of the public interest.

12 ➤ If the person required to file the statement referred to in this  
13 section is a partnership, limited partnership, syndicate or other  
14 group, the Commissioner may require that the information required  
15 by ~~subsections 1 to 12, inclusive, of~~ this section, be given with  
16 respect to each partner of such partnership or limited partnership,  
17 each member of such syndicate or group, and each person who  
18 controls such partner or member. If any such partner, member or  
19 person is a corporation or the person required to file the statement  
20 referred to in **subsection 1 of** NRS 692C.180 is a corporation, the  
21 Commissioner may require that the information required by  
22 ~~subsections 1 to 12, inclusive, of~~ this section, be given with  
23 respect to such corporation, each officer and director of such  
24 corporation, and each person who is directly or indirectly the  
25 beneficial owner of more than 10 percent of the outstanding voting  
26 securities of such corporation. If any material change occurs in the  
27 facts set forth in the statement filed with the Commissioner and sent  
28 to such insurer pursuant to this section, an amendment setting forth  
29 such change, together with copies of all documents and other  
30 material relevant to such change, shall be filed with the  
31 Commissioner and sent to such insurer within 2 business days after  
32 the person learns of such change. Such insurer shall send each such  
33 amendment to its shareholders.

34 **Sec. 19.** NRS 692C.200 is hereby amended to read as follows:

35 692C.200 If any offer, request, invitation, agreement or  
36 acquisition referred to in **subsection 1 of** NRS 692C.180 is proposed  
37 to be made by means of a registration statement under the Securities  
38 Act of 1933, 15 U.S.C. §§ 77a to 77aa, inclusive, or in  
39 circumstances requiring the disclosure of similar information under  
40 the Securities Exchange Act of 1934, 15 U.S.C. §§ ~~77b~~ 78a et  
41 seq., or under any state law requiring similar registration or  
42 disclosure, the person required to file the statement referred to in  
43 **subsection 1 of** NRS 692C.180 may utilize such documents in  
44 furnishing the information called for by that statement.



1 **Sec. 20.** NRS 692C.210 is hereby amended to read as follows:

2 692C.210 1. Except as otherwise provided in ~~subsection~~  
3 *subsections 5 ~~H~~ and 7*, the Commissioner shall approve any merger  
4 or other acquisition of control referred to in *subsection 1 of* NRS  
5 692C.180 unless, after a public hearing thereon, the Commissioner  
6 finds that:

7 (a) After the change of control, the domestic insurer specified in  
8 *subsection 1 of* NRS 692C.180 would not be able to satisfy the  
9 requirements for the issuance of a license to write the line or lines of  
10 insurance for which it is presently licensed;

11 (b) The effect of the merger or other acquisition of control  
12 would be substantially to lessen competition in insurance in this  
13 state or tend to create a monopoly;

14 (c) The financial condition of any acquiring party may  
15 jeopardize the financial stability of the insurer, or prejudice the  
16 interest of its policyholders or the interests of any remaining  
17 security holders who are unaffiliated with the acquiring party;

18 (d) The terms of the offer, request, invitation, agreement or  
19 acquisition referred to in *subsection 1 of* NRS 692C.180 are unfair  
20 and unreasonable to the security holders of the insurer;

21 (e) The plans or proposals which the acquiring party has to  
22 liquidate the insurer, sell its assets or consolidate or merge it with  
23 any person, or to make any other material change in its business or  
24 corporate structure or management, are unfair and unreasonable to  
25 policyholders of the insurer or not in the public interest;

26 (f) The competence, experience and integrity of those persons  
27 who would control the operation of the insurer are such that it would  
28 not be in the interest of policyholders of the insurer or of the public  
29 to permit the merger or other acquisition of control;

30 (g) If approved, the merger or acquisition of control would  
31 likely be harmful or prejudicial to the members of the public who  
32 purchase insurance; or

33 (h) The practices of the applicant in managing claims have  
34 evidenced a pattern in which the applicant has knowingly  
35 committed, or performed with such frequency as to indicate a  
36 general business practice of:

37 (1) Misrepresentation of pertinent facts or provisions of  
38 policies of insurance as they relate to coverages at issue;

39 (2) Failure to affirm or deny coverage of claims within a  
40 reasonable time after written proofs of loss have been furnished; or

41 (3) Failure to pay claims in a timely manner.

42 2. ~~The~~ *Except as otherwise provided in subsection 7, the*  
43 public hearing specified in subsection 1 must be held within ~~60~~ *30*  
44 days after the statement required by *subsection 1 of* NRS 692C.180  
45 has been filed, and at least 20 days' notice thereof must be given by



1 the Commissioner to the person filing the statement. Not less than 7  
2 days' notice of the public hearing must be given by the person filing  
3 the statement to the insurer and to any other person designated by  
4 the Commissioner. The insurer shall give such notice to its security  
5 holders. The Commissioner shall make a determination within 60  
6 days after the conclusion of the hearing. If the Commissioner  
7 determines that an infusion of capital to restore capital in connection  
8 with the change in control is required, the requirement must be met  
9 within 60 days after notification is given of the determination. At  
10 the hearing, the person filing the statement, the insurer, any person  
11 to whom notice of hearing was sent and any other person whose  
12 interests may be affected thereby may present evidence, examine  
13 and cross-examine witnesses, and offer oral and written arguments  
14 and, in connection therewith, may conduct discovery proceedings in  
15 the same manner as is presently allowed in the district court of this  
16 state. All discovery proceedings must be concluded not later than 3  
17 days before the commencement of the public hearing.

18 3. The Commissioner may retain at the acquiring party's  
19 expense attorneys, actuaries, accountants and other experts not  
20 otherwise a part of the staff of the Commissioner as may be  
21 reasonably necessary to assist the Commissioner in reviewing the  
22 proposed acquisition of control.

23 4. The period for review by the Commissioner must not exceed  
24 the 60 days allowed between the filing of the notice of intent to  
25 acquire required pursuant to subsection ~~4~~ 5 of NRS 692C.180 and  
26 the date of the proposed acquisition if the proposed affiliation or  
27 change of control involves a financial institution, or an affiliate of a  
28 financial institution, and an insured.

29 5. When making a determination pursuant to paragraph (b) of  
30 subsection 1, the Commissioner:

31 (a) Shall require the submission of the information specified in  
32 subsection 2 of NRS 692C.254; ~~and~~

33 (b) *Shall consider:*

34 (1) *The standards set forth in the Horizontal Merger*  
35 *Guidelines issued by the United States Department of Justice and*  
36 *the Federal Trade Commission and in effect at the time the*  
37 *Commissioner receives the statement required pursuant to*  
38 *subsection 1 of NRS 692C.180; and*

39 (2) *The factors described in subsection 3 of NRS 692C.256;*  
40 *and*

41 (c) May condition approval of the merger or acquisition of  
42 control in the manner provided in subsection 4 of NRS 692C.258.

43 6. If, in connection with a change of control of a domestic  
44 insurer, the Commissioner determines that the person who is  
45 acquiring control of the domestic insurer must maintain or restore



1 the capital of the domestic insurer in an amount that is required  
2 by the laws and regulations of this state, the Commissioner shall  
3 make the determination not later than 60 days after the notice of  
4 intent to acquire required pursuant to subsection ~~4~~ 5 of NRS  
5 692C.180 is filed with the Commissioner.

6 *7. If the proposed merger or other acquisition of control*  
7 *referred to in subsection 1 of NRS 692C.180 requires the approval*  
8 *of the commissioner of more than one state, the public hearing*  
9 *required pursuant to subsection 1 may, upon the request of the*  
10 *person who filed the statement required pursuant to subsection 1*  
11 *of NRS 692C.180, be consolidated with the hearings required in*  
12 *other states. Not more than 5 days after receiving such a request,*  
13 *the Commissioner shall file with the National Association of*  
14 *Insurance Commissioners a copy of the statement that was filed*  
15 *with the Commissioner pursuant to subsection 1 of NRS 692C.180*  
16 *by the person requesting a consolidated hearing. The*  
17 *Commissioner may opt out of a consolidated hearing and, if the*  
18 *Commissioner elects to do so, he or she shall provide notice to the*  
19 *person requesting the consolidated hearing not more than 10 days*  
20 *after receiving the statement filed pursuant to subsection 1 of NRS*  
21 *692C.180. A consolidated hearing must be public and must be held*  
22 *within the United States before participating commissioners of the*  
23 *states in which the insurers are domiciled. Participating*  
24 *commissioners may hear and receive evidence at the hearing.*

25 **Sec. 21.** NRS 692C.256 is hereby amended to read as follows:

26 692C.256 1. The Commissioner may issue an order pursuant  
27 to NRS 692C.258 relating to an acquisition if:

28 (a) The effect of the acquisition may substantially lessen  
29 competition in any line of insurance in this state or tend to create a  
30 monopoly; or

31 (b) The acquiring person fails to file sufficient materials or  
32 information pursuant to NRS 692C.254.

33 2. In determining whether to issue an order pursuant to  
34 subsection 1, the Commissioner shall consider the standards set  
35 forth in the Horizontal Merger Guidelines issued by the United  
36 States Department of Justice and the Federal Trade Commission and  
37 in effect at the time the Commissioner receives the notice required  
38 pursuant to NRS 692C.254.

39 3. The Commissioner shall, before issuing an order specified in  
40 subsection 1, consider:

41 (a) If:

42 (1) The acquisition creates substantial economies of scale or  
43 economies in the use of resources that may not be created in any  
44 other manner; and



1 (2) The public benefit received from those economies  
2 exceeds the public benefit received from not lessening competition;  
3 or

4 (b) If:

5 (1) The acquisition substantially increases the availability of  
6 insurance; and

7 (2) The public benefit received by that increase exceeds the  
8 public benefit received from not lessening competition.

9 4. The public benefits set forth in subparagraph 2 of paragraphs  
10 (a) and (b) of subsection 3 may be considered together, as  
11 applicable, in assessing whether the public benefits received from  
12 the acquisition exceed any benefit to competition that would arise  
13 from disapproving the acquisition.

14 5. The ~~acquiring person~~ *Commissioner* has the burden of  
15 establishing that the acquisition will ~~not~~ result in a violation of the  
16 competitive standard set forth in subsection 1.

17 **Sec. 22.** NRS 692C.270 is hereby amended to read as follows:

18 692C.270 Every insurer subject to registration shall file ~~it~~ :

19 *1. A* registration statement on a form provided by the  
20 Commissioner, which must contain current information about:

21 ~~1-1~~ *(a)* The capital structure, general financial condition,  
22 ownership and management of the insurer and any person  
23 controlling the insurer.

24 ~~1-2~~ *(b)* The identity of every member of the insurance holding  
25 company system.

26 ~~1-3~~ *(c)* The following agreements in force, relationships  
27 subsisting and transactions currently outstanding between the  
28 insurer and its affiliates:

29 ~~1-a~~ *(1)* Loans, other investments or purchases, sales or  
30 exchanges of securities of the affiliates by the insurer or of the  
31 insurer by its affiliates.

32 ~~1-b~~ *(2)* Purchases, sales or exchanges of assets.

33 ~~1-c~~ *(3)* Transactions not in the ordinary course of business.

34 ~~1-d~~ *(4)* Guarantees or undertakings for the benefit of an  
35 affiliate which result in an actual contingent exposure of the  
36 insurer's assets to liability, other than insurance contracts entered  
37 into in the ordinary course of the insurer's business.

38 ~~1-e~~ *(5)* All management and service contracts and all cost-  
39 sharing arrangements, other than cost allocation arrangements based  
40 upon generally accepted accounting principles.

41 ~~1-f~~ *(6)* Reinsurance agreements covering all or substantially all  
42 of one or more lines of insurance of the ceding company.

43 ~~1-g~~ *(7)* Any dividend or other distribution made to a  
44 shareholder.

45 ~~1-h~~ *(8)* Any consolidated agreement to allocate taxes.



1 ~~14~~ (d) Any pledge of the insurer's stock, including the stock of  
2 any subsidiary or controlling affiliate of the insurer, for a loan made  
3 to any member of the insurance holding company system.

4 ~~15~~ (e) Any other matters concerning transactions between  
5 registered insurers and any affiliates as may be included from time  
6 to time in any registration forms adopted or approved by the  
7 Commissioner.

8 **2. A statement verifying that:**

9 (a) *The board of directors of the insurer oversees the corporate  
10 governance and internal controls of the insurer; and*

11 (b) *Officers or senior management of the insurer have  
12 approved, implemented and continue to maintain and monitor the  
13 corporate governance and internal controls of the insurer.*

14 **3. Financial statements of the insurance holding company  
15 system and all affiliates, if requested by the Commissioner. This  
16 requirement may be satisfied by providing the most recent  
17 statement filed with the United States Securities and Exchange  
18 Commissioner pursuant to the Securities Act of 1933, 15 U.S.C. §§  
19 78a et seq., by the insurance holding company system or its parent  
20 corporation.**

21 **Sec. 23.** NRS 692C.290 is hereby amended to read as follows:

22 692C.290 **1.** Each registered insurer shall keep current the  
23 information required to be disclosed in its registration statement by  
24 reporting all material changes or additions on forms provided by the  
25 Commissioner within 15 days after the end of the month in which it  
26 learns of each such change or addition, and not less often than  
27 annually, except that, subject to the provisions of NRS 692C.390,  
28 each registered insurer shall report all dividends and other  
29 distributions to shareholders within 5 business days following the  
30 declaration and 10 days before payment.

31 **2. If the principal of a registered insurer does not file a report  
32 of enterprise risk with the commissioner of the lead state of the  
33 insurance company system, as determined by the most recent  
34 edition of the Financial Analysis Handbook, published by the  
35 National Association of Insurance Commissioners, in a calendar  
36 year, the principal shall file a report of enterprise risk with the  
37 Commissioner. The principal shall include in the report the  
38 material risks within the insurance holding company system that,  
39 to the best of his or her knowledge and belief, may pose enterprise  
40 risk to the registered insurer.**

41 **Sec. 24.** NRS 692C.360 is hereby amended to read as follows:

42 692C.360 **1.** Material transactions by registered insurers with  
43 their affiliates are subject to all of the following standards:

44 ~~11~~ (a) The terms must be fair and reasonable.





1 ~~12~~ (b) Charges or fees for services performed must be  
2 reasonable.

3 ~~13~~ (c) Expenses incurred and payment received must be  
4 allocated to the insurer in conformity with customary accounting  
5 practices concerning insurance consistently applied.

6 ~~14~~ (d) The books, accounts and records of each party must be  
7 so maintained as to disclose clearly and accurately the precise nature  
8 and details of the transactions †

9 ~~—5~~ *and must include any accounting information required to*  
10 *support the reasonableness of any charges or fees.*

11 (e) The insurer's surplus as regards policyholders following any  
12 dividends or distributions to shareholder affiliates must be  
13 reasonable in relation to the insurer's outstanding liabilities and  
14 adequate to its financial needs.

15 *2. The Commissioner may adopt regulations governing*  
16 *agreements for sharing the cost of services or management*  
17 *between registered insurers and their affiliates.*

18 **Sec. 25.** NRS 692C.363 is hereby amended to read as follows:

19 692C.363 1. ~~†A~~ *Except as otherwise provided in subsection*  
20 *2, a* domestic insurer shall not enter into any of the following  
21 transactions with an affiliate unless the insurer has notified the  
22 Commissioner in writing of its intention to enter into the transaction  
23 at least 60 days previously, or such shorter period as the  
24 Commissioner may permit, and the Commissioner has not  
25 disapproved it within that period:

26 (a) A sale, purchase, exchange, loan or extension of credit,  
27 guaranty or investment if the transaction equals at least:

28 (1) With respect to an insurer other than a life insurer, the  
29 lesser of 3 percent of the insurer's admitted assets or 25 percent of  
30 surplus as regards policyholders; or

31 (2) With respect to a life insurer, 3 percent of the insurer's  
32 admitted assets,

33 ↪ computed as of December 31 next preceding the transaction.

34 (b) A loan or extension of credit to any person who is not an  
35 affiliate, if the insurer makes the loan or extension of credit with the  
36 agreement or understanding that the proceeds of the transaction, in  
37 whole or in substantial part, are to be used to make loans or  
38 extensions of credit to, to purchase assets of, or to make investments  
39 in, any affiliate of the insurer if the transaction equals at least:

40 (1) With respect to insurers other than life insurers, the lesser  
41 of 3 percent of the insurer's admitted assets or 25 percent of surplus  
42 as regards policyholders; or

43 (2) With respect to life insurers, 3 percent of the insurer's  
44 admitted assets,

45 ↪ computed as of December 31 next preceding the transaction.



1 (c) ~~1A~~ *A pooling agreement or other* agreement for  
2 reinsurance or a modification thereto in which the premium for  
3 reinsurance or a change in the insurer's liabilities equals at least 5  
4 percent of the insurer's surplus as regards policyholders as of  
5 December 31 next preceding the transaction, including an agreement  
6 which requires as consideration the transfer of assets from an insurer  
7 to a nonaffiliate, if an agreement or understanding exists between  
8 the insurer and nonaffiliate that any portion of those assets will be  
9 transferred to an affiliate of the insurer.

10 (d) An agreement for management, *agreement to allocate taxes*,  
11 contract for service, guarantee or arrangement to share costs.

12 (e) A guaranty made by a domestic insurer, *regardless of*  
13 *whether the guaranty is quantifiable as to amount*, except that a  
14 guaranty that is quantifiable as to amount is not subject to the  
15 provisions of this subsection unless the guaranty exceeds the lesser  
16 of one-half of 1 percent of the admitted assets of the domestic  
17 insurer or 10 percent of its surplus as regards policyholders as of  
18 December 31 next preceding the guaranty.

19 (f) Except as otherwise provided in subsection ~~13~~ *4*, a direct or  
20 indirect acquisition of or investment in a person who controls the  
21 domestic insurer or an affiliate of the domestic insurer in an amount  
22 that, when added to its present holdings, exceeds 2.5 percent of the  
23 domestic insurer's surplus to policyholders.

24 (g) A material transaction, specified by regulation, which the  
25 Commissioner determines may adversely affect the interest of the  
26 insurer's policyholders.

27 *2. A domestic insurer shall not amend or modify any*  
28 *agreement with an affiliate to enter into a transaction subject to*  
29 *the provisions of subsection 1 unless the insurer notifies the*  
30 *Commissioner. The notice must be given not less than 30 days*  
31 *before the amendment or modification and must include, without*  
32 *limitation, the reasons for the amendment or modification and the*  
33 *financial impact, if any, of the amendment or modification on the*  
34 *domestic insurer. Upon receipt of a notice pursuant to this*  
35 *subsection, the Commissioner shall determine whether the*  
36 *amendment or modification is subject to the provisions of*  
37 *subsection 1 and notify the domestic insurer of the*  
38 *Commissioner's determination.*

39 *3.* This section does not authorize or permit any transaction  
40 which, in the case of an insurer not an affiliate, would be contrary to  
41 law.

42 ~~13~~ *4.* The provisions of paragraph (f) of subsection 1 do not  
43 apply to a direct or indirect acquisition of or investment in:

44 (a) A subsidiary acquired in accordance with this section or  
45 NRS 692C.140; or



1 (b) A nonsubsidiary insurance affiliate that is subject to the  
2 provisions of this chapter.

3 **Sec. 26.** NRS 692C.380 is hereby amended to read as follows:

4 692C.380 For purposes of NRS 692C.360 to 692C.400,  
5 inclusive, an extraordinary dividend or distribution includes any  
6 dividend or distribution of cash or other property, whose fair market  
7 value together with that of other dividends or distributions made  
8 within the preceding 12 months exceeds the ~~greater~~ *lesser* of:

9 1. Ten percent of the insurer's surplus as regards policyholders  
10 as of December 31 next preceding the dividend or distribution; or

11 2. The net gain from operations of the insurer, if the insurer is a  
12 life insurer, or the net income, not including realized capital gains if  
13 the insurer is not a life insurer, for the 12-month period ending  
14 December 31 next preceding the dividend or distribution,

15 ↪ but does not include pro rata distributions of any class of the  
16 insurer's own securities.

17 **Sec. 27.** NRS 692C.390 is hereby amended to read as follows:

18 692C.390 1. An insurer subject to registration under NRS  
19 692C.260 to 692C.350, inclusive, shall not pay any extraordinary  
20 dividend or make any other extraordinary distribution to its  
21 shareholders until:

22 (a) Thirty days after the Commissioner has received notice of  
23 the declaration thereof and has not within that period disapproved  
24 the payment; or

25 (b) The Commissioner approves the payment within the 30-day  
26 period.

27 2. A request for approval of an extraordinary dividend or any  
28 other extraordinary distribution pursuant to subsection 1 must  
29 include:

30 (a) A statement indicating the amount of the proposed dividend  
31 or distribution;

32 (b) The date established for the payment of the proposed  
33 dividend or distribution;

34 (c) A statement indicating whether the proposed dividend or  
35 distribution is to be paid in the form of cash or property and, if it is  
36 to be paid in the form of property, a description of the property, its  
37 cost and its fair market value together with an explanation setting  
38 forth the basis for determining its fair market value;

39 (d) A copy of a work paper or other document setting forth the  
40 calculations used to determine that the proposed dividend or  
41 distribution is extraordinary, including:

42 (1) The amount, date and form of payment of each regular  
43 dividend or distribution paid by the insurer, other than any  
44 distribution of a security of the insurer, within the 12 consecutive



1 months immediately preceding the date established for the payment  
2 of the proposed dividend or distribution;

3 (2) The amount of surplus, if any, as regards policyholders,  
4 including total capital and surplus, as of December 31 next  
5 preceding;

6 (3) If the insurer is a life insurer, the amount of any net gains  
7 obtained from the operations of the insurer for the 12-month period  
8 ending December 31 next preceding;

9 (4) If the insurer is not a life insurer, the amount of net  
10 income of the insurer less any realized capital gains for the 12-  
11 month period ending on the December 31 of the year next preceding  
12 and the two consecutive 12-month periods immediately preceding  
13 that period; and

14 (5) If the insurer is not a life insurer, the amount of each  
15 dividend paid by the insurer to shareholders, other than a  
16 distribution of any securities of the insurer, during the preceding 2  
17 calendar years;

18 (e) A balance sheet and statement of income for the period  
19 beginning on the date of the last annual statement filed by the  
20 insurer with the Commissioner and ending on the last day of the  
21 month immediately preceding the month in which the insurer files  
22 the request for approval; and

23 (f) A brief statement setting forth:

24 (1) The effect of the proposed dividend or distribution upon  
25 the insurer's surplus;

26 (2) The reasonableness of the insurer's surplus in relation to  
27 the insurer's outstanding liabilities; and

28 (3) The adequacy of the insurer's surplus in relation to the  
29 insurer's financial requirements.

30 3. *In determining whether a dividend or distribution is*  
31 *extraordinary, an insurer other than a life insurer may carry*  
32 *forward net income from the previous 2 calendar years that has*  
33 *not already been paid out as dividends. The amount the insurer*  
34 *may carry forward must be computed by taking the net income*  
35 *from the second and third preceding calendar years, not including*  
36 *realized capital gains, less dividends paid in the second and*  
37 *immediately preceding calendar years.*

38 4. Each insurer specified in subsection 1 that pays an  
39 extraordinary dividend or makes any other extraordinary distribution  
40 to its shareholders shall, within 15 days after declaring the dividend  
41 or making the distribution, report that fact to the Commissioner. The  
42 report must include the information specified in paragraph (d) of  
43 subsection 2.



1       **Sec. 28.** NRS 692C.410 is hereby amended to read as follows:  
2       692C.410 1. Subject to the limitation contained in this  
3 section and in addition to the powers which the Commissioner has  
4 under NRS 679B.230 to 679B.287, inclusive, relating to the  
5 examination of insurers, the Commissioner may ~~order~~ *examine*  
6 any insurer registered under NRS 692C.260 to 692C.350, inclusive,  
7 ~~to produce such records, books or other information papers in its~~  
8 ~~possession or in the possession of its affiliates as may be necessary~~  
9 ~~to ascertain the financial condition or legality of conduct of such~~  
10 ~~insurer.~~ *and any affiliate of the insurer to ascertain the financial*  
11 *condition of the insurer, including, without limitation, the*  
12 *enterprise risk posed to the insurer by a person controlling the*  
13 *insurer, any entity or combination of entities within the insurance*  
14 *holding company system or by the insurance holding company*  
15 *system. The Commissioner may order any insurer registered under*  
16 *NRS 692C.260 to 692C.350, inclusive, to produce any information*  
17 *not in the possession of the insurer if the insurer is able to obtain*  
18 *the information pursuant to any contractual or statutory*  
19 *requirement or any other method. If the insurer is unable to*  
20 *obtain any information requested by the Commissioner pursuant*  
21 *to this section, the insurer shall provide to the Commissioner a*  
22 *statement setting forth the reasons the insurer is unable to obtain*  
23 *the information and the identity of the holder of the information,*  
24 *if known to the insurer. Whenever it appears to the Commissioner*  
25 *that the detailed explanation is without merit, the Commissioner*  
26 *may require, after notice and hearing, the insurer to pay a penalty*  
27 *of \$100 for each day the requested information is not produced or*  
28 *may suspend or revoke the license of the insurer.* In the event such  
29 insurer fails to comply with such order, the Commissioner may  
30 examine such affiliates to obtain such information.  
31       2. The Commissioner shall exercise his or her power under  
32 ~~subsection~~ *subsections 1 and 5* only if the examination of the  
33 insurer under NRS 679B.230 to 679B.287, inclusive, is inadequate  
34 or the interests of the policyholders of such insurer may be  
35 adversely affected.  
36       3. The Commissioner may retain at the registered insurer's  
37 expense such attorneys, actuaries, accountants and other experts not  
38 otherwise a part of the Commissioner's staff as may be reasonably  
39 necessary to assist in the conduct of the examination under  
40 ~~subsection~~ *subsections 1 and 5*. Any persons so retained shall  
41 be under the direction and control of the Commissioner and shall act  
42 in a purely advisory capacity.  
43       4. Each ~~registered~~ insurer producing for examination *any*  
44 *information pursuant to subsection 1 or any* records, books and



1 papers pursuant to subsection ~~HH~~ 5 shall be liable for and shall pay  
2 the expense of such examination in accordance with NRS 679B.290.

3 *5. To carry out the provisions of this section and except as*  
4 *otherwise provided in subsection 2, the Commissioner may*  
5 *subpoena witnesses, compel their attendance, administer oaths,*  
6 *examine any person under oath concerning the subject of the*  
7 *examination and require the production of any books, papers,*  
8 *records, correspondence or any other documents which the*  
9 *Commissioner deems relevant to the examination. If any person*  
10 *fails to obey a subpoena or refuses to testify as to any matter*  
11 *relating to the subject of the examination, the Commissioner may*  
12 *file a written report describing the refusal and proof of service of*  
13 *the subpoena in any court of competent jurisdiction in the county*  
14 *in which the examination is being conducted, for such action as*  
15 *the court may determine. Failure by the person to obey an order of*  
16 *the court pursuant to this section is punishable as contempt of*  
17 *court.*

18 *6. A person subpoenaed under subsection 5 is entitled to*  
19 *witness fees and mileage as allowed for testimony in a court of*  
20 *record. The insurer or affiliate being examined must pay the*  
21 *witness fees and mileage, as well as any other expense incurred in*  
22 *securing the attendance of witnesses for the examination in*  
23 *accordance with NRS 679B.290.*

24 **Sec. 29.** NRS 694C.400 is hereby amended to read as follows:

25 694C.400 1. On or before ~~June 30~~ *March 1* of each year, a  
26 captive insurer shall submit to the Commissioner a report of its  
27 financial condition . ~~as prepared by a certified public accountant.~~  
28 A captive insurer shall use generally accepted accounting principles  
29 and include any useful or necessary modifications or adaptations  
30 thereof that have been approved or accepted by the Commissioner  
31 for the type of insurance and kinds of insurers to be reported upon,  
32 and as supplemented by additional information required by the  
33 Commissioner. Except as otherwise provided in this section, each  
34 association captive insurer, agency captive insurer, rental captive  
35 insurer or sponsored captive insurer shall file its report in the form  
36 required by NRS 680A.270. The Commissioner shall adopt  
37 regulations designating the form in which pure captive insurers must  
38 report.

39 2. A pure captive insurer may apply, in writing, for  
40 authorization to file its annual report based on a fiscal year that is  
41 consistent with the fiscal year of the parent company of the pure  
42 captive insurer. If an alternative date is granted ~~;~~

43 ~~—(a) The~~ , *the* annual report is due not later than ~~180~~ *60* days  
44 after the end of each such fiscal year . ~~;~~ *and*

45 ~~—(b) The~~



1       **3. A** pure captive insurer shall file on or before March 1 of  
2 each year such forms as required by the Commissioner by regulation  
3 to provide sufficient detail to support its premium tax return filed  
4 pursuant to NRS 694C.450.

5       ~~3.4~~ **4.** Any captive insurer failing, without just cause beyond  
6 the reasonable control of the captive insurer, to file its annual  
7 statement as required by subsection 1 shall pay a penalty of \$100 for  
8 each day the captive insurer fails to file the report, but not to exceed  
9 an aggregate amount of \$3,000, to be recovered in the name of the  
10 State of Nevada by the Attorney General.

11       ~~4.4~~ **5.** Any director, officer, agent or employee of a captive  
12 insurer who subscribes to, makes or concurs in making or  
13 publishing, any annual or other statement required by law, knowing  
14 the same to contain any material statement which is false, is guilty  
15 of a gross misdemeanor.

16       **Sec. 30.** NRS 695E.080 is hereby amended to read as follows:  
17       695E.080 “Plan of operation” means an analysis of the  
18 expected activities and results of a risk retention group, including:

19       1. The coverages, deductibles, limits of coverage, rates and  
20 systems of rating classification for each line of insurance the group  
21 intends to offer;

22       2. Historical and expected loss experience of the proposed  
23 members, and national experience of similar exposures to the extent  
24 that this experience is reasonably available;

25       3. Pro forma financial statements and projections;

26       4. Appropriate opinions by a qualified, independent casualty  
27 actuary, including a determination of minimum premium or  
28 participation levels required to commence operations and to prevent  
29 a hazardous financial condition;

30       5. Identification of management, underwriting procedures,  
31 policies for investment and methods for managerial oversight; ~~and~~

32       6. *Identification of each state in which the group has  
33 obtained, or sought to obtain, a charter and a license, and a  
34 description of the status of the group in each of those states;*

35       7. *Information that is deemed sufficient by the Commissioner  
36 to verify that members of the group are engaged in business  
37 activities similar or related with respect to the liability to which  
38 they are exposed because of any related, similar or common  
39 business, trade, product, service, premise or operation; and*

40       8. Such other matters as are prescribed by the Commissioner  
41 for liability insurers authorized by the insurance laws of the state in  
42 which the risk retention group is chartered.

43       **Sec. 31.** NRS 695E.120 is hereby amended to read as follows:

44       695E.120 A purchasing group that intends to conduct business  
45 in this state shall register with the Commissioner and:



- 1 1. Furnish notice to the Commissioner that:  
2 (a) Identifies the state in which the group is domiciled;  
3 (b) Specifies the lines and classifications of liability insurance  
4 that the purchasing group intends to purchase;  
5 (c) Identifies the insurer from which the group intends to  
6 purchase its insurance and the domicile of the insurer;  
7 (d) Identifies the principal place of business of the group;  
8 (e) Identifies all other states in which the group intends to do  
9 business; ~~and~~  
10 (f) *Specifies the method by which insurance will be offered to*  
11 *its members whose risks are resident, located or to be performed in*  
12 *this State;*  
13 (g) *Provides the name, address and telephone number of each*  
14 *person, if any, through whom insurance will be offered to its*  
15 *members whose risks are resident, located or to be performed in*  
16 *this State; and*  
17 (h) Provides such other information as the Commissioner  
18 requires to verify and determine:  
19 (1) Its qualification as a purchasing group;  
20 (2) Where the purchasing group is located; and  
21 (3) The appropriate tax treatment of the purchasing group;  
22 and  
23 2. Appoint the Commissioner as its agent solely to receive  
24 service of legal process, and pay the fee for filing a power of  
25 attorney required by subsection 4 of NRS 680B.010, except that this  
26 subsection does not apply to a purchasing group that:  
27 (a) Was domiciled before April 1, 1986, and on and after  
28 October 27, 1986, in any state;  
29 (b) Before and after October 27, 1986, purchased its insurance  
30 from an insurer licensed in any state;  
31 (c) Was a purchasing group under the requirements of the  
32 Product Liability Risk Retention Act of 1981 before October 27,  
33 1986; and  
34 (d) Does not purchase insurance that was not authorized for an  
35 exemption under that act, as in effect before October 27, 1986.  
36 **Sec. 32.** NRS 695E.140 is hereby amended to read as follows:  
37 695E.140 1. A risk retention group seeking to be chartered in  
38 this State must obtain a certificate of authority pursuant to chapter  
39 694C of NRS to transact liability insurance and, except as otherwise  
40 provided in this chapter, must comply with:  
41 (a) All of the laws, regulations and requirements applicable to  
42 liability insurers in this State ~~and~~, *unless otherwise approved by the*  
43 *Commissioner;* and  
44 (b) The provisions of NRS 695E.150 to 695E.210, inclusive, to  
45 the extent that those provisions do not limit or conflict with the





1 provisions with which the group is required to comply pursuant to  
2 paragraph (a).

3 2. *A risk retention group applying to be chartered in this*  
4 *State must submit to the Commissioner in summary form:*

5 (a) *The identities of:*

6 (1) *All members of the group;*

7 (2) *All organizers of the group;*

8 (3) *Those persons who will provide administrative services*  
9 *to the group; and*

10 (4) *Any person who will influence or control the activities*  
11 *of the group;*

12 (b) *The amount and nature of initial capitalization of the*  
13 *group;*

14 (c) *The coverages to be offered by the group; and*

15 (d) *Each state in which the group intends to operate.*

16 3. Before it may transact insurance in any state, the risk  
17 retention group must submit to the Commissioner for approval by  
18 the Commissioner a plan of operation. The risk retention group shall  
19 submit an appropriate revision in the event of any subsequent  
20 material change in any item of the plan of operation within 10 days  
21 after the change. The group shall not offer any additional kinds of  
22 liability insurance, in this State or in any other state, until a revision  
23 of the plan is approved by the Commissioner.

24 ~~3-~~ 4. *A risk retention group chartered in this State must file*  
25 *with the Commissioner on or before February 1 of each year a*  
26 *statement containing information concerning the immediately*  
27 *preceding year, which must be:*

28 (a) *Submitted in a form prescribed by the National Association*  
29 *of Insurance Commissioners;*

30 (b) *Prepared in accordance with the Accounting Practices and*  
31 *Procedures Manual adopted by the National Association of*  
32 *Insurance Commissioners and effective on January 1, 2001, and*  
33 *as amended by the National Association of Insurance*  
34 *Commissioners after that date; and*

35 (c) *Submitted on a diskette, if required by the Commissioner.*

36 5. *The Commissioner shall transmit to the National*  
37 *Association of Insurance Commissioners a copy of:*

38 (a) *All information submitted by a risk retention group to the*  
39 *Commissioner pursuant to subsections 2 and 4; and*

40 (b) *Any revisions to a plan of operation submitted to the*  
41 *Commissioner pursuant to subsection 3.*

42 6. A risk retention group chartered in a state other than Nevada  
43 that is seeking to transact insurance as a risk retention group in this  
44 State must comply with the provisions of NRS 695E.150 to  
45 695E.210, inclusive.



1 **Sec. 33.** NRS 695E.150 is hereby amended to read as follows:

2 695E.150 **1.** Before transacting insurance in this state, a risk  
3 retention group must submit to the Commissioner:

4 ~~1(a)~~ **(a)** A statement of registration identifying:

5 ~~1(a)(1)~~ **(1)** Each state in which the risk retention group is  
6 chartered or licensed as a liability insurer;

7 ~~1(b)~~ **(2)** The date of its charter;

8 ~~1(c)~~ **(3)** Its principal place of business; and

9 ~~1(d)~~ **(4)** Such other information, including information  
10 concerning its membership, as the Commissioner requires to verify  
11 its qualification as a risk retention group;

12 ~~2(a)~~ **(b)** A copy of its plan of operation and any revisions of the  
13 plan submitted to its state of domicile, except with respect to any  
14 line or classification of liability that was:

15 ~~2(a)(1)~~ **(1)** Defined in the Product Liability Risk Retention Act of  
16 1981 before October 27, 1986; and

17 ~~2(b)~~ **(2)** Offered before that date by a risk retention group that  
18 had been chartered and operating for not less than 3 years before  
19 that date; and

20 ~~3(a)~~ **(c)** A statement appointing the Commissioner as its agent  
21 for service of process pursuant to NRS 680A.250, together with  
22 the fee for filing a power of attorney required by subsection 4 of  
23 NRS 680B.010.

24 **2.** *The Commissioner shall, upon receipt of any revisions of a*  
25 *plan of operation provided by a risk retention group pursuant to*  
26 *paragraph (b) of subsection 1, transmit a copy of those revisions to*  
27 *the National Association of Insurance Commissioners.*

28 **Sec. 34.** NRS 695E.170 is hereby amended to read as follows:

29 695E.170 **1.** A risk retention group and its agents and  
30 representatives are subject to the provisions of NRS 686A.010 to  
31 686A.310, inclusive. Any injunction obtained pursuant to those  
32 sections must be obtained from a court of competent jurisdiction.

33 **2.** All premiums paid for coverages within this state to a risk  
34 retention group are subject to the provisions of chapter 680B of  
35 NRS. Each risk retention group shall report all premiums paid to it  
36 and shall pay the taxes on premiums and any related fines or  
37 penalties for risks resident, located or to be performed in the state.

38 **3.** *Any person acting as an agent or a broker for a risk*  
39 *retention group pursuant to NRS 695E.210 shall:*

40 *(a) Report to the Commissioner each premium for direct*  
41 *business for risks resident, located or to be performed in this State*  
42 *which the person has placed with or on behalf of a risk retention*  
43 *group that is not chartered in this State.*

44 *(b) Maintain a complete and separate record of each policy*  
45 *obtained from each risk retention group. Each record maintained*



1 *pursuant to this subsection must be made available upon request*  
2 *by the Commissioner for examination pursuant to NRS 679B.240,*  
3 *and must include, for each policy and each kind of insurance*  
4 *provided therein:*

5 (1) *The limit of liability;*  
6 (2) *The period covered;*  
7 (3) *The effective date;*  
8 (4) *The name of the risk retention group which issued the*  
9 *policy;*

10 (5) *The gross annual premium charged; and*  
11 (6) *The amount of return premiums, if any.*  
12 4. *As used in this section, "premiums for direct business"*  
13 *means any premium written in this State for a policy of insurance.*  
14 *The term does not include any premium for reinsurance or for a*  
15 *contract between members of a risk retention group.*



