
SENATE BILL NO. 12—COMMITTEE ON COMMERCE AND LABOR

PREFILED JANUARY 8, 1999

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing conversion of nonprofit hospital, medical or dental service corporations to for-profit corporations or entities. (BDR 57-203)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: 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 nonprofit corporations; prohibiting the commissioner of insurance from granting or continuing authority to transact insurance in this state to certain insurers; requiring the attorney general to make certain determinations concerning certain nonprofit hospital, medical or dental service corporations that have converted or are proposing to convert to for-profit corporations; revising the provisions governing the conversion of nonprofit hospital, medical or dental service corporations to for-profit corporations or entities; and providing other matters properly relating thereto.

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

- 1 **Section 1.** NRS 679B.120 is hereby amended to read as follows:
2 679B.120 The commissioner shall:
3 1. Organize and manage the division, and direct and supervise all its
4 activities;
5 2. Execute the duties imposed upon him by this code;
6 3. ~~Enforce~~ ***Except as otherwise provided by specific statute, enforce***
7 the provisions of this code;
8 4. Have the powers and authority expressly conferred upon him by or
9 reasonably implied from the provisions of this code;
10 5. Conduct such examinations and investigations of insurance matters,
11 in addition to examinations and investigations expressly authorized, as he
12 may deem proper upon reasonable and probable cause to determine whether
13 any person has violated any provision of this code or to secure information

1 useful in the lawful enforcement or administration of any such provision;
2 and

3 6. Have such additional powers and duties as may be provided by other
4 laws of this state.

5 **Sec. 2.** Chapter 680A of NRS is hereby amended by adding thereto the
6 provisions set forth as sections 3 to 8, inclusive, of this act.

7 **Sec. 3.** *As used in sections 3 to 8, inclusive, of this act, unless the*
8 *context otherwise requires, “for-profit corporation or entity” has the*
9 *meaning ascribed to it in section 14 of this act.*

10 **Sec. 4.** *The provisions of sections 3 to 8, inclusive, of this act apply*
11 *only to a nonprofit hospital, medical or dental service corporation that is*
12 *described in section 15 of this act.*

13 **Sec. 5. 1.** *Except as otherwise provided in this section, the*
14 *commissioner shall not grant or continue authority to transact insurance*
15 *in this state to any insurer or proposed insurer that:*

16 *(a) Converted from a nonprofit hospital, medical or dental service*
17 *corporation to a for-profit corporation or entity after the effective date of*
18 *this act; and*

19 *(b) Has transacted insurance in this state as a nonprofit hospital,*
20 *medical or dental service corporation.*

21 **2.** *If an insurer or proposed insurer described in subsection 1 is a*
22 *domestic insurer, the commissioner may grant or continue authority to*
23 *transact insurance in this state to the insurer only if the insurer has*
24 *complied with the provisions of sections 14 to 27, inclusive, of this act.*

25 **3.** *If an insurer or proposed insurer described in subsection 1 is a*
26 *foreign insurer, the commissioner may grant or continue authority to*
27 *transact insurance in this state to the insurer only:*

28 *(a) If the commissioner is notified by the attorney general pursuant to*
29 *section 6 of this act that a charitable trust has been established in the*
30 *State of Nevada to serve the health care needs of persons in this state in*
31 *the manner set forth in sections 22, 23 and 24 of this act with assets equal*
32 *to the full fair market value of the nonprofit hospital, medical or dental*
33 *service corporation attributable to the business it has conducted in the*
34 *State of Nevada at the time of the conversion, as determined in the*
35 *manner set forth in section 22 of this act; or*

36 *(b) For a specified time until the attorney general makes the*
37 *determination pursuant to subsection 2 of section 6 of this act.*

38 **Sec. 6. 1.** *The commissioner shall notify the attorney general when:*

39 *(a) A foreign insurer that has conducted business in this state as a*
40 *nonprofit hospital, medical or dental service corporation and has*
41 *converted to a for-profit corporation or entity after the effective date of*
42 *this act applies for an original certificate of authority;*

1 **(b) A foreign insurer that has transacted insurance in this state as a**
2 **nonprofit hospital, medical or dental service corporation and has**
3 **converted to a for-profit corporation or entity after the effective date of**
4 **this act files with the commissioner an annual statement required**
5 **pursuant to NRS 680A.270; or**

6 **(c) The commissioner otherwise becomes aware that a foreign insurer**
7 **that is authorized to transact insurance in this state and has transacted**
8 **insurance in this state as a nonprofit hospital, medical or dental service**
9 **corporation has converted to a for-profit corporation or entity after the**
10 **effective date of this act.**

11 **2. Except as otherwise provided in subsection 3, not later than 90**
12 **days after receiving notification from the commissioner pursuant to**
13 **subsection 1 or otherwise becoming aware that a foreign insurer that has**
14 **conducted business in this state as a nonprofit hospital, medical or dental**
15 **service corporation has initiated the process for converting to a for-profit**
16 **corporation or entity in another state, the attorney general shall**
17 **determine:**

18 **(a) In the manner set forth in section 22 of this act, whether or not a**
19 **charitable trust has been established in the manner set forth in section 22**
20 **of this act with assets equal to the full fair market value of the nonprofit**
21 **hospital, medical or dental service corporation attributable to business it**
22 **has conducted in the State of Nevada at the time of the conversion; and**

23 **(b) Whether or not the charitable assets of the charitable trust are**
24 **being held and distributed in the manner set forth in sections 23 and 24 of**
25 **this act.**

26 **3. If the attorney general cannot make a determination pursuant to**
27 **subsection 2 within 90 days, he may extend the period for not more than**
28 **60 days by giving notice to the commissioner and the foreign insurer.**

29 **4. The attorney general shall immediately notify the commissioner of**
30 **his determinations made pursuant to subsection 3.**

31 **Sec. 7. 1. The attorney general may:**

32 **(a) Advise, receive advice from, consult and cooperate with other**
33 **agencies of this state, the Federal Government, agencies of other states,**
34 **interstate agencies and with other persons to carry out the provisions of**
35 **sections 3 to 8, inclusive, of this act;**

36 **(b) Adopt such regulations as are necessary to carry out the provisions**
37 **of sections 3 to 8, inclusive, of this act;**

38 **(c) Contract with an agency of this state to assist the attorney general**
39 **in carrying out the provisions of sections 3 to 8, inclusive, of this act; and**

40 **(d) Contract with one or more consultants or experts to assist with a**
41 **determination to be made pursuant to subsection 2 of section 6 of this act,**
42 **including, without limitation, establishing the full fair market value of the**
43 **nonprofit hospital, medical or dental service corporation attributable to**

1 *business it has conducted in the State of Nevada at the time of the*
2 *conversion.*

3 *2. The total costs incurred by the attorney general through contracts*
4 *entered into for obtaining assistance in making the determination*
5 *pursuant to subsection 2 of section 6 of this act must be reasonable and*
6 *necessary.*

7 *3. The attorney general may require the parties involved in the*
8 *conversion to enter into an agreement, on terms established by the*
9 *attorney general, to pay for any costs incurred by the attorney general*
10 *pursuant to paragraph (d) of subsection 1. Such an agreement may*
11 *include, without limitation:*

12 *(a) Requiring the parties involved in the conversion to make a cash*
13 *deposit with an escrow agent in a manner approved by the attorney*
14 *general, and authorizing the attorney general to withdraw money from*
15 *the escrow account to cover any costs incurred pursuant to paragraph (d)*
16 *of subsection 1;*

17 *(b) Requiring the parties to pay the attorney general an amount of*
18 *money in advance to cover the expected costs that will be incurred*
19 *pursuant to paragraph (d) of subsection 1;*

20 *(c) Requiring the parties to make monthly payments to the attorney*
21 *general for the costs incurred by the attorney general pursuant to*
22 *paragraph (d) of subsection 1; or*

23 *(d) Any combination thereof.*

24 *Sec. 8. In carrying out the duties set forth in sections 3 to 8,*
25 *inclusive, of this act, the attorney general may:*

26 *1. Issue subpoenas requiring the attendance and testimony of*
27 *witnesses and the production of reports, papers, documents and other*
28 *evidence which he deems necessary;*

29 *2. Administer oaths; and*

30 *3. Compel a person to subscribe to his testimony after it has been*
31 *correctly reduced to writing.*

32 *Sec. 9. NRS 680A.070 is hereby amended to read as follows:*

33 *680A.070 A certificate of authority is not required of an insurer with*
34 *respect to any of the following:*

35 *1. Investigation, settlement or litigation of claims under its policies*
36 *lawfully written in this state, or liquidation of assets and liabilities of the*
37 *insurer, other than collection of new premiums, all as resulting from its*
38 *former authorized operations in this state.*

39 *2. Except as provided in subsection 2 of NRS 680A.060, transactions*
40 *thereunder after issuance of a policy covering only subjects of insurance*
41 *that are not resident, located or expressly to be performed in this state at the*
42 *time of issuance, and lawfully solicited, written and delivered outside this*
43 *state.*

1 3. Prosecution or defense of suits at law, except that no insurer
2 unlawfully transacting insurance in this state without a certificate of
3 authority may institute or maintain, other than defend, any action at law or
4 in equity in any court of this state, either directly or through an assignee or
5 successor in interest, to enforce any right, claim or demand arising out of
6 such an insurance transaction until the insurer, assignee or successor has
7 obtained a certificate of authority. This provision does not apply to any suit
8 or action by the receiver, rehabilitator or liquidator of such an insurer,
9 assignee or successor under laws similar to those contained in chapter 696B
10 of NRS.

11 4. Transactions pursuant to surplus lines coverages lawfully written
12 under chapter 685A of NRS.

13 5. A suit, action or proceeding for the enforcement or defense of its
14 rights relative to its investments in this state.

15 6. Reinsurance, except as to a domestic reinsurer or the reinsurance of a
16 domestic insurer, unless the reinsurance is authorized pursuant to subsection
17 1 of NRS 681A.110.

18 7. ~~{Transactions}~~ ***Except as otherwise provided in this subsection,***
19 ***transactions*** in this state involving group life insurance, group health or
20 blanket health insurance, or group annuities where the master policy or
21 contract of such groups was lawfully solicited, issued and delivered
22 pursuant to the laws of a state in which the insurer was authorized to
23 transact insurance, to a group organized for purposes other than the
24 procurement of insurance or to a group approved pursuant to NRS
25 688B.030 or 689B.026, and where the policyholder is domiciled or
26 otherwise has a bona fide situs. ***A foreign insurer that converted from a***
27 ***nonprofit hospital, medical or dental service corporation to a for-profit***
28 ***corporation or entity after the effective date of this act that previously***
29 ***transacted insurance in this state as a nonprofit hospital, medical or***
30 ***dental service corporation may engage in such transactions only if the***
31 ***commissioner has granted or continued authority for the nonprofit***
32 ***hospital, medical or dental service corporation to transact insurance***
33 ***pursuant to section 5 of this act.***

34 8. The issuance of annuities by an affiliate of an authorized insurer if
35 the affiliate:

- 36 (a) Is approved by the commissioner;
37 (b) Is organized as a nonprofit educational corporation;
38 (c) Issues annuities only to nonprofit institutions of education and
39 research; and
40 (d) Reports and pays any premium tax on the annuities required pursuant
41 to chapter 680B of NRS.

42 9. Transactions involving the procurement of excess liability insurance
43 above underlying liability coverage or self-insured retention of at least

1 \$25,000,000, if procured from an unauthorized alien or foreign insurer who
2 does not solicit, negotiate or enter into such transactions in this state by any
3 means, and if procured by a person:

4 (a) Whose total annual premiums for property and casualty insurance is
5 \$1,000,000 or more; and

6 (b) Who employs 250 or more full-time employees.

7 A person who procures insurance in accordance with this subsection shall
8 report and pay any premium tax on the insurance required pursuant to NRS
9 680B.040.

10 **Sec. 10.** NRS 680A.070 is hereby amended to read as follows:

11 680A.070 A certificate of authority is not required of an insurer with
12 respect to any of the following:

13 1. Investigation, settlement or litigation of claims under its policies
14 lawfully written in this state, or liquidation of assets and liabilities of the
15 insurer, other than collection of new premiums, all as resulting from its
16 former authorized operations in this state.

17 2. Except as otherwise provided in subsection 2 of NRS 680A.060,
18 transactions thereunder after issuance of a policy covering only subjects of
19 insurance that are not resident, located or expressly to be performed in this
20 state at the time of issuance, and lawfully solicited, written and delivered
21 outside this state.

22 3. Prosecution or defense of suits at law, except that no insurer
23 unlawfully transacting insurance in this state without a certificate of
24 authority may institute or maintain, other than defend, any action at law or
25 in equity in any court of this state, either directly or through an assignee or
26 successor in interest, to enforce any right, claim or demand arising out of
27 such an insurance transaction until the insurer, assignee or successor has
28 obtained a certificate of authority. This provision does not apply to any suit
29 or action by the receiver, rehabilitator or liquidator of such an insurer,
30 assignee or successor under laws similar to those contained in chapter 696B
31 of NRS.

32 4. Transactions pursuant to surplus lines coverages lawfully written
33 under chapter 685A of NRS.

34 5. A suit, action or proceeding for the enforcement or defense of its
35 rights relative to its investments in this state.

36 6. Reinsurance, except as to a domestic reinsurer or the reinsurance of a
37 domestic insurer, unless the reinsurance is authorized pursuant to subsection
38 1 of NRS 681A.110.

39 7. ~~Transactions~~ ***Except as otherwise provided in this subsection,***
40 ***transactions*** in this state involving group life insurance, group health or
41 blanket health insurance, or group annuities where the master policy or
42 contract of such groups was lawfully solicited, issued and delivered
43 pursuant to the laws of a state in which the insurer was authorized to

1 transact insurance, to a group organized for purposes other than the
2 procurement of insurance or to a group approved pursuant to NRS
3 688B.030 or 689B.026, and where the policyholder is domiciled or
4 otherwise has a bona fide situs. ***A foreign insurer that converted from a***
5 ***nonprofit hospital, medical or dental service corporation to a for-profit***
6 ***corporation or entity after the effective date of this act that previously***
7 ***transacted insurance in this state as a nonprofit hospital, medical or***
8 ***dental service corporation may engage in such transactions only if the***
9 ***commissioner has granted or continued authority for the nonprofit***
10 ***hospital, medical or dental service corporation to transact insurance***
11 ***pursuant to section 5 of this act.***

12 8. The issuance of annuities by an affiliate of an authorized insurer if
13 the affiliate:

- 14 (a) Is approved by the commissioner;
15 (b) Is organized as a nonprofit educational corporation;
16 (c) Issues annuities only to nonprofit institutions of education and
17 research; and
18 (d) Reports and pays any premium tax on the annuities required pursuant
19 to chapter 680B of NRS.

20 9. Transactions, other than for workers' compensation insurance or for
21 industrial insurance provided pursuant to chapters 616A to 617, inclusive,
22 of NRS, involving the procurement of excess liability insurance above
23 underlying liability coverage or self-insured retention of at least
24 \$25,000,000, if procured from an unauthorized alien or foreign insurer who
25 does not solicit, negotiate or enter into such transactions in this state by any
26 means, and if procured by a person:

27 (a) Whose total annual premiums for property and casualty insurance,
28 not including workers' compensation or industrial insurance, is \$1,000,000
29 or more; and

30 (b) Who employs 250 or more full-time employees.

31 A person who procures insurance in accordance with this subsection shall
32 report and pay any premium tax on the insurance required pursuant to NRS
33 680B.040.

34 **Sec. 11.** NRS 680A.095 is hereby amended to read as follows:

35 680A.095 1. Except as otherwise provided in subsection 3, an insurer
36 which is not authorized to transact insurance in this state may not transact
37 reinsurance with a domestic insurer in this state, by mail or otherwise,
38 unless he holds a certificate of authority as a reinsurer in accordance with
39 the provisions of NRS 680A.010 to 680A.150, inclusive, 680A.160 to
40 680A.290, inclusive, 680A.320 and 680A.330 ~~{-}~~ ***and sections 3 to 8,***
41 ***inclusive, of this act.***

2. To qualify for authority only to transact reinsurance, an insurer must meet the same requirements for capital and surplus as are imposed on an insurer which is authorized to transact insurance in this state.

3. This section does not apply to the joint reinsurance of title insurance risks or to reciprocal insurance authorized pursuant to chapter 694B of NRS.

Sec. 12. NRS 680A.175 is hereby amended to read as follows:

680A.175 1. If a domestic insurer transfers its domicile to another state, it ceases to be a domestic insurer.

2. ~~{The}~~ ***Except as otherwise provided in section 5 of this act, the commissioner shall issue to such an insurer a certificate of authority to transact insurance as a foreign insurer if:***

(a) The insurer qualifies as a foreign insurer; and

(b) Such certification is in the best interest of the policyholders of this state.

Sec. 13. Chapter 695B of NRS is hereby amended by adding thereto the provisions set forth as sections 14 to 28, inclusive, of this act.

Sec. 14. *As used in sections 14 to 28, inclusive, of this act, unless the context otherwise requires, "for-profit corporation or entity" means a corporation, partnership, proprietorship, business association, stock insurer and any other similar organization that conducts an activity for profit.*

Sec. 15. *The provisions of sections 14 to 28, inclusive, of this act apply only to a nonprofit hospital, medical or dental service corporation that is:*

1. *Recognized as exempt pursuant to section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, future amendments to those sections and the corresponding provisions of future internal revenue laws;*

2. *Subject to the provisions of section 833 of the Internal Revenue Code of 1986, future amendments to that section and the corresponding provisions of future internal revenue laws;*

3. *Incorporated pursuant to chapter 82 of NRS;*

4. *Subject to the provisions of chapter 695B of NRS;*

5. *Exempt from state franchise, property and sales taxes; or*

6. *Organized and operated for the promotion of public good or to benefit the public and which normally receives more than one-third of its support each year from private or public gifts, grants, contributions or membership fees.*

Sec. 16. 1. *A nonprofit hospital, medical or dental service corporation shall not enter into an agreement or transaction to:*

(a) *Sell its assets to;*

(b) *Transfer its assets to;*

(c) *Lease its assets to;*

1 (d) Exchange its assets with the assets of;
2 (e) Provide an option with respect to;
3 (f) Convey its assets to;
4 (g) Give its assets to;
5 (h) Restructure itself as;
6 (i) Convert to;
7 (j) Merge with;
8 (k) Enter into a joint venture with;
9 (l) Enter into any other agreement or transaction to transfer control,
10 responsibility or governance of its assets, operations or business to; or
11 (m) Otherwise dispose of its assets to,
12 a for-profit corporation or entity, if a material amount of the assets,
13 operations or business of the nonprofit hospital, medical or dental service
14 corporation are involved in the agreement or transaction, unless it obtains
15 written approval or written conditional approval from the attorney
16 general.

17 2. A nonprofit hospital, medical or dental service corporation shall
18 not enter into an agreement or transaction set forth in subsection 1 that,
19 when combined with one or more transactions that occurred or occur
20 within 5 years before or after the agreement or transaction is closed, will
21 result in a change of governance, ownership or operational control of a
22 material amount of the assets, operations or business of the nonprofit
23 hospital, medical or dental service corporation to a for-profit corporation
24 or entity, unless it obtains written approval or conditional approval from
25 the attorney general.

26 Sec. 17. 1. To obtain approval of a proposed agreement or
27 transaction set forth in section 16 of this act, a nonprofit hospital, medical
28 or dental service corporation shall provide the attorney general with a
29 written request for approval. The written request must include:

30 (a) Proof that a majority of the board of directors of the nonprofit
31 hospital, medical or dental service corporation voted in favor of the
32 agreement or transaction;

33 (b) Proof that each member of the board of directors of the nonprofit
34 hospital, medical or dental service corporation received a copy of the
35 provisions of sections 14 to 28, inclusive, of this act and the complete
36 written request for approval to be provided to the attorney general
37 pursuant to this subsection before voting on whether to approve the
38 agreement or transaction; and

39 (c) Any other information requested by the attorney general.

40 2. After receiving all necessary information, the attorney general
41 shall notify the nonprofit hospital, medical or dental service corporation
42 that its written request for approval of an agreement or transaction is
43 complete.

1 **3. Except as otherwise provided in this subsection, not later than 90**
2 **days after notifying a nonprofit hospital, medical or dental service**
3 **corporation that its request for approval of an agreement or transaction is**
4 **complete, the attorney general shall notify the nonprofit hospital, medical**
5 **or dental service corporation in writing whether or not the request for**
6 **approval has been granted. If the attorney general cannot make a**
7 **determination concerning an agreement or transaction within 90 days, he**
8 **may extend the period for not more than 60 days by giving notice to the**
9 **nonprofit hospital, medical or dental service corporation.**

10 **4. Except as otherwise provided in subsection 5, the attorney general**
11 **shall approve an agreement or transaction if he determines that the**
12 **provisions of sections 14 to 27, inclusive, of this act have been satisfied. If**
13 **the attorney general determines that the provisions of sections 14 to 27,**
14 **inclusive, of this act have not been satisfied, he shall:**

15 **(a) Notify the nonprofit hospital, medical or dental service corporation**
16 **that the request for approval has been denied and provide the reasons for**
17 **not approving the agreement or transaction; or**

18 **(b) Notify the nonprofit hospital, medical or dental service corporation**
19 **that the request for approval has been conditionally approved, the**
20 **conditions that must be satisfied for the agreement or transaction to be**
21 **fully approved and the date by which such conditions must be satisfied.**

22 **5. The attorney general may deny a request for approval if any party**
23 **to the agreement or transaction fails to provide information in a timely**
24 **manner to the attorney general after being requested to provide such**
25 **information.**

26 **6. If the terms or conditions of a proposed agreement or transaction**
27 **for which a written request for approval has been provided to the attorney**
28 **general pursuant to subsection 1 are materially changed, the nonprofit**
29 **hospital, medical or dental service corporation must provide a new written**
30 **request for approval in the manner set forth in subsection 1.**

31 **7. Any person who is aggrieved by a final decision of the attorney**
32 **general made pursuant to this section, including, without limitation, a**
33 **consumer of health care or community group that represents the citizens**
34 **of this state, may petition for judicial review in the manner provided in**
35 **chapter 233B of NRS.**

36 **Sec. 18. 1. Any agreement or transaction entered into in violation**
37 **of section 16 of this act is void.**

38 **2. Each member of the governing board or the chief financial officer**
39 **of a party to an agreement or transaction entered into in violation of**
40 **section 16 of this act is liable for a civil penalty not to exceed \$1,000,000**
41 **for each violation, which may be recovered in a civil action brought in the**
42 **name of the State of Nevada by the attorney general in a court of**
43 **competent jurisdiction.**

1 **3. Each member of the governing board or the chief financial officer**
2 **of a party to an agreement or transaction set forth in section 16 of this act**
3 **who intentionally manipulates the full fair market value of the nonprofit**
4 **hospital, medical or dental service corporation in a manner that causes**
5 **the full fair market value of the nonprofit hospital, medical or dental**
6 **service corporation to decrease is personally liable for a civil penalty not**
7 **to exceed \$1,000,000 for each violation, which may be recovered in a civil**
8 **action brought in the name of the State of Nevada by the attorney general**
9 **in a court of competent jurisdiction.**

10 **4. A civil penalty imposed pursuant to this section is in addition to,**
11 **and not exclusive of, any other available remedy or penalty for a violation**
12 **of this section.**

13 **Sec. 19. 1. Not later than 5 working days after receiving**
14 **notification from the attorney general pursuant to section 17 of this act**
15 **that a written request for approval of an agreement or transaction is**
16 **complete, a nonprofit hospital, medical or dental service corporation**
17 **shall:**

18 **(a) Provide public notice of the proposed agreement or transaction in a**
19 **form approved by the attorney general by publication once each week for**
20 **3 consecutive weeks in at least one newspaper of general circulation in**
21 **each area of this state where the nonprofit hospital, medical or dental**
22 **service corporation provides services; and**

23 **(b) Provide notice of the proposed agreement or transaction by mailing**
24 **notice in a form approved by the attorney general to all interested persons**
25 **of whom the nonprofit hospital, medical or dental service corporation is**
26 **aware, including, without limitation, its subscribers and insureds.**

27 **2. Not later than 10 working days after receiving a completed written**
28 **request from a nonprofit hospital, medical or dental service corporation**
29 **pursuant to section 17 of this act, the attorney general shall mail written**
30 **notice of the proposed agreement or transaction to all persons who have**
31 **requested in writing to receive notice of all written requests for approval**
32 **filed pursuant to section 17 of this act.**

33 **3. The attorney general may charge any party to the proposed**
34 **agreement or transaction for any costs incurred in complying with the**
35 **provisions of this section concerning providing notice, holding public**
36 **hearings and providing records to the public.**

37 **Sec. 20. 1. Not later than 45 days after receiving a completed**
38 **written request for approval from a nonprofit hospital, medical or dental**
39 **service corporation pursuant to section 17 of this act, the attorney general**
40 **shall hold at least one public hearing in each area of this state where the**
41 **nonprofit hospital, medical or dental service corporation provides**
42 **services. To determine the number of public hearings to hold in each**
43 **area, the attorney general shall consider the number of persons who**

1 *reside in each area and the nature and value of the proposed agreement*
2 *or transaction to ensure that the persons who will be affected by the*
3 *agreement or transaction have an opportunity to provide information to*
4 *the attorney general concerning the agreement or transaction.*

5 *2. At each public hearing held pursuant to this section, the attorney*
6 *general shall obtain comments from persons who will be affected by the*
7 *agreement or transaction concerning the potential risks and benefits of*
8 *the agreement or transaction. Any person may file a written comment or*
9 *exhibit to be distributed at or appear and make comments at a public*
10 *hearing held pursuant to this section. Each party to the proposed*
11 *agreement or transaction must have at least one representative present at*
12 *each public hearing held pursuant to this section.*

13 *3. At least 21 days before each public hearing, the attorney general*
14 *shall provide notice of the time and place of the hearing:*

15 *(a) By publication in at least one newspaper of general circulation in*
16 *the area where the hearing will be held;*

17 *(b) By mailing written notice to the board of county commissioners of*
18 *the county where the hearing will be held; and*

19 *(c) By mailing notice to all other interested persons of whom the*
20 *attorney general is aware, including, without limitation, other nonprofit*
21 *hospital, medical or dental service corporations and the subscribers and*
22 *insureds of the nonprofit hospital, medical or dental service corporation.*

23 *4. The attorney general shall:*

24 *(a) Prepare and maintain a written summary of all written and oral*
25 *comments made in preparation for each public hearing and made at each*
26 *public hearing held pursuant to this section, including, without limitation,*
27 *all questions asked by persons at the hearing;*

28 *(b) Require a response to each question asked at such a hearing from*
29 *an appropriate party to the proposed agreement or transaction and*
30 *include such responses in the summary prepared pursuant to this*
31 *subsection;*

32 *(c) Maintain the summary prepared pursuant to this subsection in the*
33 *office of the attorney general and file the summary with the governing*
34 *authority of each public library in each area of this state where the*
35 *nonprofit hospital, medical or dental service corporation provides*
36 *services; and*

37 *(d) Make copies of the summary prepared pursuant to this subsection*
38 *available free of charge to any person who provides a written request to*
39 *the attorney general.*

40 *5. Records in the possession of the attorney general concerning a*
41 *proposed agreement or transaction are public records and must be open*
42 *to public inspection free of charge at the office of the attorney general*
43 *and the office of the nonprofit hospital, medical or dental service*

1 *corporation that is proposing the agreement or transaction during regular*
2 *business hours.*

3 *6. The attorney general may charge any party to the proposed*
4 *agreement or transaction for any costs incurred in complying with the*
5 *provisions of subsections 1, 2, 3 and 5 concerning providing notice,*
6 *holding public hearings and providing records to the public.*

7 *Sec. 21. 1. The terms and conditions of an agreement or*
8 *transaction set forth in section 16 of this act must be fair and reasonable*
9 *to residents of this state, including, without limitation, recipients of health*
10 *care services, subscribers or policyholders of the nonprofit hospital,*
11 *medical or dental service corporation that is proposing the agreement or*
12 *transaction and the nonprofit hospital, medical or dental service*
13 *corporation that is proposing the agreement or transaction.*

14 *2. An agreement or transaction set forth in section 16 of this act must*
15 *be in the public interest. An agreement or transaction will be deemed to*
16 *be in the public interest only if the nonprofit hospital, medical or dental*
17 *service corporation that is proposing the agreement or transaction has*
18 *taken the appropriate steps to safeguard the value of its assets that are*
19 *required to be placed in a charitable trust pursuant to section 22 of this*
20 *act and to ensure that any proceeds from the agreement or transaction*
21 *are irrevocably dedicated to charitable health care purposes.*

22 *3. An agreement or transaction set forth in section 16 of this act must*
23 *not:*

24 *(a) Result in any benefit to a private person, including, without*
25 *limitation, a stock option, an agreement not to compete or any other*
26 *private benefit; or*

27 *(b) Have an adverse effect on the affordability of health care services*
28 *to persons who reside in each area where the nonprofit hospital, medical*
29 *or dental service corporation that is proposing the agreement or*
30 *transaction provides services or be likely to have such an effect.*

31 *4. A nonprofit hospital, medical or dental service corporation that is*
32 *proposing an agreement or transaction set forth in section 16 of this act*
33 *shall use due diligence in selecting the other persons involved in the*
34 *proposed agreement or transaction, and in negotiating the terms and*
35 *conditions of the agreement or transaction.*

36 *Sec. 22. 1. Except as otherwise provided in subsection 6, the parties*
37 *that are proposing to enter into an agreement or transaction set forth in*
38 *section 16 of this act shall, as part of the agreement or transaction,*
39 *establish a charitable trust which must receive assets in an amount equal*
40 *to the full fair market value of the nonprofit hospital, medical or dental*
41 *service corporation as determined by the attorney general pursuant to*
42 *subsection 2.*

1 **2. Except as otherwise provided in subsection 7, the attorney general**
2 **shall use an independent expert to determine the full fair market value of**
3 **the nonprofit hospital, medical or dental service corporation at the time**
4 **when the agreement or transaction is carried out, as if the nonprofit**
5 **hospital, medical or dental service corporation had outstanding voting**
6 **stock and as if 100 percent of its stock was freely transferable and**
7 **available for purchase without restriction. In determining the full fair**
8 **market value of the nonprofit hospital, medical or dental service**
9 **corporation, the attorney general shall consider all relevant factors,**
10 **including, without limitation, its market value, investment or earnings**
11 **value, value of the net assets, value of the goodwill, value of the trade**
12 **name and a control premium, if any.**

13 **3. The nonprofit hospital, medical or dental service corporation shall**
14 **conduct an independent valuation of its full fair market value. The**
15 **attorney general may use an independent expert to review the valuation**
16 **conducted by the nonprofit hospital, medical or dental service**
17 **corporation.**

18 **4. A party to the proposed agreement or transaction shall not**
19 **manipulate the full fair market value of the nonprofit hospital, medical or**
20 **dental service corporation in a manner that causes the full fair market**
21 **value of the nonprofit hospital, medical or dental service corporation to**
22 **decrease.**

23 **5. All or a portion of the consideration conveyed to the charitable**
24 **trust may consist of stock in the for-profit corporation or entity.**

25 **6. Except as otherwise provided in subsection 7, if the nonprofit**
26 **hospital, medical or dental service corporation continues to conduct**
27 **business or has conducted business in another state, the attorney general**
28 **shall determine the full fair market value of the nonprofit hospital,**
29 **medical or dental service corporation that is attributable to the business**
30 **conducted in the State of Nevada separate from the full fair market value**
31 **of the nonprofit hospital, medical or dental service corporation**
32 **attributable to business conducted by the nonprofit hospital, medical or**
33 **dental service corporation in other states. The charitable trust required to**
34 **be established in this state pursuant to this section must have assets in an**
35 **amount equal to the full fair market value of the nonprofit hospital,**
36 **medical or dental service corporation attributable to business it has**
37 **conducted in the State of Nevada at the time the agreement or transaction**
38 **is entered into, as determined by the attorney general in the manner set**
39 **forth in this section.**

40 **7. The attorney general may rely on an independent valuation of the**
41 **full fair market value of the nonprofit hospital, medical or dental service**
42 **corporation or an independent valuation of the full fair market value of**
43 **the nonprofit hospital, medical or dental service corporation that is**

1 *attributable to the business conducted in the State of Nevada that was*
2 *performed by an agency or officer of another state if the attorney general*
3 *determines that the valuation was conducted in a reliable manner.*

4 **Sec. 23. 1. The charitable assets of a charitable trust established**
5 **pursuant to section 22 of this act must be distributed to a tax-exempt**
6 **charitable organization that:**

7 **(a) Is recognized as exempt pursuant to section 501(c)(3) or 501(c)(4)**
8 **of the Internal Revenue Code of 1986, future amendments to that section**
9 **and the corresponding provisions of future internal revenue laws; and**

10 **(b) Complies with the provisions of sections 4941 to 4945, inclusive, of**
11 **the Internal Revenue Code of 1986, future amendments to those sections**
12 **and the corresponding provisions of future internal revenue laws.**

13 **2. The charitable mission of and grants awarded by a charitable**
14 **organization that receives charitable assets pursuant to this section must**
15 **primarily serve the necessary health care needs of this state which are not**
16 **currently being met, including, without limitation, serving the medically**
17 **uninsured and underserved persons in this state and focusing on**
18 **promoting access to health care services, improving the quality of health**
19 **care services provided to persons in this state and improving the quality**
20 **and availability of preventative health care services to persons in this**
21 **state.**

22 **3. A charitable organization that receives charitable assets pursuant**
23 **to this section must provide assistance to persons in the areas of this state**
24 **where the nonprofit hospital, medical or dental service corporation**
25 **previously provided services. Its governing board must reflect the diversity**
26 **of the communities in which it is providing assistance.**

27 **Sec. 24. 1. A charitable organization that receives charitable assets**
28 **pursuant to section 23 of this act shall provide the attorney general with**
29 **an annual report concerning its administration of the charitable assets it**
30 **receives, including, without limitation, its grant-making and other**
31 **charitable activities. The annual report is a public record and must be**
32 **open to public inspection free of charge at the office of the attorney**
33 **general and the office of the charitable organization during regular**
34 **business hours.**

35 **2. A charitable organization that receives charitable assets pursuant**
36 **to section 23 of this act shall establish an advisory board that includes,**
37 **without limitation, providers of health care and citizens, to advise the**
38 **charitable organization concerning the health care needs of persons in**
39 **this state.**

40 **3. A charitable organization that receives charitable assets pursuant**
41 **to section 23 of this act, and all of its directors, officers and members of**
42 **its staff must be independent of the for-profit corporation or entity and its**

1 *affiliates with whom the nonprofit hospital, medical or dental service*
2 *corporation is proposing to enter into an agreement or transaction.*

3 *4. A director, officer or member of the staff of the nonprofit hospital,*
4 *medical or dental service corporation that is proposing the agreement or*
5 *transaction must not be a director, officer or member of the staff of a*
6 *charitable organization that receives charitable assets pursuant to section*
7 *23 of this act.*

8 *5. No director, officer or member of the staff of the nonprofit*
9 *hospital, medical or dental service corporation that is proposing the*
10 *agreement or transaction, or director, officer or member of the staff of a*
11 *charitable organization that receives charitable assets pursuant to section*
12 *23 of this act may benefit directly or indirectly from the proposed*
13 *agreement or transaction.*

14 *6. A charitable organization that receives charitable assets pursuant*
15 *to section 23 of this act shall establish a procedure for avoiding conflicts*
16 *of interest and for ensuring that the charitable assets are not distributed*
17 *in a manner which will benefit the for-profit corporation or entity with*
18 *whom the nonprofit hospital, medical or dental service corporation is*
19 *proposing to enter into the agreement or transaction, or the board of*
20 *directors or other management of the for-profit corporation or entity.*

21 *7. The attorney general may oversee and monitor the activities*
22 *carried out by a charitable organization that receives charitable assets*
23 *pursuant to section 23 of this act.*

24 *Sec. 25. 1. The attorney general may:*

25 *(a) Advise, receive advice from, consult and cooperate with other*
26 *agencies of this state, the Federal Government, agencies of other states,*
27 *interstate agencies and with other persons to carry out the provisions of*
28 *sections 14 to 27, inclusive, of this act;*

29 *(b) Adopt such regulations as are necessary to carry out the provisions*
30 *of sections 14 to 27, inclusive, of this act;*

31 *(c) Contract with an agency of this state to assist the attorney general*
32 *in carrying out the provisions of sections 14 to 27, inclusive, of this act;*
33 *and*

34 *(d) Contract with one or more consultants or experts to assist in the*
35 *review of a proposed agreement or transaction pursuant to the provisions*
36 *of sections 14 to 27, inclusive, of this act, including, without limitation,*
37 *establishing the full fair market value of the nonprofit hospital, medical*
38 *or dental service corporation that is proposing the agreement or*
39 *transaction.*

40 *2. The total costs incurred by the attorney general through contracts*
41 *entered into for obtaining assistance in reviewing the proposed agreement*
42 *or transaction must be reasonable and necessary.*

1 **3. The attorney general may require the parties involved in the**
2 **conversion to enter into an agreement, on terms established by the**
3 **attorney general, to pay for any costs incurred by the attorney general**
4 **pursuant to paragraph (d) of subsection 1. Such an agreement may**
5 **include, without limitation:**

6 **(a) Requiring the parties involved in the conversion to make a cash**
7 **deposit with an escrow agent in a manner approved by the attorney**
8 **general, and authorizing the attorney general to withdraw money from**
9 **the escrow account to cover any costs incurred pursuant to paragraph (d)**
10 **of subsection 1;**

11 **(b) Requiring the parties to pay the attorney general an amount of**
12 **money in advance to cover the expected costs that will be incurred**
13 **pursuant to paragraph (d) of subsection 1;**

14 **(c) Requiring the parties to make monthly payments to the attorney**
15 **general for the costs incurred by the attorney general pursuant to**
16 **paragraph (d) of subsection 1; or**

17 **(d) Any combination thereof.**

18 **Sec. 26. In carrying out the duties set forth in sections 14 to 27,**
19 **inclusive, of this act, the attorney general may:**

20 **1. Issue subpoenas requiring the attendance and testimony of**
21 **witnesses and the production of reports, papers, documents and other**
22 **evidence which he deems necessary;**

23 **2. Administer oaths; and**

24 **3. Compel a person to subscribe to his testimony after it has been**
25 **correctly reduced to writing.**

26 **Sec. 27. Each nonprofit hospital, medical or dental service**
27 **corporation that enters into an agreement or a transaction set forth in**
28 **section 16 of this act and that continues to conduct business as a**
29 **nonprofit hospital, medical or dental service corporation after the**
30 **agreement or transaction has been carried out shall submit an annual**
31 **report to the attorney general describing the manner in which it continues**
32 **to satisfy any obligation it has to the public. The attorney general may**
33 **oversee the nonprofit hospital, medical or dental service corporation to**
34 **ensure that it satisfies any such obligation to the public.**

35 **Sec. 28. The commissioner shall not issue or renew a certificate of**
36 **authority to any corporation proposing to establish, maintain or operate a**
37 **nonprofit hospital, medical or dental service plan if the corporation has**
38 **entered into an agreement or transaction in violation of section 16 of this**
39 **act.**

40 **Sec. 29. NRS 695B.320 is hereby amended to read as follows:**

41 **695B.320 Nonprofit hospital and medical or dental service corporations**
42 **are subject to the provisions of this chapter, and to the provisions of**
43 **chapters 679A and 679B of NRS, NRS 686A.010 to 686A.315, inclusive,**

1 687B.010 to 687B.040, inclusive, 687B.070 to 687B.140, inclusive,
2 687B.150, 687B.160, 687B.180, 687B.200 to 687B.255, inclusive,
3 687B.270, 687B.310 to 687B.380, inclusive, 687B.410, 687B.420,
4 687B.430, and chapters 692C and 696B of NRS, **and sections 3 to 8,**
5 **inclusive, of this act** to the extent applicable and not in conflict with the
6 express provisions of this chapter.

7 **Sec. 30.** NRS 695C.055 is hereby amended to read as follows:

8 695C.055 1. The provisions of NRS 449.465, 679B.158, subsections
9 2, 4, 18, 19 and 32 of NRS 680B.010, NRS 680B.025 to 680B.060,
10 inclusive, and 695G.010 to 695G.260, inclusive, **and sections 3 to 8,**
11 **inclusive, of this act**, apply to a health maintenance organization.

12 2. For the purposes of subsection 1, unless the context requires that a
13 provision apply only to insurers, any reference in those sections to “insurer”
14 must be replaced by “maintenance organization.”

15 **Sec. 31.** NRS 695F.090 is hereby amended to read as follows:

16 695F.090 Prepaid limited health service organizations are subject to the
17 provisions of this chapter and to the following provisions, to the extent
18 reasonably applicable:

19 1. NRS 687B.310 to 687B.420, inclusive, concerning cancellation and
20 nonrenewal of policies.

21 2. NRS 687B.122 to 687B.128, inclusive, concerning readability of
22 policies.

23 3. The requirements of NRS 679B.152.

24 4. The fees imposed pursuant to NRS 449.465.

25 5. NRS 686A.010 to 686A.310, inclusive, concerning trade practices
26 and frauds.

27 6. The assessment imposed pursuant to subsection 3 of NRS 679B.158.

28 7. Chapter 683A of NRS.

29 8. To the extent applicable, the provisions of NRS 689B.340 to
30 689B.600, inclusive, and chapter 689C of NRS relating to the portability
31 and availability of health insurance.

32 9. NRS 689A.413.

33 10. NRS 680B.025 to 680B.039, inclusive, concerning premium tax,
34 premium tax rate, annual report and estimated quarterly tax payments. For
35 the purposes of this subsection, unless the context otherwise requires that a
36 section apply only to insurers, any reference in those sections to “insurer”
37 must be replaced by a reference to “prepaid limited health service
38 organization.”

39 11. Chapter 692C of NRS, concerning holding companies.

40 **12. Sections 3 to 8, inclusive, of this act.**

- 1 **Sec. 32.** 1. This section and sections 1 to 9, inclusive, and 11 to 31,
2 inclusive, of this act become effective upon passage and approval.
3 2. Section 10 of this act becomes effective at 12:02 a.m. on July 1,
4 1999.

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