

SENATE BILL NO. 290—SENATOR NEAL

MARCH 3, 1999

Referred to Committee on Commerce and Labor

SUMMARY—Expands authority of state industrial insurance system to transact insurance in Nevada. (BDR 53-528)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Yes.

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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; authorizing in skeleton form for the state industrial insurance system to transact life insurance, motor vehicle insurance and property insurance that provides coverage against loss or damage to a home; 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 616A.270 is hereby amended to read as follows:
2 616A.270 “Insurer” includes:
3 1. The state industrial insurance system ~~is~~ ***for the limited purpose of***
4 ***providing industrial insurance pursuant to the provisions of chapters***
5 ***616A to 617, inclusive, of NRS;***
6 2. A self-insured employer;
7 3. An association of self-insured public employers;
8 4. An association of self-insured private employers; and
9 5. A private carrier.
10 **Sec. 2.** Chapter 616B of NRS is hereby amended by adding thereto a
11 new section to read as follows:
12 ***All premiums, contributions, penalties, bonds, securities and other***
13 ***property of the system that are attributable to policies of life insurance,***
14 ***motor vehicle insurance and property insurance that provides coverage***
15 ***against loss or damage to a home that are issued by the system pursuant***
16 ***to the provisions of Title 57 of NRS must be:***

1 **1. Credited on the records of the system to the fund for the**
2 **transaction of insurance, which is hereby created.**

3 **2. Held by the manager as custodian thereof for the benefit of the**
4 **policyholders who purchase such policies of insurance from the system.**

5 **Sec. 3.** NRS 616B.050 is hereby amended to read as follows:

6 616B.050 1. The state industrial insurance system is hereby
7 established as an independent actuarially funded system to ~~insure~~ :

8 **(a) Insure** employers against liability for injuries and occupational
9 diseases for which their employees may be entitled to receive compensation
10 pursuant to chapters 616A to 616D, inclusive, of NRS or chapter 617 of
11 NRS, and the federal ~~Longshoremen's~~ **Longshore** and Harbor Workers'
12 Compensation Act.

13 **(b) Transact in this state life insurance, motor vehicle insurance or**
14 **property insurance that provides coverage against loss or damage to a**
15 **home, or any combination thereof authorized by the provisions of Title**
16 **57 of NRS.**

17 **2.** The system may create one or more entities to carry out the business
18 of the system, which may be operated under any legal name in addition to
19 the state industrial insurance system on behalf of the system.

20 ~~2.~~ **3.** The system is a public agency which administers and is
21 supported by the state insurance fund ~~and~~ **and the fund for the transaction**
22 **of insurance.** The executive and legislative departments of the state
23 government shall regularly review the system.

24 ~~3.~~ **4.** The system is entitled but not required to use any services
25 provided to state agencies. Except as otherwise provided for specified
26 positions, its employees are in the classified service of the state.

27 **Sec. 4.** NRS 616B.083 is hereby amended to read as follows:

28 616B.083 1. The money and assets held in trust by the system
29 include:

30 (a) All premiums and other money paid to the system ~~and~~ **pursuant to**
31 **chapters 616A to 617, inclusive, of NRS;**

32 (b) All property and securities acquired through the use of money in the
33 state insurance fund; and

34 (c) All interest and dividends earned upon money in the state insurance
35 fund and deposited or invested as provided in chapters 616A to 616D,
36 inclusive, of NRS.

37 **2. ~~The~~ Except as otherwise provided in Title 57 of NRS, the** system
38 shall:

39 (a) Report to the commissioner only its financial statement and results of
40 operations for the account for current claims in accordance with those
41 accounting principles that are prescribed by the commissioner and applied
42 to other insurers providing coverage for workers' compensation.

(b) Discount its reserve for losses *for industrial insurance* for accounting periods beginning on or after July 1, 1995, at a rate determined by the manager, but not to exceed 4 percent.

(c) Allocate to the account for the administration of extended claims created pursuant to NRS 616B.087 \$650,000,000 in invested assets.

Sec. 5. NRS 616B.089 is hereby amended to read as follows:

616B.089 The State of Nevada is not liable for the payment of any compensation or any salaries or expenses ~~in~~ :

1. In the administration of chapters 616A to 616D, inclusive, of NRS ~~is~~ ; or

2. Required to be paid by the system pursuant to the provisions of Title 57 of NRS,

but is responsible for the safety and preservation of the state insurance fund.

Sec. 6. NRS 616B.179 is hereby amended to read as follows:

616B.179 The system may:

1. Pursuant to the provisions of chapters 616A to 617, inclusive, of NRS:

(a) Insure an employer against liability for workers' compensation and other liability that the employer may have because of bodily injury or occupational disease to his employee arising out of and in the course of employment, to the same degree as any other insurer;

~~(2.)~~ **(b)** Insure employers against their liability for compensation or damages under the ~~Longshoremen's~~ *Longshore* and Harbor Workers' Act or any extension of that Act, to the same degree as any other insurer;

~~(3.)~~ **(c)** Furnish advice, services and excess insurance for workers' compensation; and

~~(4.)~~ **(d)** Reinsure any risk or any part thereof.

2. Pursuant to the provisions of Title 57 of NRS, transact in this state life insurance, motor vehicle insurance or property insurance that provides coverage against loss or damage to a home, or any combination thereof authorized by the provisions of that Title.

Sec. 7. NRS 679A.100 is hereby amended to read as follows:

679A.100 "Insurer" includes ~~every~~ :

1. Every person engaged as principal and as indemnitor, surety or contractor in the business of entering into contracts of insurance ~~is~~ ; and

2. The state industrial insurance system for the limited purpose of transacting in this state life insurance, motor vehicle insurance, or property insurance that provides coverage against loss or damage to a home, or any combination thereof authorized by the provisions of this Title.

1 **Sec. 8.** NRS 680A.080 is hereby amended to read as follows:

2 680A.080 To qualify for and hold authority to transact insurance in this
3 state, an insurer must be otherwise in compliance with this code and with
4 its charter powers, and must be an incorporated stock or mutual insurer, or
5 a reciprocal insurer, of the same general type as may be formed as a
6 domestic insurer under this code, except that:

7 1. No foreign insurer may be authorized to transact insurance in this
8 state which does not maintain reserves as required by chapter 681B of NRS
9 , ~~{(assets and liabilities),}~~ as applicable to the kind or kinds of insurance
10 transacted by such insurer, wherever transacted in the United States of
11 America, or which transacts business anywhere in the United States of
12 America on the assessment plan, or stipulated premium plan, or any similar
13 plan.

14 2. No insurer may be authorized to transact a kind of insurance in this
15 state unless ~~{duly}~~ authorized or qualified to transact such insurance in the
16 state or country of its domicile.

17 3. No insurer may be authorized to transact in this state any kind of
18 insurance which is not within the definitions as set forth in NRS 681A.010
19 to 681A.080, inclusive. ~~{(kinds of insurance).}~~

20 4. No such authority may be granted or continued to any insurer while
21 in arrears to the state for fees, licenses, taxes, assessments, fines or
22 penalties accrued on business previously transacted in this state.

23 5. *The state industrial insurance system may be authorized to*
24 *transact in this state life insurance, motor vehicle insurance or property*
25 *insurance that provides coverage against loss or damage to a home, or*
26 *any combination thereof authorized by the provisions of this Title, if the*
27 *system is otherwise in compliance with this code.*

28 In addition to the other requirements set forth in this section, an insurer
29 who proposes to transact in this state insurance that protects a policyholder
30 from liability arising out of the ownership, maintenance or use of a motor
31 vehicle must demonstrate to the satisfaction of the department of motor
32 vehicles and public safety that the insurer is able to comply with the
33 provisions of NRS 485.314.

34 **Sec. 9.** NRS 680A.120 is hereby amended to read as follows:

35 680A.120 1. Except as *otherwise* provided in subsections 2 ~~{and 5,}~~,
36 *5 and 6*, to qualify for authority to transact any one kind of insurance as
37 defined in NRS 681A.010 to 681A.080, inclusive, or combinations of kinds
38 of insurance as shown below, an insurer ~~{shall}~~ *must* possess and thereafter
39 maintain unimpaired paid-in capital stock, if a stock insurer, or unimpaired
40 basic surplus, if a mutual or a reciprocal insurer, and free surplus not less
41 than 100 percent of the minimum required capital stock or minimum
42 required basic surplus, and when first so authorized ~~{shall}~~ *must* possess

1 initial free surplus, all in amounts not less than as determined from the
2 following table:

FOREIGN MUTUAL		RECIPROCAL			
STOCK INSURERS		INSURERS		INSURERS	
Minimum	Minimum	Minimum			
Kind or Required	Initial	Required	Initial	Required	Initial
Kinds of Capital	Free	Basic	Free	Basic	Free
Insurance Stock	Surplus	Surplus	Surplus	Surplus	Surplus
Life	500,000	1,000,000	500,000	1,000,000	N/A
Health,					
Property,					
Casualty,					
Surety,					
Marine &					
Trans-					
porta-					
tion					
Multiple					
line	500,000	1,000,000	500,000	1,000,000	500,000
Title	500,000	750,000	N/A	N/A	N/A
Financial					
Guarantee	10,000,000	40,000,000	N/A	N/A	N/A

2. At the discretion of the commissioner, a domestic insurer holding a valid certificate of authority to transact insurance in this state immediately ~~prior to~~ before January 1, 1992, may, if otherwise qualified therefor, continue to be so authorized while possessing the amount of paid-in capital stock, if a stock insurer, or surplus, if a mutual insurer, required by the laws of this state for such authority immediately before January 1, 1992, for a period not to exceed 2 years. On or before January 1, 1994, the insurer ~~shall meet~~ must comply with the requirements of subsection 1. The commissioner shall not grant such an insurer authority to transact any other or additional kinds of insurance unless it then fully complies with the requirements as to capital and surplus, as applied to all kinds of insurance which it then proposes to transact, as provided by this section for like foreign insurers applying for original certificates of authority pursuant to this code.

3. ~~Capital~~ Requirements for capital and surplus ~~requirements~~ are based upon all the kinds of insurance transacted by the insurer in any and all areas in which it operates or proposes to operate, whether or not only a portion of such kinds of insurance are to be transacted in this state.

1 4. As to surplus required for qualification to transact one or more kinds
2 of insurance and thereafter to be maintained, domestic mutual insurers are
3 governed by chapter 693A of NRS and domestic reciprocal insurers are
4 governed by chapter 694B of NRS.

5 5. An insurer who transacts financial guaranty insurance in this state
6 ~~must~~ *may* transact only one kind of insurance and *must* possess and
7 maintain the minimum capital and surplus requirements pursuant to
8 subsection 1.

9 6. *The commissioner may grant the state industrial insurance system*
10 *the authority to transact life insurance, motor vehicle insurance or*
11 *property insurance that provides coverage against loss or damage to a*
12 *home, or any combination thereof authorized by the provisions of this*
13 *Title, if the system maintains a surplus of a kind and in an amount*
14 *required by the commissioner.*

15 **Sec. 10.** NRS 680A.140 is hereby amended to read as follows:

16 680A.140 1. ~~The~~ *Except as otherwise provided in subsection 2,*
17 *the* commissioner shall not authorize an insurer to transact insurance in this
18 state, other than an alien insurer or a title insurer, unless it makes and
19 thereafter continuously maintains on deposit in this state, through the
20 commissioner, cash or securities eligible for such deposit under the laws of
21 this state of a fair market value not less than its minimum required capital
22 stock, ~~if~~ if a stock insurer, ~~or~~ or minimum required basic surplus, ~~if~~ if a
23 mutual or reciprocal insurer, ~~or~~ for the protection of the insurer's
24 policyholders or of its policyholders and creditors in the United States of
25 America. The commissioner may adopt regulations which allow the use of
26 securities as a deposit without delivery of the securities to the
27 commissioner.

28 2. *The commissioner shall not authorize the state industrial*
29 *insurance system to transact in this state life insurance, motor vehicle*
30 *insurance or property insurance that provides coverage against loss or*
31 *damage to a home, or any combination thereof authorized by the*
32 *provisions of this Title, unless it makes and thereafter continuously*
33 *maintains on deposit in this state, through the commissioner, securities*
34 *or other assets eligible for such deposit under the laws of this state in an*
35 *amount required by the commissioner, for the protection of the system's*
36 *policyholders or of its policyholders and creditors in the United States.*
37 *The amount so required must be based on the assets of the system*
38 *attributable to the transaction in this state of such kinds of insurance. As*
39 *used in this subsection, the term "policyholders" does not include a*
40 *policyholder to whom the system issues a policy of industrial insurance*
41 *pursuant to the provisions of chapters 616A to 617, inclusive, of NRS.*

42 3. The commissioner shall not so authorize a title insurer unless it so
43 deposits and maintains such cash or securities of fair market value not less

1 than its minimum required capital stock as a guaranty fund for the security
2 and protection of the holders of, or beneficiaries under, the title insurance
3 contracts issued by the insurer.

4 ~~{3.}~~ 4. The commissioner shall not so authorize an alien insurer unless
5 it so makes and thereafter continuously maintains such a deposit,
6 representing money in excess of all the insurer's liabilities under insurance
7 contracts in force in the United States of America, of a fair market value of
8 not less than that required under subsection 1, as to a like foreign insurer.
9 The deposit must be held in trust for the protection of all the insurer's
10 policyholders, or policyholders and creditors, in the United States of
11 America.

12 ~~{4.}~~ 5. In lieu of such a deposit made or maintained in this state, the
13 commissioner shall accept the certificate in proper form of the public
14 officer having general supervision of insurers in any other state to the effect
15 that a deposit of like quality and amount, or part thereof, by an insurer is
16 being maintained for like purposes in public custody or control pursuant to
17 the laws of that state, if the commissioner is satisfied as to the like quality
18 and amount of the deposit.

19 ~~{5.}~~ 6. All such deposits in this state are subject to the applicable
20 provisions of chapter 682B of NRS.

21 **Sec. 11.** NRS 681B.020 is hereby amended to read as follows:

22 681B.020 In addition to assets impliedly excluded by the provisions of
23 NRS 681B.010, the following expressly ~~{shall}~~ **may** not be allowed as
24 assets in any determination of the financial condition of an insurer:

25 1. Goodwill, trade names and other like intangible assets.

26 2. Advances to officers, ~~{H}~~ other than policy loans, ~~{H}~~ whether
27 secured or not, and advances to employees, agents and other persons on
28 personal security only.

29 3. Stock of such insurer, owned by it, or any equity therein or loans
30 secured thereby, or any proportionate interest in such stock acquired or
31 held through the ownership by such insurer of an interest in another firm,
32 corporation or business unit.

33 4. Furniture, fixtures, furnishings, safes, vehicles, libraries, stationery,
34 literature and supplies, ~~{H}~~ other than data processing, recordkeeping and
35 accounting systems authorized under subsection 13 of NRS 681B.010, ~~{H}~~
36 except:

37 (a) In the case of title insurers, such materials and plants as the insurer
38 is expressly authorized to invest in under NRS 682A.220; and

39 (b) In the case of any insurer, such personal property as the insurer is
40 permitted to hold pursuant to chapter 682A of NRS, ~~{(investments);}~~ or
41 which is reasonably necessary for the maintenance and operation of real
42 property lawfully acquired and held by the insurer other than real property
43 used by it for home office, branch office and similar purposes.

1 5. The amount, if any, by which the aggregate book value of
2 investments as carried in the ledger assets of the insurer exceeds the
3 aggregate value thereof as determined under this code.

4 ***6. In the case of the state industrial insurance system, the money and***
5 ***assets held in trust by the system pursuant to NRS 616B.083.***

6 **Sec. 12.** NRS 682A.010 is hereby amended to read as follows:

7 682A.010 This chapter, with the exception of NRS 682A.290, applies
8 only to ~~domestic~~ :

9 ***1. Domestic*** insurers.

10 ***2. The assets of the state industrial insurance system that are***
11 ***attributable to the transaction in this state of life insurance, motor***
12 ***vehicle insurance or property insurance that provides coverage against***
13 ***loss or damage to a home, or any combination thereof authorized by the***
14 ***provisions of this Title.***

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