

CHAPTER.....

AN ACT relating to industrial insurance; providing a definition of “policy year” for the purpose of industrial insurance; requiring that the assessments payable by private carriers to support the uninsured employers’ claim fund, the subsequent injury fund for private carriers and the fund for workers’ compensation and safety be based upon expected annual premiums to be received by private carriers; specifying the circumstances under which a policy of industrial insurance may exclude coverage for certain employees covered by a consolidated insurance program; allowing certain employers to report information concerning tips received by their employees by a computerized program or process; revising the criteria for the assessment rates for the subsequent injury fund for self-insured employers and associations of self-insured public or private employers; authorizing a private carrier to require a sole proprietor seeking coverage to submit to a physical examination; eliminating the requirement that unpaid premiums bear interest at the rate of 1 percent monthly; and providing other matters properly relating thereto.

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

Section 1. Chapter 616A of NRS is hereby amended by adding thereto a new section to read as follows:

“Policy year” means the 12-month period during which a policy of industrial insurance is effective.

Sec. 2. NRS 616A.025 is hereby amended to read as follows:

616A.025 As used in chapters 616A to 616D, inclusive, of NRS, unless the context otherwise requires, the words and terms defined in NRS 616A.030 to 616A.360, inclusive, *and section 1 of this act* have the meanings ascribed to them in those sections.

Sec. 3. NRS 616A.430 is hereby amended to read as follows:

616A.430 1. There is hereby established as a special revenue fund in the state treasury the uninsured employers’ claim fund, which may be used only for the purpose of making payments in accordance with the provisions of NRS 616C.220 and 617.401. The administrator shall administer the fund and shall credit any excess money toward the assessments of the insurers for the succeeding years.

2. All assessments, penalties, bonds, securities and all other properties received, collected or acquired by the administrator for the uninsured employers’ claim fund must be delivered to the custody of the state treasurer.

3. All money and securities in the fund must be held by the state treasurer as custodian thereof to be used solely for workers’ compensation.

4. The state treasurer may disburse money from the fund only upon written order of the state controller.

5. The state treasurer shall invest money of the fund in the same manner and in the same securities in which he is authorized to invest money of the state general fund. Income realized from the investment of the assets of the fund must be credited to the fund.

6. *The administrator shall assess each insurer, including each employer who provides accident benefits for injured employees pursuant to NRS 616C.265, an amount to be deposited in the uninsured employers’ claim fund. To establish the amount of the assessment, the administrator*

shall determine the amount of money necessary to maintain an appropriate balance in the fund for each fiscal year and shall allocate a portion of that amount to be payable by private carriers, a portion to be payable by self-insured employers, a portion to be payable by associations of self-insured public or private employers and a portion to be payable by the employers who provide accident benefits pursuant to NRS 616C.265, based upon the expected annual expenditures for claims of each group of insurers. After allocating the amounts payable, the administrator shall apply an assessment rate to the:

(a) Private carriers that reflects the relative hazard of the employments covered by the private carriers, results in an equitable distribution of costs among the private carriers and is based upon expected annual premiums to be received;

(b) Self-insured employers that results in an equitable distribution of costs among the self-insured employers and is based upon expected annual expenditures for claims;

(c) Associations of self-insured public or private employers that results in an equitable distribution of costs among the associations of self-insured public or private employers and is based upon expected annual expenditures for claims; and

(d) Employers who provide accident benefits pursuant to NRS 616C.265 that reflects the relative hazard of the employments covered by those employers, results in an equitable distribution of costs among the employers and is based upon expected annual expenditures for claims.

The administrator shall adopt regulations for the establishment and administration of *the* assessment rates, payments and *any* penalties ~~that are based upon expected annual expenditures for claims. Assessment rates must reflect the relative hazard of the employments covered by the insurers, and must be based upon expected annual expenditures for claims.~~ *that the administrator determines are necessary to carry out the provisions of this subsection. As used in this subsection, the term "group of insurers" includes the group of employers who provide accident benefits for injured employees pursuant to NRS 616C.265.*

7. The commissioner shall assign an actuary to review the establishment of assessment rates. The rates must be filed with the commissioner 30 days before their effective date. Any insurer who wishes to appeal the rate so filed must do so pursuant to NRS 679B.310.

Sec. 4. NRS 616B.031 is hereby amended to read as follows:
616B.031 ~~Am~~

1. Except as otherwise provided in subsection 2, an insurer shall not issue a policy of industrial insurance to an employer that does not cover each employee of that employer who satisfies the definition of employee set forth in NRS 616A.105 to 616A.225, inclusive.

2. If the employer is a contractor or subcontractor who is engaged in the construction of a project that is covered by a consolidated insurance program established pursuant to NRS 616B.710 to 616B.737, inclusive, an insurer may issue a policy of industrial insurance to that employer which does not cover an employee who:

(a) Is assigned to participate in the construction of the project that is covered by the consolidated insurance program; and

(b) Works exclusively at the site of the construction project that is covered by the consolidated insurance program.

Sec. 5. NRS 616B.222 is hereby amended to read as follows:

616B.222 To determine the total amount paid to employees for services performed, the maximum amount paid to any one employee during ~~the year in which~~ a policy ~~of industrial insurance is effective~~ year shall be deemed to be \$36,000.

Sec. 6. NRS 616B.227 is hereby amended to read as follows:

616B.227 1. ~~Am~~ *Except as otherwise provided in subsection 2, an employer shall:*

(a) Make a copy of each report that an employee files with the employer pursuant to 26 U.S.C. § 6053(a) to report the amount of his tips to the United States Internal Revenue Service; *and*

(b) Submit the copy to his private carrier upon request and retain another copy for his records or, if the employer is self-insured or a member of an association of self-insured public or private employers, retain the copy for his records. ~~and~~

~~(c) If he~~

2. An employer who maintains his records concerning payroll by a computerized program or process that can produce a report on all employees which indicates:

(a) The amount of tips reported by each employee pursuant to 26 U.S.C. § 6053(a); or

(b) The amount of tips allocated to each employee pursuant to a formula applied by the employer, whether by agreement of the employees or by imposition of the employer, may satisfy the requirements of subsection 1 by submitting a copy of the report to his private carrier and maintaining another copy of the report for his records.

3. An employer who is not self-insured or a member of an association of self-insured public or private employers ~~is~~ *shall* pay the private carrier the premiums for the reported tips at the same rate as he pays on regular wages.

~~2. The division shall adopt regulations specifying the form of the declaration required pursuant to subsection 1.~~

~~3.~~ *4. The private carrier, self-insured employer or association of self-insured public or private employers shall calculate compensation for an employee on the basis of wages paid by the employer plus the amount of tips reported by the employee pursuant to 26 U.S.C. § ~~6053~~ 6053(a). Reports made after the date of injury may not be used for the calculation of compensation.*

~~4.~~ *5. An employer shall notify his employees of the requirement to report income from tips to calculate his federal income tax and to include the income in the computation of benefits pursuant to chapters 616A to 616D, inclusive, and chapter 617 of NRS.*

~~5.~~ *6. The administrator shall adopt such regulations as are necessary to carry out the provisions of this section.*

Sec. 7. NRS 616B.554 is hereby amended to read as follows:

616B.554 1. There is hereby established as a special revenue fund in the state treasury the subsequent injury fund for self-insured employers, which may be used only to make payments in accordance with the provisions of NRS 616B.557 and 616B.560. The board shall administer the fund based upon recommendations made by the administrator pursuant to subsection 8.

2. All assessments, penalties, bonds, securities and all other properties received, collected or acquired by the board for the subsequent injury fund for self-insured employers must be delivered to the custody of the state treasurer.

3. All money and securities in the fund must be held by the state treasurer as custodian thereof to be used solely for workers' compensation for employees of self-insured employers.

4. The state treasurer may disburse money from the fund only upon written order of the board.

5. The state treasurer shall invest money of the fund in the same manner and in the same securities in which he is authorized to invest state general funds which are in his custody. Income realized from the investment of the assets of the fund must be credited to the fund.

6. The board shall adopt regulations for the establishment and administration of assessment rates, payments and penalties. Assessment rates must ~~reflect the relative hazard of the employments covered by~~ *result in an equitable distribution of costs among the* self-insured employers ~~and~~ and must be based upon expected annual expenditures for claims for payments from the subsequent injury fund for self-insured employers.

7. The commissioner shall assign an actuary to review the establishment of assessment rates. The rates must be filed with the commissioner 30 days before their effective date. Any self-insured employer who wishes to appeal the rate so filed must do so pursuant to NRS 679B.310.

8. The administrator shall:

(a) Evaluate any claim submitted to the board for payment or reimbursement from the subsequent injury fund for self-insured employers and recommend to the board any appropriate action to be taken concerning the claim; and

(b) Submit to the board any other recommendations relating to the fund.

Sec. 8. NRS 616B.575 is hereby amended to read as follows:

616B.575 1. There is hereby established as a special revenue fund in the state treasury the subsequent injury fund for associations of self-insured public or private employers, which may be used only to make payments in accordance with the provisions of NRS 616B.578 and 616B.581. The board shall administer the fund based upon recommendations made by the administrator pursuant to subsection 8.

2. All assessments, penalties, bonds, securities and all other properties received, collected or acquired by the board for the subsequent injury fund for associations of self-insured public or private employers must be delivered to the custody of the state treasurer.

3. All money and securities in the fund must be held by the state treasurer as custodian thereof to be used solely for workers' compensation for employees of members of associations of self-insured public or private employers.

4. The state treasurer may disburse money from the fund only upon written order of the board.

5. The state treasurer shall invest money of the fund in the same manner and in the same securities in which he is authorized to invest state general funds which are in his custody. Income realized from the investment of the assets of the fund must be credited to the fund.

6. The board shall adopt regulations for the establishment and administration of assessment rates, payments and penalties. Assessment rates must ~~reflect the relative hazard of the employments covered by~~ *result in an equitable distribution of costs among the* associations of self-insured public or private employers ~~+~~ and must be based upon expected annual expenditures for claims for payments from the subsequent injury fund for associations of self-insured public or private employers.

7. The commissioner shall assign an actuary to review the establishment of assessment rates. The rates must be filed with the commissioner 30 days before their effective date. Any association of self-insured public or private employers that wishes to appeal the rate so filed must do so pursuant to NRS 679B.310.

8. The administrator shall:

(a) Evaluate any claim submitted to the board for payment or reimbursement from the subsequent injury fund for associations of self-insured public or private employers and recommend to the board any appropriate action to be taken concerning the claim; and

(b) Submit to the board any other recommendations relating to the fund.

Sec. 9. NRS 616B.584 is hereby amended to read as follows:

616B.584 1. There is hereby established as a special revenue fund in the state treasury the subsequent injury fund for private carriers, which may be used only to make payments in accordance with the provisions of NRS 616B.587 and 616B.590. The administrator shall administer the fund.

2. All assessments, penalties, bonds, securities and all other properties received, collected or acquired by the administrator for the subsequent injury fund for private carriers must be delivered to the custody of the state treasurer.

3. All money and securities in the fund must be held by the state treasurer as custodian thereof to be used solely for workers' compensation for employees whose employers are insured by private carriers.

4. The state treasurer may disburse money from the fund only upon written order of the state controller.

5. The state treasurer shall invest money of the fund in the same manner and in the same securities in which he is authorized to invest state general funds which are in his custody. Income realized from the investment of the assets of the fund must be credited to the fund.

6. The administrator shall adopt regulations for the establishment and administration of assessment rates, payments and penalties. Assessment rates must reflect the relative hazard of the employments covered by private carriers , *must result in an equitable distribution of costs among*

the private carriers and must be based upon expected annual ~~expenditures for claims for payments from the subsequent injury fund for private carriers.~~ *premiums to be received.*

7. The commissioner shall assign an actuary to review the establishment of assessment rates. The rates must be filed with the commissioner 30 days before their effective date. Any private carrier who wishes to appeal the rate so filed must do so pursuant to NRS 679B.310.

Sec. 10. NRS 616B.624 is hereby amended to read as follows:

616B.624 1. If a quasi-public or private corporation or a limited-liability company is required to be insured pursuant to chapters 616A to 616D, inclusive, of NRS, an officer of the corporation or a manager of the company who:

(a) Receives pay for services performed as an officer, manager or employee of the corporation or company shall be deemed for the purposes of those chapters to receive a minimum pay of \$6,000 per *policy* year ~~{the policy of industrial insurance for the employer is effective}~~ and a maximum pay of \$36,000 per *policy* year . ~~{the policy of industrial insurance is effective.}~~

(b) Does not receive pay for services performed as an officer, manager or employee of the corporation or company shall be deemed for the purposes of those chapters to receive a minimum pay of \$500 per month or \$6,000 per *policy* year . ~~{the policy of industrial insurance is effective.}~~

2. An officer or manager who does not receive pay for services performed as an officer, manager or employee of the corporation or company may elect to reject coverage for himself by filing written notice thereof with the corporation or company and the insurer. The rejection is effective upon receipt of the notice by the insurer.

3. An officer or manager of such a corporation or company who:

(a) Owns the corporation or company;

(b) Operates the corporation or company exclusively from his primary residence; and

(c) Receives pay for the services performed, may elect to reject coverage for himself by filing written notice thereof with the insurer. The rejection is effective upon receipt of the notice by the insurer.

4. An officer or manager who has rejected coverage may rescind that rejection by filing written notice thereof with the corporation or company and the insurer. The rescission is effective upon receipt of the notice by the insurer. Except as otherwise provided in subsection 3, if an officer or manager who has rejected coverage receives pay for services performed as an officer, manager or employee of the corporation or company, the officer or manager shall be deemed to have rescinded that rejection.

5. A nonprofit corporation whose officers do not receive pay for services performed as officers or employees of the corporation may elect to reject coverage for its current officers and all future officers who do not receive such pay by filing written notice thereof with the corporation and the insurer. The rejection is effective upon receipt of the notice by the insurer.

6. A nonprofit corporation which has rejected coverage for its officers who do not receive pay for services performed as officers or employees of

the corporation may rescind that rejection by filing written notice thereof with the corporation and the insurer. The rescission is effective upon receipt of the notice by the insurer. If an officer of a nonprofit corporation which has rejected coverage receives pay for services performed as an officer or employee of the corporation, the corporation shall be deemed to have rescinded that rejection.

Sec. 11. NRS 616B.659 is hereby amended to read as follows:

616B.659 1. A sole proprietor may elect to be included within the terms, conditions and provisions of chapters 616A to 616D, inclusive, of NRS to secure for himself compensation equivalent to that to which an employee is entitled for any accidental injury sustained by the sole proprietor which arises out of and in the course of his self-employment by filing a written notice of election with the administrator and a private carrier.

2. A *private carrier may require a* sole proprietor who elects to accept the terms, conditions and provisions of chapters 616A to 616D, inclusive, of NRS ~~shall~~ *to* submit to a physical examination before his coverage commences. ~~The~~ *If a private carrier requires such a physical examination, the private carrier* shall prescribe the scope of the examination and shall consider it for rating purposes. The cost of the physical examination must be paid by the sole proprietor.

3. A sole proprietor who elects to submit to the provisions of chapters 616A to 616D, inclusive, of NRS shall pay to the private carrier premiums in such manner and amounts as may be prescribed by the regulations of the commissioner.

4. If a sole proprietor fails to pay all premiums required by the regulations of the commissioner, the failure operates as a rejection of chapters 616A to 616D, inclusive, of NRS.

5. A sole proprietor who elects to be included pursuant to the provisions of chapters 616A to 616D, inclusive, of NRS remains subject to all terms, conditions and provisions of those chapters and all regulations of the commissioner until he files written notice with the administrator and the private carrier that he withdraws his election.

6. For the purposes of chapters 616A to 616D, inclusive, of NRS, a sole proprietor shall be deemed to be receiving a wage of \$300 per month unless, at least 90 days before any injury for which he requests coverage, he files written notice with the administrator and the private carrier that he elects to pay an additional amount of premiums for additional coverage. If the private carrier receives the additional premiums it requires for such additional coverage, the sole proprietor shall be deemed to be receiving a wage of \$1,800 per month.

Sec. 12. NRS 616B.730 is hereby amended to read as follows:

616B.730 1. A consolidated insurance program must not provide industrial insurance coverage, a comprehensive program of safety or for the administration of claims for industrial insurance for an employee of a contractor or subcontractor who is engaged in the construction of the project that is covered by the consolidated insurance program at any time that such an employee does not work at the site of the construction project.

2. A contractor or subcontractor who is engaged in the construction of a project that is covered by a consolidated insurance program shall maintain separate industrial insurance coverage for its employees who:

- (a) Are not assigned to participate in the construction of the project; or
- (b) Are assigned to participate in the construction of the project but who do not work *exclusively* at the site of the project.

3. The owner or principal contractor of a construction project shall reimburse a contractor or subcontractor who bids successfully on the construction project for the cost of providing separate industrial insurance coverage for an employee if:

(a) The contractor or subcontractor set the amount of his bid in a reasonable, good faith belief that the employee would work *exclusively* at the site of the construction project and would therefore be *fully* covered by the consolidated insurance program; and

(b) Because of changed circumstances not reasonably foreseeable at the time the bid was submitted, the employee worked in whole or in part at a location other than the site of the construction project, requiring the contractor or subcontractor to obtain separate industrial insurance coverage for that employee.

Sec. 13. NRS 616C.265 is hereby amended to read as follows:

616C.265 1. Except as otherwise provided in NRS 616C.280, every employer operating under chapters 616A to 616D, inclusive, of NRS, alone or together with other employers, may make arrangements to provide accident benefits as defined in those chapters for injured employees.

2. Employers electing to make such arrangements shall notify the administrator of the election and render a detailed statement of the arrangements made, which arrangements do not become effective until approved by the administrator.

3. Every employer who maintains a hospital of any kind for his employees, or who contracts for the hospital care of injured employees, shall, on or before January 30 of each year, make a written report to the administrator for the preceding year, which must contain a statement showing:

(a) The total amount of hospital fees collected, showing separately the amount contributed by the employees and the amount contributed by the employers;

(b) An itemized account of the expenditures, investments or other disposition of such fees; and

(c) What balance, if any, remains.

4. Every employer who provides accident benefits pursuant to this section:

(a) Shall, in accordance with regulations adopted by the administrator, make a written report to the division of his actual and expected annual expenditures for claims and such other information as the division deems necessary to calculate an estimated or final annual assessment ~~and shall, to the extent that the regulations refer to the responsibility of insurers to make such reports, be deemed to be an insurer.~~

(b) Shall ~~be deemed to be an insurer for the purposes of~~ pay the assessments collected pursuant to NRS 232.680 and ~~the regulations adopted by the division pursuant to that section.~~ 616A.430.

5. The reports required by the provisions of subsections 3 and 4 must be verified:

- (a) If the employer is a natural person, by the employer;
- (b) If the employer is a partnership, by one of the partners;
- (c) If the employer is a corporation, by the secretary, president, general manager or other executive officer of the corporation; or
- (d) If the employer has contracted with a physician or chiropractor for the hospital care of injured employees, by the physician or chiropractor.

6. No employee is required to accept the services of a physician or chiropractor provided by his employer, but may seek professional medical services of his choice as provided in NRS 616C.090. Expenses arising from such medical services must be paid by the employer who has elected to provide benefits, pursuant to the provisions of this section, for his injured employees.

7. Every employer who fails to notify the administrator of such election and arrangements, or who fails to render the financial reports required, is liable for accident benefits as provided by NRS 616C.255.

Sec. 14. NRS 616D.120 is hereby amended to read as follows:

616D.120 1. Except as otherwise provided in this section, if the administrator determines that an insurer, organization for managed care, health care provider, third-party administrator or employer has:

- (a) Through fraud, coercion, duress or undue influence:
 - (1) Induced a claimant to fail to report an accidental injury or occupational disease;
 - (2) Persuaded a claimant to settle for an amount which is less than reasonable;
 - (3) Persuaded a claimant to settle for an amount which is less than reasonable while a hearing or an appeal is pending; or
 - (4) Persuaded a claimant to accept less than the compensation found to be due him by a hearing officer, appeals officer, court of competent jurisdiction, written settlement agreement, written stipulation or the division when carrying out its duties pursuant to chapters 616A to 617, inclusive, of NRS;
- (b) Refused to pay or unreasonably delayed payment to a claimant of compensation found to be due him by a hearing officer, appeals officer, court of competent jurisdiction, written settlement agreement, written stipulation or the division when carrying out its duties pursuant to chapters 616A to 616D, inclusive, or chapter 617 of NRS, if the refusal or delay occurs:
 - (1) Later than 10 days after the date of the settlement agreement or stipulation;
 - (2) Later than 30 days after the date of the decision of a court, hearing officer, appeals officer or division, unless a stay has been granted; or
 - (3) Later than 10 days after a stay of the decision of a court, hearing officer, appeals officer or division has been lifted;
- (c) Refused to process a claim for compensation pursuant to chapters 616A to 616D, inclusive, or chapter 617 of NRS;
- (d) Made it necessary for a claimant to initiate proceedings pursuant to chapters 616A to 616D, inclusive, or chapter 617 of NRS for compensation

found to be due him by a hearing officer, appeals officer, court of competent jurisdiction, written settlement agreement, written stipulation or the division when carrying out its duties pursuant to chapters 616A to 616D, inclusive, or chapter 617 of NRS;

(e) Failed to comply with the division's regulations covering the payment of an assessment relating to the funding of costs of administration of chapters 616A to 617, inclusive, of NRS;

(f) Failed to provide or unreasonably delayed payment to an injured employee or reimbursement to an insurer pursuant to NRS 616C.165; or

(g) Intentionally failed to comply with any provision of, or regulation adopted pursuant to, this chapter or chapter 616A, 616B, 616C or 617 of NRS,

the administrator shall impose an administrative fine of \$1,000 for each initial violation, or a fine of \$10,000 for a second or subsequent violation.

2. Except as otherwise provided in chapters 616A to 616D, inclusive, or chapter 617 of NRS, if the administrator determines that an insurer, organization for managed care, health care provider, third-party administrator or employer has failed to comply with any provision of this chapter or chapter 616A, 616B, 616C or 617 of NRS, or any regulation adopted pursuant thereto, the administrator may take any of the following actions:

(a) Issue a notice of correction for:

(1) A minor violation, as defined by regulations adopted by the division; or

(2) A violation involving the payment of compensation in an amount which is greater than that required by any provision of this chapter or chapter 616A, 616B, 616C or 617 of NRS, or any regulation adopted pursuant thereto.

The notice of correction must set forth with particularity the violation committed and the manner in which the violation may be corrected. The provisions of this section do not authorize the administrator to modify or negate in any manner a determination or any portion of a determination made by a hearing officer, appeals officer or court of competent jurisdiction or a provision contained in a written settlement agreement or written stipulation.

(b) Impose an administrative fine for:

(1) A second or subsequent violation for which a notice of correction has been issued pursuant to paragraph (a); or

(2) Any other violation of this chapter or chapter 616A, 616B, 616C or 617 of NRS, or any regulation adopted pursuant thereto, for which a notice of correction may not be issued pursuant to paragraph (a).

The fine imposed may not be greater than \$250 for an initial violation, or more than \$1,000 for any second or subsequent violation.

(c) Order a plan of corrective action to be submitted to the administrator within 30 days after the date of the order.

3. If the administrator determines that a violation of any of the provisions of paragraphs (a) to (d), inclusive, of subsection 1 has occurred, the administrator shall order the insurer, organization for managed care, health care provider, third-party administrator or employer to pay to the

claimant a benefit penalty in an amount that is not less than \$5,000 and not greater than \$25,000. To determine the amount of the benefit penalty, the administrator shall consider the degree of physical harm suffered by the injured employee or his dependents as a result of the violation of paragraph (a), (b), (c) or (d) of subsection 1, the amount of compensation found to be due the claimant and the number of fines and benefit penalties previously imposed against the insurer, organization for managed care, health care provider, third-party administrator or employer pursuant to this section. If this is the third violation within 5 years for which a benefit penalty has been imposed against the insurer, organization for managed care, health care provider, third-party administrator or employer, the administrator shall also consider the degree of economic harm suffered by the injured employee or his dependents as a result of the violation of paragraph (a), (b), (c) or (d) of subsection 1. Except as otherwise provided in this section, the benefit penalty is for the benefit of the claimant and must be paid directly to him within 10 days after the date of the administrator's determination. If the claimant is the injured employee and he dies before the benefit penalty is paid to him, the benefit penalty must be paid to his estate. Proof of the payment of the benefit penalty must be submitted to the administrator within 10 days after the date of his determination unless an appeal is filed pursuant to NRS 616D.140. Any compensation to which the claimant may otherwise be entitled pursuant to chapters 616A to 616D, inclusive, or chapter 617 of NRS must not be reduced by the amount of any benefit penalty received pursuant to this subsection.

4. In addition to any fine or benefit penalty imposed pursuant to this section, the administrator may assess against an insurer who violates any regulation concerning the reporting of claims expenditures *or premiums received that are* used to calculate an assessment, an administrative penalty of up to twice the amount of any underpaid assessment.

5. If:

(a) The administrator determines that a person has violated any of the provisions of NRS 616D.200, 616D.220, 616D.240, 616D.300, 616D.310 or 616D.350 to 616D.440, inclusive; and

(b) The fraud control unit for industrial insurance established pursuant to NRS 228.420 notifies the administrator that the unit will not prosecute the person for that violation, the administrator shall impose an administrative fine of not more than \$10,000.

6. Two or more fines of \$1,000 or more imposed in 1 year for acts enumerated in subsection 1 must be considered by the commissioner as evidence for the withdrawal of:

(a) A certificate to act as a self-insured employer.

(b) A certificate to act as an association of self-insured public or private employers.

(c) A certificate of registration as a third-party administrator.

7. The commissioner may, without complying with the provisions of NRS 616B.327 or 616B.431, withdraw the certification of a self-insured employer, association of self-insured public or private employers or third-party administrator if, after a hearing, it is shown that the self-insured

employer, association of self-insured public or private employers or third-party administrator violated any provision of subsection 1.

Sec. 15. NRS 617.207 is hereby amended to read as follows:

617.207 1. If a quasi-public or private corporation or limited-liability company is required to be insured pursuant to this chapter, an officer of the corporation or a manager of the company who:

(a) Receives pay for service performed shall be deemed for the purposes of this chapter to receive a minimum pay of \$6,000 per *policy* year ~~{the policy of industrial insurance for the employer is effective}~~ and a maximum pay of \$36,000 per *policy* year . ~~{the policy of industrial insurance if effective.}~~

(b) Does not receive pay for services performed shall be deemed for the purposes of this chapter to receive a minimum pay of \$500 per month or \$6,000 per *policy* year . ~~{the policy of industrial insurance is effective.}~~

2. An officer or manager who does not receive pay for services performed may elect to reject coverage for himself by filing written notice thereof with the corporation or company and the insurer. The rejection is effective upon receipt of the notice by the insurer.

3. An officer or manager of such a corporation or company who:

(a) Owns the corporation or company;

(b) Operates the corporation or company exclusively from his primary residence; and

(c) Receives pay for the services performed,
may elect to reject coverage for himself by filing written notice thereof with the insurer. The rejection is effective upon receipt of the notice by the insurer.

4. An officer or manager who has rejected coverage may rescind that rejection by filing written notice thereof with the corporation or company and the insurer. The rescission is effective upon receipt of the notice by the insurer.

Sec. 16. NRS 617.225 is hereby amended to read as follows:

617.225 1. A sole proprietor may elect to be included within the terms, conditions and provisions of this chapter to secure for himself compensation equivalent to that to which an employee is entitled for any occupational disease contracted by the sole proprietor which arises out of and in the course of his self-employment by filing a written notice of election with the administrator and a private carrier.

2. A private carrier may require a sole proprietor who elects to accept the terms, conditions and provisions of this chapter ~~{shall}~~ to submit to a physical examination by a physician selected by the private carrier before the commencement of coverage and on a yearly basis thereafter. ~~{The}~~ *If a private carrier requires such a physical examination, the private carrier shall prescribe the scope of the examination and shall consider it for rating purposes. The cost of the physical examination must be paid by the sole proprietor.*

3. A sole proprietor who elects to submit to the provisions of this chapter shall pay to the private carrier premiums in such manner and amounts as may be prescribed by the regulations of the commissioner.

4. If a sole proprietor fails to pay all premiums required by the regulations of the commissioner, the failure operates as a rejection of this chapter.

5. A sole proprietor who elects to be included under the provisions of this chapter remains subject to all terms, conditions and provisions of this chapter and all regulations of the commissioner until he files a written notice with the private carrier and the administrator that he withdraws his election.

6. For purposes of this chapter, a sole proprietor shall be deemed to be an employee receiving a wage of \$300 per month.

Sec. 17. NRS 232.680 is hereby amended to read as follows:

232.680 1. The cost of carrying out the provisions of NRS 232.550 to 232.700, inclusive, and of supporting the division, a full-time employee of the legislative counsel bureau, the fraud control unit for industrial insurance established pursuant to NRS 228.420 and the legislative committee on workers' compensation created pursuant to NRS 218.5375, and that portion of the cost of the office for consumer health assistance established pursuant to NRS 223.550 that is related to providing assistance to consumers and injured employees concerning workers' compensation, must be paid from assessments payable by each insurer, including each employer who provides accident benefits for injured employees pursuant to NRS 616C.265. ~~H~~

2. The administrator shall assess each insurer, including each employer who provides accident benefits for injured employees pursuant to NRS 616C.265. To establish the amount of the assessment, the administrator shall determine the amount of money necessary for each of the expenses set forth in subsections 1 and 4 of this section and subsection 3 of NRS 616A.425 and determine the amount that is payable by the private carriers, the self-insured employers, the associations of self-insured public or private employers and the employers who provide accident benefits pursuant to NRS 616C.265 for each of the programs. For the expenses from which more than one group of insurers receives benefit, the administrator shall allocate a portion of the amount necessary for that expense to be payable by each of the relevant group of insurers, based upon the expected annual expenditures for claims of each group of insurers. After allocating the amounts payable among each group of insurers for all the expenses from which each group receives benefit, the administrator shall apply an assessment rate to the:

(a) Private carriers that reflects the relative hazard of the employments covered by the private carriers, results in an equitable distribution of costs among the private carriers and is based upon expected annual premiums to be received;

(b) Self-insured employers that results in an equitable distribution of costs among the self-insured employers and is based upon expected annual expenditures for claims;

(c) Associations of self-insured public or private employers that results in an equitable distribution of costs among the associations of self-insured public or private employers and is based upon expected annual expenditures for claims; and

(d) Employers who provide accident benefits pursuant to NRS 616C.265 that reflect the relative hazard of the employments covered by those employers, results in an equitable distribution of costs among the employers and is based upon expected annual expenditures for claims. ~~for injuries occurring on or after July 1, 1999. The division~~

The administrator shall adopt regulations which establish ~~formulas of assessment which result in an equitable distribution of costs among the insurers and employers who provide accident benefits for injured employees. The formulas may utilize~~ the formula for the assessment and for the administration of payment, and any penalties that the administrator determines are necessary to carry out the provisions of this subsection. The formula may use actual expenditures for claims.

~~12.1~~ As used in this subsection, the term "group of insurers" includes the group of employers who provide accident benefits for injured employees pursuant to NRS 616C.265.

3. Federal grants may partially defray the costs of the division.

~~13.1~~ 4. Assessments made against insurers by the division after the adoption of regulations must be used to defray all costs and expenses of administering the program of workers' compensation, including the payment of:

(a) All salaries and other expenses in administering the division, including the costs of the office and staff of the administrator.

(b) All salaries and other expenses of administering NRS 616A.435 to 616A.460, inclusive, the offices of the hearings division of the department of administration and the programs of self-insurance and review of premium rates by the commissioner of insurance.

(c) The salary and other expenses of a full-time employee of the legislative counsel bureau whose principal duties are limited to conducting research and reviewing and evaluating data related to industrial insurance.

(d) All salaries and other expenses of the fraud control unit for industrial insurance established pursuant to NRS 228.420.

(e) Claims against uninsured employers arising from compliance with NRS 616C.220 and 617.401.

(f) All salaries and expenses of the members of the legislative committee on workers' compensation and any other expenses incurred by the committee in carrying out its duties pursuant to NRS 218.5375 to 218.5378, inclusive.

(g) That portion of the salaries and other expenses of the office for consumer health assistance established pursuant to NRS 223.550 that is related to providing assistance to consumers and injured employees concerning workers' compensation.

Sec. 18. NRS 616B.236 is hereby repealed.

Sec. 19. 1. This section and sections 1 to 9, inclusive, 11 to 14, inclusive, and 16, 17 and 18 of this act become effective on July 1, 2001.

2. Sections 10 and 15 of this act become effective at 12:01 a.m. on July 1, 2001.