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KENNY C. GUINN  
Governor

STATE OF NEVADA

ALICE A. MOLASKY-ARMAN  
Commissioner of Insurance

SYDNEY H. WICKLIFFE, C.P.A.  
Director



DEPARTMENT OF BUSINESS AND INDUSTRY  
DIVISION OF INSURANCE

788 Fairview Drive, Suite 300  
Carson City, Nevada 89701-5491  
(775) 687-4270 • Fax (775) 687-3937

Internet Address: doi.state.nv.us

E-mail: insinfo@doi.state.nv.us

February 4, 2002

The Honorable Randolph J. Townsend  
Nevada State Senator  
State of Nevada  
P.O. Box 20923  
Reno, NV 89515-0923

The Honorable Joseph E. Dini  
Nevada Assembly Speaker Emeritus  
State of Nevada  
104 North Mountain View  
Yerington, NV 89447-2239

RE: NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC)  
ACCREDITATION REVIEW OF THE STATE OF NEVADA

Dear Senator Townsend and Speaker Emeritus Dini:

Last week, the NAIC examination team reviewed the Nevada Division of Insurance for purposes of determining whether we might be awarded accreditation status. Our agency has made tremendous strides in meeting the separate accreditation standards, and the review resulted in our passing all but one of the standards. The standard that was not met arose because of a single statutory conflict between the NAIC Holding Company Model Law and the Nevada Revised Statutes regarding extraordinary dividends (NRS 692C.380).

In determining the reason for the conflict, we have traced it to a drafting error. NRS 692C.380(2) permits an insurer to include "unrealized capital gains" in calculating extraordinary dividends. The language of the statute not only conflicts with the NAIC Model but violates the principles of financial soundness. You will recall that the Division's Accreditation Bill was enacted in 1995 after two failed efforts during the 1991 and 1993 legislative sessions. We did discover the drafting error in the 1993 version of the Bill and had intended to propose a corrective amendment. Since the 1993 bill did not survive, we did not have the opportunity to propose the amendment. Unfortunately, when the 1995 bill was prepared, the language for NRS 692C.380(2) was taken from the 1993 bill rather than the NAIC Model, both of which had been attached to the bill request, and the drafting error was never caught.

The team advised us that they must necessarily recommend to the NAIC committee that we not be accredited because of the statute. The team, however, also recommended that we seek

ASSEMBLY COMMERCE & LABOR

DATE: 2/24/03 ROOM: 4100 EXHIBIT C

SUBMITTED BY: Alice Molasky-ARMAN

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Honorable Randolph J. Townsend and The Honorable Joseph E. Dini  
February 4, 2002  
Page 2

provisional accreditation on the basis of our commitment to propose an amendment and correction to NRS 692C.380(2) during the 2003 Legislature. The team indicated that the NAIC Accreditation Committee might look more favorably on the request for provisional accreditation if I could secure your support as the chair of the Senate and Assembly commerce committees. The team suggested that I also assure the Accreditation Committee that we have never permitted an extraordinary dividend pursuant to NRS 692C.380(2). I can easily provide that assurance, since we have not had an occasion to apply the statute since it was enacted.

During the past seven years, you have both been instrumental in our achieving the level of competency required by accreditation. I will be very grateful if you will once again aid my efforts by providing your support of the amendment of NRS 692C.380(2) to be proposed in the next session. A copy of the amendment that we would propose is enclosed.

I must prepare and submit our request for provisional accreditation not later than March 1, 2002, and I hope that I may include your support in that request.

The provisional accreditation would endure until the end of the 2003 legislative session, assuming, of course, that we continued to meet the other standards regarding staffing, staff educational development, and financial examination and analysis techniques.

The NAIC Accreditation Committee will make their decision during the NAIC Spring Meeting, which will be held at the Reno Hilton in March. (Earlier, I sent you a separate invitation to attend the meeting.) If the Committee accepts my request, we would be awarded accreditation during the Spring Meeting. After so many years of striving toward this goal, receiving accreditation status from the NAIC while it meets in our own state, would be particularly rewarding.

If you have any questions, please do call or contact me.

Sincerely,



ALICE A. MOLASKY-ARMAN  
Commissioner of Insurance

cc: Keith Munro, General Counsel  
Sydney H. Wickliffe, Director

Enclosure

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JOSEPH E. DINI, JR.  
ASSEMBLYMAN  
District No. 38



SPEAKER EMERITUS

COMMITTEES:

*Chairman*

Commerce and Labor

*Member*

Elections, Procedures, and Ethics

Ways and Means

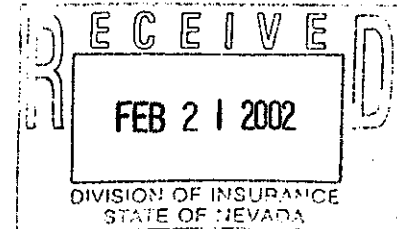
# State of Nevada Assembly

Seventy-First Session

February 8, 2002

DISTRICT OFFICE:  
104 N. Mountain View  
Yerington, Nevada 89447-2239  
Yerington: (775) 463-2669  
Carson City: (775) 882-4381  
Fax No.: (775) 463-5292

LEGISLATIVE BUILDING:  
401 S. Carson Street  
Carson City, Nevada 89701-4747  
Office: (775) 684-8507  
Fax No.: (775) 684-1342



Ms. Alice A. Molasky-Arman  
Commissioner of Insurance  
788 Fairview Drive, Suite # 300  
Carson City, Nevada 89701-5491

Dear Commissioner Arman:


Thank you for the recent letter concerning the results of the NAIC examination team, which reviewed the Nevada Division of Insurance.

I am surprised that we didn't correct the statute from the previous sessions. However, I believe that in the year 2003, we should be able make the necessary corrections to make your accreditation current. I don't know what Senator Townsend has in mind, but I certainly am very willing to use one of the Assembly Commerce and Labor Committee drafts to get the bill drafted. If you are going to get the bill drafted, you certainly have my support and hope that we can get this adopted rapidly by the 2003 Legislative Session.

Let me know how you would like it handled. If you would like Senator Townsend to handle it or me. It makes no difference to me. I am willing to do whatever is necessary to help you maintain this accreditation.

Best wishes for continued success.

Sincerely,

  
Joseph E. Dini, Jr.  
Assemblyman  
District No. 38

ATTACHMENT 3

RANDOLPH J. TOWNSEND

SENATOR

Washoe No. 4



DISTRICT OFFICE:

P.O. Box 20923

Reno, Nevada 89515-0923

Office: (775) 825-1956, Ext. 101

Fax No.: (775) 827-8336

Cellular: (775) 771-1555

COMMITTEES:

*Chairman*

Commerce and Labor

*Member*

Human Resources and Facilities

Taxation

# State of Nevada Senate

*Seventy-first Session*

LEGISLATIVE BUILDING:

401 S. Carson Street

Carson City, Nevada 89701-4747

Office: (775) 684-1450 or 684-1401

Fax No.: (775) 684-6522

February 8, 2002

Alice A. Molasky-Arman, Commissioner  
Division of Insurance, Department of Business and Industry  
788 Fairview Drive, Suite 300  
Carson City, Nevada 89701-5491

Dear Alice:

Thank you for alerting me to the need for revising *Nevada Revised Statute 692C.380(2)*. I regret the Senate Committee on Commerce and Labor did not remedy this oversight when you brought it to our attention in 1993. As chairman of the Committee, I can assure you, we will make the appropriate correction next Session. Staff has already been instructed to prepare the necessary bill draft request.

Accreditation for Nevada's Division of Insurance would reflect very positively on the state and demonstrate our desire to maintain a safe and professional environment for such a vital industry. You are to be commended for your continuing efforts to elevate the level of competency in the Division.

Respectfully,

A handwritten signature in dark ink, appearing to be the letter 'R' followed by a stylized flourish.

Senator Randolph J. Townsend  
Chairman, Senate Committee on  
Commerce and Labor

RJT/ck:W20887

cc: Speaker Emeritus Joseph E. Dini

Keith Munro, Governor's Counsel

Sydney H. Wickliffe, C.P.A., Director, Department of Business and Industry

ATTACHMENT 2

C 4 of 4