

CHAPTER.....

AN ACT relating to insurance; providing for the regulation of medical discount plans; providing the tax rate on premiums for risk retention groups; providing for the regulation of credit personal property insurance; allowing certain health insurers to offer, subject to regulation by the Commissioner of Insurance, policies of health insurance that have high deductibles and are in compliance with certain federal requirements for establishing health savings accounts; decreasing certain fees for risk retention groups; authorizing an insurer to invest in bonds or notes secured by second liens upon real property under certain circumstances; setting forth the circumstances under which a producer of insurance may pay a commission for selling, soliciting, procuring or negotiating insurance in this State; authorizing the Nevada Insurance Guaranty Association to perform certain acts requested by the Commissioner of Insurance; providing that coverage under a conversion health benefit plan must be renewed by the carrier that issued it under certain circumstances; providing for the regulation of consumer credit insurance; providing for the establishment and regulation of sponsored captive insurers; providing for the establishment and regulation of branch captive insurers; providing penalties; 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. Title 57 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 16, inclusive, of this act.

Sec. 2. *As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 2.3 to 4, inclusive, of this act have the meanings ascribed to them in those sections.*

Sec. 2.3. *“Administrator” means a person authorized pursuant to NRS 683A.0805 to 683A.0893, inclusive, to conduct business in this State as an administrator.*

Sec. 2.5. *“Affiliate of an insurer” means a person who directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with an insurer.*

Sec. 2.7. *“Insurer” means any insurer, fraternal benefit society, nonprofit corporation for hospital, medical and dental*

services, organization for dental care, health maintenance organization or prepaid limited health service organization authorized pursuant to this title to conduct business in this State.

Sec. 3. "Medical discount plan" means a business arrangement or program evidenced by a membership agreement, contract, card, certificate, device or mechanism in which a person, in exchange for fees, dues, charges or any other form of consideration, offers to provide or provides health care or medical services at a discount from providers of health care who are participating in the business arrangement or program or whom the person advertises as or claims to be participating in the business arrangement or program.

Sec. 4. "Provider of health care" has the meaning ascribed to it in NRS 629.031.

Sec. 5. Notwithstanding any other provision of law, the Commissioner has exclusive jurisdiction to regulate medical discount plans in this State.

Sec. 6. 1. Except as otherwise provided in this section, it is unlawful for any person to offer, market, sell or engage in business as a medical discount plan in this State without first registering the medical discount plan pursuant to the provisions of this chapter.

2. An insurer is not required to register any medical discount plan pursuant to the provisions of this chapter unless the insurer offers, markets or sells the medical discount plan in this State for separate consideration.

3. If an affiliate of an insurer offers, markets, sells or engages in business as a medical discount plan in this State, the affiliate is required to register the medical discount plan pursuant to the provisions of this chapter.

4. The provisions of this chapter do not apply to any medical discount plan that offers or provides discounts only on prescriptions.

Sec. 7. 1. An application for registration to engage in business as a medical discount plan must be submitted on a form prescribed by the Commissioner. The form must be signed by an officer or an authorized representative of the applicant. Except as otherwise provided in this section, the application must be accompanied by:

(a) A registration fee of \$500.

(b) A copy of the organizational documents of the applicant, if any.

(c) A list of names, addresses, positions of employment and biographical information of each person who is responsible for conducting the business activities of the medical discount plan of the applicant, including, but not limited to, all members of the

board of directors, board of trustees, officers and managers. The list must set forth the extent and nature of any contracts or other agreements between any person who is responsible for conducting the business activities of the applicant and the medical discount plan, including disclosure of any possible conflicts of interest.

(d) A complete biographical statement, on a form prescribed by the Commissioner, describing the facilities, employees and services that will be offered by the applicant.

(e) A copy of all forms used for contracts between the applicant and networks of providers of health care regarding the provision of health care or medical services to members.

(f) A copy of the most recent financial statements of the applicant, audited by an independent certified public accountant.

(g) A description of the method of marketing proposed by the applicant.

(h) A description of the procedures for making a complaint to be established and maintained by the applicant.

(i) Any other information required by the Commissioner.

2. Each person who registers a medical discount plan must renew the registration annually before the registration expires. Except as otherwise provided in this section, an application to renew the registration must include:

(a) An annual renewal fee of \$500; and

(b) Any information set forth in subsection 1 that the Commissioner requires to be included in the application.

3. An administrator or insurer that registers a medical discount plan is not required to pay the fees for registering or renewing the registration of the medical discount plan pursuant to this section.

4. The Commissioner shall, by regulation, designate the provisions of subsection 1 that shall be deemed satisfied by an administrator, insurer or affiliate of an insurer that has complied with substantially similar requirements pursuant to other provisions of this title.

Sec. 8. *A person who is responsible for conducting the business activities of a medical discount plan may not:*

1. Use the word "insurance" or "enrollment" in any advertising or marketing material, brochures or discount cards for the medical discount plan unless approved by the Commissioner;

2. Use in any advertising or marketing material, brochures or discount cards for the medical discount plan the terms "coverage," "copay," "preexisting conditions," "guaranteed issue," "PPO," "preferred provider organization" or any other term that could reasonably mislead a person into believing the medical discount plan is a policy of health insurance;

3. Pay a provider of health care any fee for providing any health care or medical services; or

4. Collect or accept money from a member of the medical discount plan for payment to a provider of health care for specific health care or medical services that the provider has provided or will provide to the member unless the registration for the medical discount plan is held by an administrator or insurer.

Sec. 9. 1. The following disclosures must be made in writing to any prospective member of a medical discount plan and must be in clear language and prominently displayed in any advertisements, marketing materials and brochures relating to a medical discount plan:

(a) That the medical discount plan is not a policy of health insurance;

(b) That the medical discount plan provides discounts from providers of health care who provide health care or medical services to members;

(c) That the medical discount plan does not make payments directly to the providers of health care;

(d) That the member will be required to pay for all health care or medical services but will receive a discount from those providers of health care who have contracted with the medical discount plan;

(e) The corporate name of the person offering the medical discount plan and the location and address of each office for the medical discount plan; and

(f) A telephone number where the member may obtain information and answers to questions or complaints.

2. The disclosures required pursuant to this section may be provided orally or electronically if written disclosures are provided not later than the earlier of:

(a) Ten business days after the prospective member elects to accept the medical discount plan; or

(b) The date on which any other written material is provided by the medical discount plan to the member.

Sec. 10. The disclosures required by this chapter must be printed in type that is not smaller than 12-point type.

Sec. 11. 1. Each medical discount plan must at all times maintain a net worth of \$100,000.

2. The Commissioner shall not issue a registration or renewal of a registration for a medical discount plan unless the person registering or renewing the registration certifies that the medical discount plan has a net worth of at least \$100,000.

Sec. 12. A person is subject to the imposition of an administrative penalty pursuant to this chapter if, in the course of the business of the person, the person:

1. *Solicits, markets, advertises, promotes or sells to a person in this State a medical discount plan or a membership in connection with a medical discount plan unless the medical discount plan is registered pursuant to this chapter.*

2. *Fails to provide any disclosure required pursuant to section 9 of this act.*

3. *Fails to make available to an applicant for membership or to a member, through a toll-free telephone number, upon the request of the applicant or member, a complete and accurate list of all participating providers of health care who have contracted with the medical discount plan and who are located in the applicant's or member's local area, or within a radius of 50 miles, and a list of the health care or medical services for which the discounts are applicable. The list must be made available, upon the request of the applicant, at the time the applicant purchases a membership and must be updated not less than once every 6 months.*

4. *Violates subsection 1 or 2 of section 8 of this act or otherwise uses advertising or marketing material, brochures or discount cards that are misleading, deceptive or fraudulent.*

5. *Offers discounted products or services to the applicant or member that are not authorized by a contract with each provider of health care listed in conjunction with the medical discount plan.*

6. *Fails to allow the applicant or member to cancel the membership in the medical discount plan.*

7. *If appropriate, fails to refund any required portion of membership fees paid to the medical discount plan by the applicant or member within 30 days after the applicant or member provides timely notification of the cancellation of the membership to the person administering the medical discount plan.*

Sec. 13. *A person who violates any provision of this chapter or an order or regulation of the Commissioner issued or adopted pursuant thereto may be assessed an administrative penalty by the Commissioner of not more than \$2,000 for each act or violation, not to exceed an aggregate amount of \$10,000 for violations of a similar nature. For the purposes of this section, violations shall be deemed to be of a similar nature if the violations consist of the same or similar conduct, regardless of the number of times the conduct occurred.*

Sec. 14. 1. *Except as otherwise provided in this subsection, the Commissioner may conduct examinations to enforce the provisions of this chapter pursuant to the provisions of NRS 679B.230 to 679B.300, inclusive, at such times as he deems necessary. For the purposes of this chapter, the Commissioner is not required to comply with the requirement in NRS 679B.230 that insurers be examined not less frequently than every 5 years.*

2. *A person who is responsible for conducting the business activities of a medical discount plan shall, upon the request of the Commissioner, make available to the Commissioner for inspection any accounts, books and records concerning the medical discount plan which are reasonably necessary to enable the Commissioner to determine whether the medical discount plan is in compliance with the provisions of this chapter.*

Sec. 15. *1. A medical discount plan must maintain records of the transactions governed by this chapter. The records must include:*

(a) A copy of each type of contract that the medical discount plan issues, sells or offers for sale;

(b) The name and address of each member of the medical discount plan;

(c) A copy of each contract that the medical discount plan enters into with providers of health care for purposes of providing members with health care or medical services at a discount; and

(d) A copy of the annual certification of net worth and supporting documentation.

2. Except as otherwise provided in this subsection, each medical discount plan must retain all records for at least 7 years. A medical discount plan which intends to discontinue doing business in this State must provide the Commissioner with satisfactory proof that it has discharged its duties to the members in this State and must not destroy its records without the prior approval of the Commissioner.

3. The records required to be maintained pursuant to this section may be stored on a computer disc or other storage device for a computer from which the records may be readily printed.

Sec. 16. *The Commissioner may adopt regulations to carry out the provisions of this chapter.*

Sec. 17. Title 57 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 18 to 61, inclusive, of this act.

Sec. 18. *As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 19 to 40, inclusive, of this act have the meanings ascribed to them in those sections.*

Sec. 19. *“Closed-end credit” means a credit transaction that is not open-end credit.*

Sec. 20. *“Collateral” means personal property in which a purchase money security interest is retained or personal property that is pledged as security for the satisfaction of a debt.*

Sec. 21. *“Compensation” means any valuable consideration, direct or indirect, paid by or on behalf of the insurer, or by any subsidiary or parent, or subsidiary of the parent of the insurer, or*

by any other person to or on behalf of any group policyholder or producer or withheld from an insurer by any group policyholder or producer, and includes:

- 1. Paid or credited commissions or contingent commissions.*
- 2. Fees for services, consulting fees or any other fee paid or credited within or outside this State in direct relation to the volume of premiums produced or written in this State.*
- 3. The use of electronic data processing equipment or services, except for devices provided in lieu of books and charts of rates and refunds usable only for that purpose.*
- 4. The furnishing of supplies, except forms approved by the Commissioner, the usual forms for claims and reports, envelopes for transmitting claims and brochures, and books and charts of rates and refunds.*
- 5. Providing rental equipment of any type.*
- 6. Advertising.*
- 7. Providing telephone service without charge or at a charge less than the usual cost.*
- 8. Participation in a profit-sharing plan.*
- 9. Dividends and refunds or credits based on experience ratings.*
- 10. An allowance for expenses.*
- 11. Participation in stock plans or bonuses.*
- 12. Any form of credit, including the use of money.*
- 13. Commissions for reinsurance, ceded or assumed.*
- 14. Reinsurance with a nonauthorized insurer owned or controlled by a creditor or producer or with a nonauthorized insurer in which a creditor or producer is a stockholder.*
- 15. Any commission or fee, inducement or intention to induce, or any other consideration arising from the sale of insurance or other product or service, except credit personal property insurance as part of the transaction in which the indebtedness is arranged or the application for the credit personal property insurance is made.*

Sec. 22. "Credit agreement" means the written document that sets forth the terms of the credit transaction and includes the security agreement.

Sec. 23. "Credit personal property insurance" means a policy, endorsement, rider, binder, certificate, or other instrument or evidence of insurance written in connection with a credit transaction that:

- 1. Covers perils to the goods purchased through a credit transaction or used as collateral for a credit transaction and that concerns the interest of a creditor in the purchased goods or pledged collateral either in whole or in part; or*

2. *Covers perils to goods purchased in connection with an open-end credit transaction.*

Sec. 24. *“Credit transaction” means any transaction for which the terms of repayment of money loaned or loan commitment made, or payment of goods, services or properties sold or leased, is to be made at a future date.*

Sec. 25. *“Creditor” means the lender of money or vendor or lessor of goods, services, property, rights or privileges for which payment is arranged through a credit transaction, and includes:*

- 1. The successor to the right, title or interest of;*
- 2. An affiliate, associate or subsidiary of;*
- 3. Any director, officer or employee of; or*
- 4. Any other person in any way associated with,*
↪ any such lender, vendor or lessor.

Sec. 26. *“Creditor-placed insurance” means single-interest insurance or dual-interest insurance that is purchased by the creditor, as the named insured, after a credit transaction:*

1. According to the terms of the credit agreement as a result of the debtor’s failing to provide required insurance, the cost for which is charged to the debtor; and

2. For coverage against loss, expense or damage to personal property used as collateral as a result of fire, theft, collision or other risk of loss that would impair the interest of the creditor or adversely affect the value of the collateral.

Sec. 27. *“Debtor” means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.*

Sec. 28. *“Dual-interest insurance” means credit personal property insurance covering the interest of the creditor or seller and any portion of the interest of the borrower in goods purchased through the credit transaction or pledged as collateral for the credit transaction.*

Sec. 29. *“Experience” means earned premiums and incurred losses during the experience period.*

Sec. 30. *“Experience period” means the most recent period of time that is not more than 3 years and for which earned premiums and incurred losses are reported.*

Sec. 31. *“Finance charge” means any charge payable directly or indirectly as an incident to or condition of an extension of credit, including, without limitation, interest, time-price differentials, amounts payable under a discount system of additional charges, service, transaction or carrying charges, loan fees, points or similar charges, appraisal fees or charges incurred for investigating the creditworthiness of the consumer. The term*

does not include charges as a result of default, taxes, license fees, delinquency charges or filing fees.

Sec. 32. "Gross debt" means the sum of the remaining payments owed to a creditor by a debtor.

Sec. 33. "Identifiable charge" means a charge for credit personal property insurance that is made to debtors who have that insurance and not made to debtors who do not have that insurance. The term includes a charge for insurance that is disclosed in the credit agreement or other instrument furnished to the debtor which sets forth the financial elements of the credit transaction and any difference in the finance, interest, service or other similar charge made to debtors who are in similar circumstances except for the insured or noninsured status of the debtor.

Sec. 34. "Incurred losses" means total claims and claim adjustment expenses paid during the experience period plus any change in claim and claim adjustment expense reserves.

Sec. 35. "Loss ratio" means incurred losses divided by the sum of earned premiums.

Sec. 36. "Net debt" means the amount required to liquidate the remaining debt in a single lump-sum payment, excluding all unearned interest and other unearned finance charges.

Sec. 37. "Nonfiling insurance" means insurance that indemnifies the creditor for loss of its interest in the collateral due to failure to perfect a security interest in the collateral.

Sec. 38. "Open-end credit" means credit extended by a creditor under an agreement in which:

1. The creditor reasonably contemplates repeated transactions;

2. The creditor periodically imposes a finance charge on any outstanding unpaid balance; and

3. The amount of credit that may be extended to the debtor during the term of the agreement up to any limit set by the creditor is generally made available to the extent that any outstanding balance is repaid.

Sec. 39. "Reverse competition" means competition among insurers that regularly takes the form of insurers competing for the favor of a person who controls or may control the placement of insurance with insurers that tends to increase insurance premiums or prevents a decrease in insurance premiums in order to give greater compensation to a person who controls or may control the placement of insurance with insurers.

Sec. 40. "Single-interest insurance" means credit personal property insurance covering only the interest of the seller or creditor in goods purchased through a credit transaction or pledged as collateral in a credit transaction.

Sec. 41. *All credit personal property insurance, including guaranteed asset protection insurance, written in connection with credit transactions for personal, family or household purposes is subject to the provisions of this chapter, except:*

- 1. Credit transactions involving extensions of credit primarily for business or commercial purposes;*
- 2. Insurance written in connection with a credit transaction that is secured by a real estate mortgage or deed of trust;*
- 3. Creditor-placed insurance;*
- 4. Title insurance;*
- 5. Nonfiling insurance;*
- 6. Insurance purchased by a creditor after repossession or a similar event in which the creditor acquired possession of the property; and*
- 7. Insurance for which an identifiable charge is not made to or collected from the debtor.*

Sec. 42. *For credit personal property insurance sold in conjunction with a closed-end credit transaction, an insurer shall not:*

- 1. Issue credit personal property insurance unless the amount financed exceeds \$300;*
- 2. Issue credit personal property insurance in an amount that exceeds the amount of the underlying credit transaction; and*
- 3. Sell credit personal property insurance with a term that exceeds the scheduled term of the underlying credit transaction.*

Sec. 43. *Credit personal property insurance must:*

- 1. At a minimum, include the coverage in the standard fire policy with coverage attachment and extended coverage endorsement; and*
- 2. Cover a substantial risk of loss of or damage to the property related to the credit transaction.*

Sec. 44. *1. An insurer shall not:*

- (a) Require the bundling of other credit insurance coverage with the purchase of credit personal property insurance; and*
- (b) Use gross debt in any manner to determine the premiums for credit personal property insurance.*

2. A debtor must have a choice to purchase credit personal property insurance separately from other credit insurance coverage.

Sec. 45. *1. Before a debtor elects to purchase credit personal property insurance in connection with a credit transaction, the following information must be disclosed to the debtor in writing:*

- (a) That the purchase of credit personal property insurance from the creditor is not mandatory and is not a condition for obtaining credit approval;*

(b) If more than one type of credit insurance is made available to the debtor, whether the debtor may purchase credit personal property insurance separately from any other credit insurance;

(c) The conditions of eligibility;

(d) That if the debtor has other insurance that covers the risk, the debtor may not want or need credit personal property insurance;

(e) That the debtor may cancel the insurance at any time, or if evidence of insurance is required for the extension of credit, upon proof of insurance that is acceptable to the creditor, and obtain a refund of or credit for:

(1) If the cancellation is not more than 30 days after the debtor receives the individual policy or certificate of insurance, any premium paid by the debtor; or

(2) If the cancellation is more than 30 days after the debtor receives the individual policy or certificate of insurance, any unearned premium paid by the debtor;

(f) A brief description of the coverage, including a description of the amount, term, extensions, limitations, perils and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium, the person who would receive any benefits, and the premium or premium rate for the credit personal property insurance; and

(g) If the premium or charge for the insurance is financed, it will be subject to finance charges at the rate applicable to the credit transaction.

2. The disclosures required pursuant to subsection 1:

(a) If made in connection with credit personal property insurance offered at the same time as the extension of credit or offered through direct mail advertisements, must be made in writing and presented to the customer in a clear and conspicuous manner; or

(b) If made in connection with credit personal property insurance offered after the extension of credit other than through direct mail advertisements, may be provided orally or electronically if written disclosures are provided not later than the earlier of:

(1) Ten days after the debtor elects to accept the coverage; or

(2) The date any other written material is provided by the creditor to the debtor.

Sec. 46. *An offer to extend coverage for an open-end credit transaction must include, at the time of the invitation to contract, a written disclosure or, if the solicitation is made by telephone and the written disclosure is mailed to the debtor not later than 10 days after enrollment, an oral summary of the written disclosure. The*

written disclosure must be in not smaller than 12-point type and be in substantially the following form:

This coverage may duplicate existing coverage if you have a residential property insurance policy. It applies to any item of covered property on which you owe a debt. This coverage is primary, so it is the first source to be used in the event of a loss on property it covers. You may cancel this coverage at any time by calling the insurer during business hours at the telephone number provided to you or by writing to the insurer. We are charging you a premium that may be based on subjects for which a claim cannot be made, such as services, meals or other consumables, entertainment, finance or service fees, loan interest, delivery charges or other insurance premiums.

Sec. 47. *1. All credit personal property insurance must be evidenced by an individual policy or a certificate of insurance that is delivered to the debtor.*

2. The individual policy or certificate of insurance must, in addition to other requirements of law, include:

- (a) The name and address of the home office of the insurer;*
- (b) The name of each debtor or, on a certificate of insurance, the identity by name or otherwise of each debtor;*
- (c) The amount of the premium or payment of the debtor or, for open-end credit, the premium rate, basis of the calculation of premiums and balance to which the premium rate applies;*
- (d) A complete description of the coverage or coverages, including the amount, term and any exceptions, limitations and exclusions of coverage;*
- (e) A statement that all benefits must be paid to the creditor to reduce or extinguish the unpaid debt or to repair or replace the property and that if the benefits exceed the unpaid debt, any excess benefit must be paid to the debtor;*
- (f) If the scheduled term of the insurance is less than the scheduled term of the credit transaction, a statement indicating that fact set forth on the face of the individual policy or certificate of insurance in not less than 10-point bold type; and*
- (g) If the policy is related to open-end credit, a statement that the debtor will, at least once each year, receive the statement as required pursuant to subsection 3.*

3. For credit personal property insurance related to open-end credit, the creditor must provide to the debtor at least once each year with the account statement a statement in the following form in at least 12-point type:

You are paying a premium for credit personal property insurance based on the outstanding balance of this account. You may cancel this coverage at any time by calling the insurer during business hours at the telephone number provided to you or by writing to the insurer. You are being charged a premium that may be based on subjects for which a claim cannot be made, such as services, meals or other consumables, entertainment, finance or service fees, loan interest, delivery charges or other insurance premiums.

Sec. 48. *1. Except as otherwise provided in subsection 2, the individual policy or certificate of insurance must be delivered to the debtor upon acceptance of the insurance by the insurer.*

2. An individual policy or certificate of insurance made in connection with an open-end credit agreement or any credit personal property insurance requested by the debtor after the date the debt is incurred must be delivered to the debtor not more than 30 days after the debtor requested the insurance.

Sec. 49. *1. Except as otherwise provided in sections 50 and 51 of this act, all policies, certificates of insurance, applications for insurance, enrollment forms, endorsements and riders delivered or issued for delivery in this State and the schedules of premium rates related thereto must be filed with the Commissioner.*

2. An item filed with the Commissioner pursuant to subsection 1 may not be issued until 60 days after it is filed with the Commissioner or until the written prior approval of the Commissioner is obtained.

3. The Commissioner shall, not more than 60 days after an item is submitted to him pursuant to subsection 1, disapprove the item if the benefits are not reasonable in relation to the premium charged or if the item contains provisions that are unjust, unfair, inequitable, misleading or deceptive or encourage misrepresentation of the coverage or are contrary to any provision of the Code or any regulation adopted pursuant to the Code. If the Commissioner does not disapprove an item filed pursuant to subsection 1 in accordance with this subsection, the item shall be deemed to be approved.

4. If the Commissioner notifies an insurer that an item is disapproved pursuant to subsection 3, the insurer shall not use the item. The notice must include the reason for the disapproval and state that a hearing will be granted not more than 30 days after the insurer submits a written request for a hearing to the Commissioner, unless postponed by mutual consent or by order of the Commissioner.

5. The Commissioner may hold a hearing to withdraw approval of an item submitted pursuant to subsection 1 not less

than 20 days after providing a written notice of the hearing to the insurer. The written notice must include one of the reasons described in subsection 3 for the proposed withdrawal of approval of the item. An insurer shall not use an item if approval of the item is withdrawn pursuant to this subsection.

Sec. 50. *1. The Commissioner may adopt by regulation forms for use in the issuance of credit personal property insurance, including applications, policies, forms for claims and any other forms required for the sale, issuance and administration of credit personal property insurance. An insurer may elect to use those forms in lieu of any other forms.*

2. If an officer of the insurer submits, in the manner prescribed by the Commissioner, a written certification to the Commissioner that the forms used by the insurer are identical to those adopted by the Commissioner, the insurer is not required to file those forms with the Commissioner for approval pursuant to section 49 of this act.

Sec. 51. *1. The Commissioner shall, by regulation, establish reasonable rates as described in this chapter and in accordance with the standards established in NRS 686B.050 and 686B.060. The rates must be reasonable in relation to the benefits provided and must not be excessive, inadequate or unfairly discriminatory.*

2. The Commissioner may, by regulation, establish rates that an insurer may use without filing pursuant to section 49 of this act. In establishing such rates, the Commissioner shall consider and apply the following factors:

- (a) Actual and expected loss experience;*
- (b) General and administrative expenses;*
- (c) Loss settlement and adjustment expenses;*
- (d) Reasonable creditor compensation;*
- (e) The manner in which premiums are charged;*
- (f) Other acquisition costs;*
- (g) Reserves;*
- (h) Taxes;*
- (i) Regulatory license fees and fund assessments;*
- (j) Reasonable insurer profit; and*
- (k) Other relevant data consistent with generally accepted actuarial standards.*

Sec. 51.5. *Except as otherwise provided in section 51 of this act:*

1. A rate that has been filed and approved pursuant to section 49 of this act is effective for a period not to exceed 3 years after the date of approval. The insurer shall file a rate for approval before the expiration of the 3-year period. The insurer may file a rate for approval at any time before the expiration of the 3-year period.

2. *If an insurer revises its schedule of premium rates, the insurer shall file the revised schedule with the Commissioner pursuant to section 49 of this act. An insurer shall not issue credit personal property insurance for which the premium rates exceed the rates determined by the schedule approved by the Commissioner.*

Sec. 52. *For open-end credit transactions, the rating plan of the insurer must address, by the grouping of similar accounts, the expected variance in the ratio of goods purchased that are covered under the credit personal property insurance and goods that are not covered by that insurance. Accounts must be separated into groups that have or are expected to have a similar ratio of goods purchased that are covered under the credit personal property insurance and goods that are not covered by that insurance.*

Sec. 53. (Deleted by amendment.)

Sec. 54. *Each year, not later than the date specified in the Instructions to the Annual Statement published by the National Association of Insurance Commissioners, an insurer doing business in this State shall file with the Commissioner and the National Association of Insurance Commissioners a report of credit personal property insurance written on the basis of a calendar year. The report must be prepared using the Credit Insurance Supplement-Annual Statement Blank approved by the National Association of Insurance Commissioners and must contain separate data for each state.*

Sec. 55. 1. *Except as otherwise provided in subsection 2, an authorized insurer issuing credit personal property insurance may not enter into any agreement whereby the authorized insurer transfers, by reinsurance or otherwise, to an unauthorized insurer, as they relate to credit personal property insurance written or issued in this State:*

(a) A substantial portion of the risk of loss under the credit personal property insurance written by the authorized insurer in this State;

(b) All of one or more kinds, lines, types or classes of credit personal property insurance;

(c) All of the credit personal property insurance produced through one or more agents, agencies or creditors;

(d) All of the credit personal property insurance written or issued in a designated geographical area; or

(e) All of the credit personal property insurance under a policy of group insurance.

2. *An authorized insurer may make the transfers listed in subsection 1 to an unauthorized insurer if the unauthorized insurer:*

(a) Maintains security on deposit with the Commissioner in an amount which when added to the actual capital and surplus of the insurer is equal to the capital and surplus required of an authorized stock insurer pursuant to NRS 680A.120. The security may consist only of the following:

(1) Cash.

(2) General obligations of, or obligations guaranteed by, the Federal Government, this State or any of its political subdivisions. These obligations must be valued at the lower of market value or par value.

(3) Any other type of security that would be acceptable if posted by a domestic or foreign insurer.

(b) Files an annual statement with the Commissioner pursuant to NRS 680A.270.

(c) Maintains reserves on its credit personal property insurance business pursuant to NRS 681B.050.

(d) Values its assets and liabilities pursuant to NRS 681B.010 to 681B.040, inclusive.

(e) Agrees to examinations conducted by the Commissioner pursuant to NRS 679B.230.

(f) Complies with the standards adopted by the Commissioner pursuant to NRS 679A.150.

(g) Does not hold, issue or have an arrangement for holding or issuing any of its stock for which dividends are paid based on:

(1) The experience of a specific risk of all of one or more kinds, lines, types or classes of insurance;

(2) All of the business produced through one or more agents, agencies or creditors;

(3) All of the business written in a designated geographical area; or

(4) All of the business written for one or more forms of insurance.

Sec. 56. *1. Each individual policy or certificate of insurance must provide for a refund of unearned premiums if the credit personal property insurance is cancelled before the scheduled date of termination of the insurance.*

2. Except as otherwise provided in this section, any refund must be provided to the person to whom it is entitled as soon as practicable after the date of cancellation of the insurance.

3. The Commissioner shall, by regulation, establish the minimum amount of unearned premiums that must remain outstanding at the time of cancellation in order for a person to be entitled to a refund. If the amount of unearned premiums that remains outstanding at the time of cancellation is less than the minimum amount established by regulation, the person is not entitled to a refund.

4. The formula that an insurer uses to determine the amount of a refund must be submitted to and approved by the Commissioner before it is used.

Sec. 57. 1. All claims must be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate files on all reported claims. All claims must be settled as soon as practicable and in accordance with the terms of the insurance contract.

2. All claims must be paid by draft drawn upon the insurer, by electronic funds transfer or by check of the insurer to the order of:

(a) The claimant to whom payment of the claim is due pursuant to the provisions of the policy; or

(b) Any other person designated by the claimant to whom payment is due.

Sec. 58. A plan or arrangement may not be used whereby a person other than the insurer or its designated claim representative is authorized to settle or adjust claims. The creditor may not be designated as the representative for the insurer in adjusting claims, except that a group policyholder may, by arrangement with the group insurer, draw drafts or checks in payment of claims due the group policyholder subject to the periodic audit by the insurer.

Sec. 59. A claim made pursuant to credit personal property insurance must not be denied more than 60 days after the initiation of coverage because the debtor was ineligible for coverage unless the debtor misrepresented a material fact. If a claim is denied within 60 days after the initiation of coverage because the debtor was ineligible for coverage or because the debtor misrepresented a material fact, the insurer shall refund to the debtor any premium paid and the creditor shall refund to the debtor any finance charge paid on the premium.

Sec. 60. The Commissioner may adopt regulations to carry out the provisions of this chapter.

Sec. 61. In addition to any other penalty provided by law, a person who violates a provision of this chapter or a final order of or a regulation adopted by the Commissioner pursuant to this chapter, after notice and a hearing, upon order of the Commissioner is subject to:

1. The imposition of an administrative fine not to exceed \$5,000 per violation, or \$10,000 per violation if the Commissioner determines that the violation was willful; and

2. Revocation, suspension or limitation of the license or certificate of authority held by the person.

Sec. 62. Chapter 680B of NRS is hereby amended by adding thereto a new section to read as follows:

Each risk retention group which is chartered in a state other than this State and which is registered in this State pursuant to NRS 695E.140 to 695E.200, inclusive, shall pay the tax imposed by NRS 680B.027 at a rate of 2 percent.

Sec. 63. NRS 680B.010 is hereby amended to read as follows:

680B.010 The Commissioner shall collect in advance and receipt for, and persons so served must pay to the Commissioner, fees and miscellaneous charges as follows:

1. Insurer's certificate of authority:
 - (a) Filing initial application \$2,450
 - (b) Issuance of certificate:
 - (1) For any one kind of insurance as defined in NRS 681A.010 to 681A.080, inclusive 283
 - (2) For two or more kinds of insurance as so defined 578
 - (3) For a reinsurer..... 2,450
 - (c) Each annual continuation of a certificate..... 2,450
 - (d) Reinstatement pursuant to NRS 680A.180, 50 percent of the annual continuation fee otherwise required.
 - (e) Registration of additional title pursuant to NRS 680A.240..... 50
 - (f) Annual renewal of the registration of additional title pursuant to NRS 680A.240 25
2. Charter documents, other than those filed with an application for a certificate of authority. Filing amendments to articles of incorporation, charter, bylaws, power of attorney and other constituent documents of the insurer, each document \$10
3. Annual statement or report. For filing annual statement or report \$25
4. Service of process:
 - (a) Filing of power of attorney \$5
 - (b) Acceptance of service of process..... 30
5. Licenses, appointments and renewals for producers of insurance:
 - (a) Application and license..... \$125
 - (b) Appointment fee for each insurer 15
 - (c) Triennial renewal of each license 125
 - (d) Temporary license 10
 - (e) Modification of an existing license..... 50
6. Surplus lines brokers:
 - (a) Application and license \$125
 - (b) Triennial renewal of each license 125

7. Managing general agents' licenses, appointments and renewals:	
(a) Application and license.....	\$125
(b) Appointment fee for each insurer	15
(c) Triennial renewal of each license	125
8. Adjusters' licenses and renewals:	
(a) Independent and public adjusters:	
(1) Application and license	\$125
(2) Triennial renewal of each license	125
(b) Associate adjusters:	
(1) Application and license	125
(2) Triennial renewal of each license	125
9. Licenses and renewals for appraisers of physical damage to motor vehicles:	
(a) Application and license	\$125
(b) Triennial renewal of each license	125
10. Additional title and property insurers pursuant to NRS 680A.240:	
(a) Original registration.....	\$50
(b) Annual renewal	25
11. Insurance vending machines:	
(a) Application and license, for each machine	\$125
(b) Triennial renewal of each license	125
12. Permit for solicitation for securities:	
(a) Application for permit.....	\$100
(b) Extension of permit.....	50
13. Securities salesmen for domestic insurers:	
(a) Application and license	\$25
(b) Annual renewal of license	15
14. Rating organizations:	
(a) Application and license	\$500
(b) Annual renewal	500
15. Certificates and renewals for administrators licensed pursuant to chapter 683A of NRS:	
(a) Application and certificate of registration	\$125
(b) Triennial renewal	125
16. For copies of the insurance laws of Nevada, a fee which is not less than the cost of producing the copies.	
17. Certified copies of certificates of authority and licenses issued pursuant to the Insurance Code	\$10
18. For copies and amendments of documents on file in the Division, a reasonable charge fixed by the Commissioner, including charges for duplicating or amending the forms and for certifying the copies and affixing the official seal.	

19. Letter of clearance for a producer of insurance or other licensee if requested by someone other than the licensee	\$10
20. Certificate of status as a producer of insurance or other licensee if requested by someone other than the licensee	\$10
21. Licenses, appointments and renewals for bail agents:	
(a) Application and license	\$125
(b) Appointment for each surety insurer	15
(c) Triennial renewal of each license	125
22. Licenses and renewals for bail enforcement agents:	
(a) Application and license	\$125
(b) Triennial renewal of each license	125
23. Licenses, appointments and renewals for general agents for bail:	
(a) Application and license	\$125
(b) Initial appointment by each insurer	15
(c) Triennial renewal of each license	125
24. Licenses and renewals for bail solicitors:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125
25. Licenses and renewals for title agents and escrow officers:	
(a) Application and license	\$125
(b) Triennial renewal of each license	125
(c) Appointment fee for each title insurer	15
(d) Change in name or location of business or in association	10
26. Certificate of authority and renewal for a seller of prepaid funeral contracts	\$125
27. Licenses and renewals for agents for prepaid funeral contracts:	
(a) Application and license	\$125
(b) Triennial renewal of each license	125
28. Licenses, appointments and renewals for agents for fraternal benefit societies:	
(a) Application and license	\$125
(b) Appointment for each insurer	15
(c) Triennial renewal of each license	125
29. Reinsurance intermediary broker or manager:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125
30. Agents for and sellers of prepaid burial contracts:	
(a) Application and certificate or license	\$125

(b) Triennial renewal	\$125
31. Risk retention groups:	
(a) Initial registration [and review of an application]	\$2,450 \$250
(b) Each annual continuation of a certificate of registration	[2,450] 250
32. Required filing of forms:	
(a) For rates and policies	\$25
(b) For riders and endorsements	10
33. Viatical settlements:	
(a) Provider of viatical settlements:	
(1) Application and license	\$1,000
(2) Annual renewal.....	1,000
(b) Broker of viatical settlements:	
(1) Application and license	500
(2) Annual renewal.....	500
34. Insurance consultants:	
(a) Application and license.....	\$125
(b) Triennial renewal.....	125
35. Licensee's association with or appointment or sponsorship by an organization:	
(a) Initial appointment, association or sponsorship, for each organization	\$50
(b) Renewal of each association or sponsorship	50
(c) Annual renewal of appointment.....	15
36. Purchasing groups:	
(a) Initial registration and review of an application	\$100
(b) Each annual continuation of registration	100
Sec. 64. NRS 680B.010 is hereby amended to read as follows:	
680B.010 The Commissioner shall collect in advance and receipt for, and persons so served must pay to the Commissioner, fees and miscellaneous charges as follows:	
1. Insurer's certificate of authority:	
(a) Filing initial application	\$2,450
(b) Issuance of certificate:	
(1) For any one kind of insurance as defined in NRS 681A.010 to 681A.080, inclusive.....	283
(2) For two or more kinds of insurance as so defined	578
(3) For a reinsurer.....	2,450
(c) Each annual continuation of a certificate	2,450
(d) Reinstatement pursuant to NRS 680A.180, 50 percent of the annual continuation fee otherwise required.	
(e) Registration of additional title pursuant to NRS 680A.240.....	50

(f) Annual renewal of the registration of additional title pursuant to NRS 680A.240	\$25
2. Charter documents, other than those filed with an application for a certificate of authority. Filing amendments to articles of incorporation, charter, bylaws, power of attorney and other constituent documents of the insurer, each document	\$10
3. Annual statement or report. For filing annual statement or report	\$25
4. Service of process:	
(a) Filing of power of attorney	\$5
(b) Acceptance of service of process.....	30
5. Licenses, appointments and renewals for producers of insurance:	
(a) Application and license.....	\$125
(b) Appointment fee for each insurer	15
(c) Triennial renewal of each license	125
(d) Temporary license	10
(e) Modification of an existing license.....	50
6. Surplus lines brokers:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125
7. Managing general agents' licenses, appointments and renewals:	
(a) Application and license.....	\$125
(b) Appointment fee for each insurer	15
(c) Triennial renewal of each license	125
8. Adjusters' licenses and renewals:	
(a) Independent and public adjusters:	
(1) Application and license	\$125
(2) Triennial renewal of each license	125
(b) Associate adjusters:	
(1) Application and license	125
(2) Triennial renewal of each license	125
9. Licenses and renewals for appraisers of physical damage to motor vehicles:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125
10. Additional title and property insurers pursuant to NRS 680A.240:	
(a) Original registration	\$50
(b) Annual renewal	25
11. Insurance vending machines:	
(a) Application and license, for each machine	\$125
(b) Triennial renewal of each license	125
12. Permit for solicitation for securities:	

(a) Application for permit.....	\$100
(b) Extension of permit.....	50
13. Securities salesmen for domestic insurers:	
(a) Application and license.....	\$25
(b) Annual renewal of license	15
14. Rating organizations:	
(a) Application and license.....	\$500
(b) Annual renewal	500
15. Certificates and renewals for administrators	
licensed pursuant to chapter 683A of NRS:	
(a) Application and certificate of registration	\$125
(b) Triennial renewal	125
16. For copies of the insurance laws of Nevada,	
a fee which is not less than the cost of producing the	
copies.	
17. Certified copies of certificates of authority	
and licenses issued pursuant to the Code.....	\$10
18. For copies and amendments of documents on	
file in the Division, a reasonable charge fixed by the	
Commissioner, including charges for duplicating or	
amending the forms and for certifying the copies and	
affixing the official seal.	
19. Letter of clearance for a producer of	
insurance or other licensee if requested by someone	
other than the licensee	\$10
20. Certificate of status as a producer of	
insurance or other licensee if requested by someone	
other than the licensee	\$10
21. Licenses, appointments and renewals for bail	
agents:	
(a) Application and license.....	\$125
(b) Appointment for each surety insurer	15
(c) Triennial renewal of each license	125
22. Licenses and renewals for bail enforcement	
agents:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125
23. Licenses, appointments and renewals for	
general agents for bail:	
(a) Application and license.....	\$125
(b) Initial appointment by each insurer	15
(c) Triennial renewal of each license	125
24. Licenses and renewals for bail solicitors:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125

25. Licenses and renewals for title agents and escrow officers:	
(a) Application and license	\$125
(b) Triennial renewal of each license	125
(c) Appointment fee for each title insurer	15
(d) Change in name or location of business or in association	10
26. Certificate of authority and renewal for a seller of prepaid funeral contracts	\$125
27. Licenses and renewals for agents for prepaid funeral contracts:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125
28. Licenses, appointments and renewals for agents for fraternal benefit societies:	
(a) Application and license.....	\$125
(b) Appointment for each insurer	15
(c) Triennial renewal of each license	125
29. Reinsurance intermediary broker or manager:	
(a) Application and license.....	\$125
(b) Triennial renewal of each license	125
30. Agents for and sellers of prepaid burial contracts:	
(a) Application and certificate or license	\$125
(b) Triennial renewal	125
31. Risk retention groups:	
(a) Initial registration.....	\$250
(b) Each annual continuation of a certificate of registration.....	250
32. Required filing of forms:	
(a) For rates and policies	\$25
(b) For riders and endorsements	10
33. Viatical settlements:	
(a) Provider of viatical settlements:	
(1) Application and license	\$1,000
(2) Annual renewal.....	1,000
(b) Broker of viatical settlements:	
(1) Application and license	500
(2) Annual renewal.....	500
(c) <i>Registration of producer of insurance acting as a viatical settlement broker</i>	<i>250</i>
34. Insurance consultants:	
(a) Application and license.....	\$125
(b) Triennial renewal	125
35. Licensee's association with or appointment or sponsorship by an organization:	

- (a) Initial appointment, association or sponsorship, for each organization \$50
- (b) Renewal of each association or sponsorship 50
- (c) Annual renewal of appointment..... 15

36. Purchasing groups:

- (a) Initial registration and review of an application \$100
- (b) Each annual continuation of registration 100

Sec. 65. NRS 680B.027 is hereby amended to read as follows:

680B.027 1. Except as otherwise provided in NRS 680B.033, 680B.050 and 690C.110, *and section 62 of this act*, for the privilege of transacting business in this State, each insurer shall pay to the Department of Taxation a tax upon his net direct premiums and net direct considerations written at the rate of 3.5 percent.

2. The tax must be paid in the manner required by NRS 680B.030 and 680B.032.

3. The Commissioner or the Executive Director of the Department of Taxation may require at any time verified supplemental statements with reference to any matter pertinent to the proper assessment of the tax.

Sec. 66. NRS 682A.180 is hereby amended to read as follows:

682A.180 An insurer may lend and thereby invest its funds upon the pledge of securities eligible for investment under this chapter. As of the date made, ~~[no such loan shall]~~ *the loan must not* exceed in amount 90 percent of the market value of ~~[such]~~ *the* collateral pledged. ~~[The amount so loaned shall be included pro rata in determining the maximum percentage of funds permitted under this chapter to be invested in the respective categories of securities so pledged.]~~

Sec. 67. NRS 682A.200 is hereby amended to read as follows:

682A.200 1. An insurer may make loans or investments not otherwise expressly permitted under this chapter, in an aggregate amount not over 10 percent of the insurer's admitted assets and not over ~~[10]~~ *5* percent of those assets as to any one such loan or investment, if the loan or investment fulfills the requirements of NRS 682A.030 and otherwise qualifies as a sound investment. No such loan or investment may be represented by:

(a) Any item described in NRS 681B.020, or any loan or investment otherwise expressly prohibited.

(b) Agents' balances, or amounts advanced to or owing by agents, except as to policy loans, mortgage loans and collateral loans otherwise authorized under this chapter.

(c) Any category of loans or investments expressly eligible under any other provision of this chapter.

(d) Any asset acquired or held by the insurer under any other category of loans or investments eligible under this chapter.

2. The insurer shall keep a separate record of all loans and investments made under this section.

Sec. 68. NRS 682A.230 is hereby amended to read as follows:

682A.230 1. An insurer may invest in bonds or notes secured by mortgages or deeds of trust representing first *or second* liens upon ~~unencumbered~~ real property located in this or another state, or in Canada, subject to the following conditions:

(a) The amount loaned, or the aggregate amount of bonds issued upon the security of a mortgage or deed of trust, ~~shall~~ *must* not at the time of the investment exceed ~~75~~ *85* percent of the fair market value of the real property. The value of the property ~~shall~~ *must* be substantiated by the appraisal of a recognized or experienced real estate appraiser acceptable to the Commissioner. Before making the investment, a certificate of the value of the property, based on ~~such appraisal, shall~~ *the appraisal, must* be executed by the insurer's board of directors or by an investment committee of the board of directors making or authorizing the investment on the insurer's behalf.

(b) There ~~shall~~ *must* have been no default as to payment of any part of the principal or interest of any such bond or note.

(c) The total investment in any one such note, or bond or bonds secured by the same real property, ~~shall~~ *must* not exceed ~~[\$30,000 or 2] \$100,000 or 5~~ percent of the insurer's assets, whichever is ~~the~~ greater.

(d) In applying the limitation under paragraph (a), there may be excluded from the amount invested that portion of the investment which is guaranteed by the Executive Director for Veterans' Services pursuant to the Servicemen's Readjustment Act of 1944, as amended, or insured by the Federal Housing Administrator or other agency of the Government of the United States, or by an agency of the Government of Canada.

2. "Improved real property" means all farmland which has been reclaimed and is used for the purpose of husbandry, whether for tillage or pasture, and all real property within the limits of an incorporated village, town or city on which permanent buildings suitable for residence or commercial use are situated.

3. For the purposes of this section , real property shall not be deemed to be encumbered:

(a) By reason of the existence of taxes or assessments which are not delinquent, instruments creating or reserving mineral, oil or timber rights, rights-of-way, joint driveways, sewer rights, rights in walls, or by reason of building restrictions or other restrictive covenants; or

(b) When such real property is subject to lease in whole or in part whereby rents or profits are reserved to the owner, if the security for such investment is a full and unrestricted first lien upon

such real property and there is no condition or right of reentry or forfeiture under which such investments can be cut off, subordinated or otherwise disturbed.

Sec. 69. Chapter 683A of NRS is hereby amended by adding thereto a new section to read as follows:

1. A producer of insurance who is appointed as an agent may pay a commission or compensation for or on account of the selling, soliciting, procuring or negotiating of insurance in this State only to a licensed and appointed producer of insurance of the insurer with whom insurance was placed or to a licensed producer acting as a broker.

2. A licensee shall not accept any commission or compensation to which he is not entitled pursuant to the provisions of this title.

Sec. 70. NRS 683A.251 is hereby amended to read as follows:

683A.251 1. The Commissioner shall prescribe the form of application by a natural person for a license as a resident producer of insurance. The applicant must declare, under penalty of refusal to issue, or suspension or revocation of, the license, that the statements made in the application are true, correct and complete to the best of his knowledge and belief. Before approving the application, the Commissioner must find that the applicant has:

- (a) Attained the age of 18 years;
- (b) Not committed any act that is a ground for refusal to issue, or suspension or revocation of, a license;
- (c) Completed a course of study for the lines of authority for which the application is made, unless the applicant is exempt from this requirement;
- (d) Paid the fee prescribed for the license and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account, neither of which may be refunded; and

(e) Successfully passed the examinations for the lines of authority for which application is made, unless the applicant is exempt from this requirement.

2. A business organization must be licensed as a producer of insurance in order to act as such. Application must be made on a form prescribed by the Commissioner. Before approving the application, the Commissioner must find that the applicant has:

- (a) Paid the fee prescribed for the license and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account, neither of which may be refunded; and

(b) Designated a natural person who is licensed as a producer of insurance and who is affiliated with the business organization to be

responsible for the organization's compliance with the laws and regulations of this State relating to insurance.

3. A natural person who is a resident of this State applying for a license must furnish a ~~copy of a search concerning him conducted by the Federal Bureau of Investigation in its national criminal records and of a search concerning him of~~ *complete set of his fingerprints which the Commissioner may forward to the Central Repository for Nevada Records of Criminal History [] for submission to the Federal Bureau of Investigation for its report.* The Commissioner shall adopt regulations concerning the procedures for obtaining this information.

4. The Commissioner may require any document reasonably necessary to verify information contained in an application.

Sec. 70.3. NRS 683A.261 is hereby amended to read as follows:

683A.261 1. Unless the Commissioner refuses to issue the license under NRS 683A.451, he shall issue a license as a producer of insurance to a person who has satisfied the requirements of NRS 683A.241 and 683A.251. A producer of insurance may qualify for a license in one or more of the lines of authority permitted by statute or regulation, including:

(a) Life insurance on human lives, which includes benefits from endowments and annuities and may include additional benefits from death by accident and benefits for dismemberment by accident and for disability.

(b) Health insurance for sickness, bodily injury or accidental death, which may include benefits for disability.

(c) Property insurance for direct or consequential loss or damage to property of every kind.

(d) Casualty insurance against legal liability, including liability for death, injury or disability and damage to real or personal property.

(e) Surety indemnifying financial institutions or providing bonds for fidelity, performance of contracts or financial guaranty.

(f) Variable annuities and variable life insurance, including coverage reflecting the results of a separate investment account.

(g) Credit insurance, including life, disability, property, unemployment, involuntary unemployment, mortgage life, mortgage guaranty, mortgage disability, guaranteed protection of assets, and any other form of insurance offered in connection with an extension of credit that is limited to wholly or partially extinguishing the obligation which the Commissioner determines should be considered as limited-line credit insurance.

(h) Personal lines, consisting of automobile and motorcycle insurance and residential property insurance, including coverage for flood, of personal watercraft and of excess liability, written over one

or more underlying policies of automobile or residential property insurance.

- (i) Fixed annuities as a limited line.
- (j) Travel and baggage as a limited line.
- (k) Rental car agency as a limited line.

2. A license as a producer of insurance remains in effect unless revoked, suspended or otherwise terminated if a request for a renewal is submitted on or before the date for the renewal specified on the license, the fee for renewal and a fee *established by the Commissioner of not more than* \$15 for deposit in the Insurance Recovery Account are paid for each license and each affiliation with a business organization licensed pursuant to subsection 2 of NRS 683A.251, and any requirement for education or any other requirement to renew the license is satisfied by the date specified on the license for the renewal. A producer of insurance may submit a request for a renewal of his license within 30 days after the date specified on the license for the renewal if the producer of insurance otherwise complies with the provisions of this subsection and pays, in addition to any fee paid pursuant to this subsection, a penalty of 50 percent of the renewal fee. A license as a producer of insurance expires if the Commissioner receives a request for a renewal of the license more than 30 days after the date specified on the license for the renewal. A fee paid pursuant to this subsection is nonrefundable.

3. A natural person who allows his license as a producer of insurance to expire may reapply for the same license within 12 months after the date specified on the license for a renewal without passing a written examination or completing a course of study required by paragraph (c) of subsection 1 of NRS 683A.251, but a penalty of twice the renewal fee is required for any request for a renewal of the license that is received after the date specified on the license for the renewal.

4. A licensed producer of insurance who is unable to renew his license because of military service, extended medical disability or other extenuating circumstance may request a waiver of the time limit and of any fine or sanction otherwise required or imposed because of the failure to renew.

5. A license must state the licensee's name, address, personal identification number, the date of issuance, the lines of authority and the date of expiration and must contain any other information the Commissioner considers necessary. A resident producer of insurance shall maintain a place of business in this State which is accessible to the public and where he principally conducts transactions under his license. The place of business may be in his residence. The license must be conspicuously displayed in an area of the place of business which is open to the public.

6. A licensee shall inform the Commissioner of each change of location from which he conducts business as a producer of insurance and each change of business or residence address, in writing or by other means acceptable to the Commissioner, within 30 days after the change. If a licensee changes the location from which he conducts business as a producer of insurance or his business or residence address without giving written notice and the Commissioner is unable to locate the licensee after diligent effort, he may revoke the license without a hearing. The mailing of a letter by certified mail, return receipt requested, addressed to the licensee at his last mailing address appearing on the records of the Division, and the return of the letter undelivered, constitutes a diligent effort by the Commissioner.

Sec. 70.7. NRS 683A.271 is hereby amended to read as follows:

683A.271 1. Unless the Commissioner refuses to issue the license under NRS 683A.451, the Commissioner shall issue a license as a producer of insurance to a nonresident person if:

(a) He is currently licensed as a resident and in good standing in his home state;

(b) He has made the proper request for licensure and paid the fee prescribed for the license and a fee *established by the Commissioner of not more than* \$15 for deposit in the Insurance Recovery Account;

(c) He has sent to the Commissioner the application for licensure that he made in his home state, or a completed uniform application; and

(d) His home state issues nonresident licenses as producers of insurance to residents of this State pursuant to substantially the same procedure.

2. The Commissioner may participate with the National Association of Insurance Commissioners or a subsidiary in a centralized registry in which licensing and appointment of producers of insurance may be effected for all states that require licensing and participate in the registry. If he finds that participation is in the public interest, he may adopt by regulation any uniform standards and procedures necessary for participation, including central collection of fees for licensing and appointment that are handled through the registry.

3. A nonresident producer who moves from one state to another state shall file a change of address and certification from his new state of residence within 30 days after his change of legal residence. No fee or application for license is required.

4. A nonresident licensed as a producer for surplus lines in his home state must be issued a nonresident license of that kind in this State pursuant to subsection 1, subject in all other respects to

chapter 685A of NRS. A nonresident licensed as a producer for limited lines in his home state is entitled to a nonresident license of that kind in this State pursuant to subsection 1, granting the same scope of authority as the license issued in the home state. As used in this subsection, insurance for limited lines is authority granted by the home state which is restricted to less than the total authority prescribed for the associated major lines pursuant to NRS 683A.261.

Sec. 71. NRS 683A.361 is hereby amended to read as follows:

683A.361 1. An insurer or a producer of insurance shall not pay a commission, brokerage, fee for service or other valuable consideration to a person for selling, soliciting or negotiating insurance in this State if his activities require him to be licensed under this title and he is not so licensed.

2. A person shall not accept a commission, brokerage, fee for service or other valuable consideration for selling, soliciting or negotiating insurance in this State if his activities require him to be licensed under this title and he is not so licensed.

3. Commissions for renewal and other deferred commissions may be paid to a person whose activities required him to be licensed under this title at the time of the sale, solicitation or negotiation and he was so licensed at that time.

4. An insurer or producer of insurance may pay or assign commissions, brokerage, fees for service or other valuable considerations to ~~[an insurance agency or]~~ a person who does not sell, solicit or negotiate insurance in this State unless the payment would violate the provisions of NRS 686A.110 or 686A.120.

5. An insurer shall not pay a commission, directly or indirectly, to a producer of insurance for selling, soliciting or negotiating insurance in this State unless the producer of insurance is appointed as an agent of the insurer as provided in NRS 683A.321. This subsection does not apply to a broker for reinsurance or to business placed pursuant to subsection 3, NRS 685A.155 or section 69 of this act, or contracts entered into pursuant to NRS 693A.110 which are approved by the Commissioner.

6. A producer of insurance shall not accept a commission from an insurer for selling, soliciting or negotiating insurance in this State unless he is appointed as an agent of the insurer as provided in NRS 683A.321. This subsection does not apply to a broker for reinsurance or to business placed pursuant to subsection 3, NRS 685A.155 or section 69 of this act, or contracts entered into pursuant to NRS 693A.110 which are approved by the Commissioner.

7. As used in this section, "broker for reinsurance" has the meaning ascribed to it in NRS 681A.280.

Sec. 71.1. NRS 683C.030 is hereby amended to read as follows:

683C.030 1. An application for a license to act as an insurance consultant must be submitted to the Commissioner on forms prescribed by the Commissioner and must be accompanied by the applicable license fee set forth in NRS 680B.010 and an additional fee *established by the Commissioner* of *not more than* \$15 which must be deposited in the Insurance Recovery Account created pursuant to NRS 679B.305. The license fee and the additional fee are not refundable. If the applicant is a natural person, the application must include the social security number of the applicant.

2. An applicant for an insurance consultant's license must successfully complete an examination and a course of instruction which the Commissioner shall establish by regulation.

3. Each license issued pursuant to this chapter is valid for 3 years from the date of issuance or until it is suspended, revoked or otherwise terminated.

Sec. 71.3. NRS 683C.030 is hereby amended to read as follows:

683C.030 1. An application for a license to act as an insurance consultant must be made to the Commissioner on forms prescribed by the Commissioner and must be accompanied by the applicable license fee set forth in NRS 680B.010 and an additional fee *established by the Commissioner* of *not more than* \$15 which must be deposited in the Insurance Recovery Account created pursuant to NRS 679B.305. The license fee and the additional fee are not refundable.

2. An applicant for an insurance consultant's license must successfully complete an examination and a course of instruction which the Commissioner shall establish by regulation.

3. Each license issued pursuant to this chapter is valid for 3 years from the date of issuance or until it is suspended, revoked or otherwise terminated.

Sec. 71.5. NRS 683C.035 is hereby amended to read as follows:

683C.035 1. The Commissioner shall prescribe the form of application by a natural person for a license as an insurance consultant. The applicant must declare, under penalty of refusal to issue, or suspension or revocation of, the license, that the statements made in the application are true, correct and complete to the best of his knowledge and belief. Before approving the application, the Commissioner must find that the applicant has:

(a) Attained the age of 18 years.

(b) Not committed any act that is a ground for refusal to issue, or suspension or revocation of, a license pursuant to NRS 683A.451.

(c) Paid the fee prescribed for the license and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account, neither of which may be refunded.

(d) Passed each examination required for the license and successfully completed each course of instruction which the Commissioner requires by regulation, unless he is a resident of another state and holds a similar license in that state.

2. A business organization must be licensed as an insurance consultant in order to act as such. Application must be made on a form prescribed by the Commissioner. Before approving the application, the Commissioner must find that the applicant has:

(a) Paid the fee prescribed for the license and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account, neither of which may be refunded; and

(b) Designated a natural person who is licensed as an insurance consultant in this State and who is affiliated with the business organization to be responsible for the organization's compliance with the laws and regulations of this State relating to insurance.

3. The Commissioner may require any document reasonably necessary to verify information contained in an application.

4. A license issued pursuant to this chapter is valid for 3 years after the date of issuance or until it is suspended, revoked or otherwise terminated.

5. An insurance consultant may qualify for a license pursuant to this chapter in one or more of the lines of authority set forth in paragraphs (a) to (d), inclusive, of subsection 1 of NRS 683A.261.

Sec. 71.7. NRS 683C.040 is hereby amended to read as follows:

683C.040 1. A license may be renewed for additional 3-year periods by submitting to the Commissioner an application for renewal and:

(a) If the application is made:

(1) On or before the expiration date of the license, the applicable renewal fee and an additional fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account; or

(2) Not more than 30 days after the expiration date of the license, the applicable renewal fee plus any late fee required and an additional fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account;

(b) If the applicant is a natural person, the statement required pursuant to NRS 683C.043; and

(c) If the applicant is a resident, proof of the successful completion of appropriate courses of study required for renewal, as established by the Commissioner by regulation.

2. The fees specified in this section are not refundable.

Sec. 71.9. NRS 683C.040 is hereby amended to read as follows:

683C.040 1. A license may be renewed for additional 3-year periods by submitting to the Commissioner an application for renewal and:

(a) If the application is made:

(1) On or before the expiration date of the license, the applicable renewal fee and an additional fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account; or

(2) Not more than 30 days after the expiration date of the license, the applicable renewal fee plus any late fee required and an additional fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account; and

(b) If the applicant is a resident, proof of the successful completion of appropriate courses of study required for renewal, as established by the Commissioner by regulation.

2. The fees specified in this section are not refundable.

Sec. 72. NRS 684A.070 is hereby amended to read as follows:

684A.070 1. For the protection of the people of this State, the Commissioner may not issue or continue any license as an adjuster except in compliance with the provisions of this chapter. Any person for whom a license is issued or continued must:

(a) Be at least 18 years of age;

(b) Except as otherwise provided in subsection 2, be a resident of this State, and have resided therein for at least 90 days before his application for the license;

(c) Be competent, trustworthy, financially responsible and of good reputation;

(d) Never have been convicted of, or entered a plea of guilty or nolo contendere to, forgery, embezzlement, obtaining money under false pretenses, larceny, extortion, conspiracy to defraud or any crime involving moral turpitude;

(e) Have had at least 2 years' recent experience with respect to the handling of loss claims of sufficient character reasonably to enable him to fulfill the responsibilities of an adjuster;

(f) Pass all examinations required under this chapter; and

(g) Not be concurrently licensed as ~~an agent, broker, solicitor~~ *a producer of insurance for property, casualty or surety* or *a* surplus lines broker, except as a bail agent.

2. The Commissioner may waive the residency requirement set forth in paragraph (b) of subsection 1 if the applicant is:

(a) An adjuster licensed under the laws of another state who has been brought to this State by a firm or corporation with whom he is

employed that is licensed as an adjuster in this State to fill a vacancy in the firm or corporation in this State;

(b) An adjuster licensed in an adjoining state whose principal place of business is located within 50 miles from the boundary of this State; or

(c) An adjuster who is applying for a limited license pursuant to NRS 684A.155.

3. A conviction of, or plea of guilty or nolo contendere by, an applicant or licensee for any crime listed in paragraph (d) of subsection 1 is a sufficient ground for the Commissioner to deny a license to the applicant, or to suspend, revoke or limit the license of an adjuster pursuant to NRS 684A.210.

Sec. 73. NRS 684A.080 is hereby amended to read as follows:

684A.080 1. A firm or corporation may be licensed either as an independent adjuster or public adjuster. Each general partner and each other natural person to act for the firm, or each natural person to act for the corporation, must be named in the license ~~[or registered with the Commissioner,]~~ and must qualify as an individual licensee. A natural person who is authorized to act for a firm or corporation and who also wishes to be licensed in an individual capacity must obtain a separate license in his own name. The Commissioner shall charge a full additional fee for each natural person named in ~~[or registered as to]~~ the license.

2. Transaction of business under the license must be within the purposes stated in the firm's partnership agreement or the corporation's charter.

3. The licensee shall promptly notify the Commissioner in writing of all changes among its members, directors, officers and other natural persons designated in ~~[or registered as to]~~ the license.

Sec. 74. NRS 684A.140 is hereby amended to read as follows:

684A.140 1. Concurrently with an application for a license or for renewal of a license as an adjuster, the applicant or licensee must provide an appointment for each associate adjuster employed by him or to be employed by him contingent upon issuance of the license. Each person who desires to become licensed as an associate adjuster must submit an application to the Commissioner for such a license. The application must include the social security number of the applicant.

2. Upon payment of the appropriate fee, the Commissioner shall issue and deliver to a licensed adjuster a license for each associate authorized by the State to act on behalf of the licensee. The Commissioner shall not issue a license as an associate adjuster to a person who is licensed as ~~[an agent, broker, solicitor]~~ *a producer of insurance for property, casualty or surety* or *a* surplus lines broker.

3. The license of an associate adjuster may be renewed upon payment of the applicable fee. His license ~~[expires]~~ *terminates* at the same time as the license of the employing adjuster ~~[-, except that the]~~ *unless, within 30 days after the termination of the license, the associate adjuster submits to the Commissioner the applicable fee and a request to be employed by another employing adjuster. The* Commissioner shall promptly terminate an associate adjuster's license upon written request therefor by the employing adjuster.

4. A person shall not act as or hold himself out in this State to be an associate adjuster unless he holds a current license as such issued to him by the Commissioner. A violation of this provision is a gross misdemeanor.

Sec. 75. NRS 684A.140 is hereby amended to read as follows:

684A.140 1. Concurrently with an application for a license or for renewal of a license as an adjuster, the applicant or licensee must provide an appointment for each associate adjuster employed by him or to be employed by him contingent upon issuance of the license. Each person who desires to become licensed as an associate adjuster must submit an application to the Commissioner for such a license.

2. Upon payment of the appropriate fee, the Commissioner shall issue and deliver to a licensed adjuster a license for each associate authorized by the State to act in behalf of the licensee. The Commissioner shall not issue a license as an associate adjuster to a person who is licensed as ~~[an agent, broker, solicitor]~~ *a producer of insurance for property, casualty or surety* or *a* surplus lines broker.

3. The license of an associate adjuster may be renewed upon payment of the applicable fee. His license ~~[expires]~~ *terminates* at the same time as the license of the employing adjuster ~~[-, except that the]~~ *unless, not more than 30 days after the termination of the license, the associate adjuster submits to the Commissioner the applicable fee and a request to be employed by another employing adjuster. The* Commissioner shall promptly terminate an associate adjuster's license upon written request therefor by the employing adjuster.

4. A person shall not act as or hold himself out in this State to be an associate adjuster unless he holds a current license as such issued to him by the Commissioner. A violation of this provision is a gross misdemeanor.

Sec. 75.3. NRS 684A.160 is hereby amended to read as follows:

684A.160 Before the issuance or continuation of an adjuster's license the applicant must pay a fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account created by NRS 679B.305.

Sec. 75.5. NRS 685A.120 is hereby amended to read as follows:

685A.120 1. No person may act as, hold himself out as or be a surplus lines broker with respect to subjects of insurance resident, located or to be performed in this State or elsewhere unless he is licensed as such by the Commissioner pursuant to this chapter.

2. Any person who has been licensed by this State as a producer of insurance for general lines for at least 6 months, or has been licensed in another state as a surplus lines broker and continues to be licensed in that state, and who is deemed by the Commissioner to be competent and trustworthy with respect to the handling of surplus lines may be licensed as a surplus lines broker upon:

(a) Application for a license and payment of the applicable fee for a license and a fee *established by the Commissioner of not more than* \$15 for deposit in the Insurance Recovery Account created by NRS 679B.305;

(b) Submitting the statement required pursuant to NRS 685A.127; and

(c) Passing any examination prescribed by the Commissioner on the subject of surplus lines.

3. An application for a license must be submitted to the Commissioner on a form designated and furnished by him. The application must include the social security number of the applicant.

4. A license issued pursuant to this chapter continues in force for 3 years unless it is suspended, revoked or otherwise terminated. The license may be renewed upon submission of the statement required pursuant to NRS 685A.127 and payment of the applicable fee for renewal and a fee *established by the Commissioner of not more than* \$15 for deposit in the Insurance Recovery Account created by NRS 679B.305 to the Commissioner on or before the last day of the month in which the license is renewable.

5. A license which is not renewed expires at midnight on the last day specified for its renewal. The Commissioner may accept a request for renewal received by him within 30 days after the expiration of the license if the request is accompanied by:

(a) The statement required pursuant to NRS 685A.127;

(b) The applicable fee for renewal;

(c) A penalty in an amount that is equal to 50 percent of the applicable fee for renewal; and

(d) A fee *established by the Commissioner of not more than* \$15 for deposit in the Insurance Recovery Account created by NRS 679B.305.

Sec. 75.7. NRS 685A.120 is hereby amended to read as follows:

685A.120 1. No person may act as, hold himself out as or be a surplus lines broker with respect to subjects of insurance resident,

located or to be performed in this State or elsewhere unless he is licensed as such by the Commissioner pursuant to this chapter.

2. Any person who has been licensed by this State as a producer of insurance for general lines for at least 6 months, or has been licensed in another state as a surplus lines broker and continues to be licensed in that state, and who is deemed by the Commissioner to be competent and trustworthy with respect to the handling of surplus lines may be licensed as a surplus lines broker upon:

(a) Application for a license and payment of the applicable fee for a license and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account created by NRS 679B.305; and

(b) Passing any examination prescribed by the Commissioner on the subject of surplus lines.

3. Application for the license must be made to the Commissioner on forms designated and furnished by him.

4. A license issued pursuant to this chapter continues in force for 3 years unless it is suspended, revoked or otherwise terminated. The license may be renewed by payment of the applicable fee for renewal and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account created by NRS 679B.305 to the Commissioner on or before the last day of the month in which the license is renewable.

5. A license which is not renewed expires at midnight on the last day specified for its renewal. The Commissioner may accept a request for renewal received by him within 30 days after the expiration of the license if the request is accompanied by:

(a) The applicable fee for renewal;

(b) A penalty in an amount that is equal to 50 percent of the applicable fee for renewal; and

(c) A fee *established by the Commissioner* of *not more than* \$15 for deposit in the Insurance Recovery Account created by NRS 679B.305.

Sec. 76. NRS 685A.220 is hereby amended to read as follows:

685A.220 In addition to those referred to in other provisions of this chapter, the following provisions of chapter 683A of NRS, to the extent applicable and not inconsistent with the express provisions of this chapter, also apply to surplus lines brokers:

1. NRS 683A.341;

2. NRS 683A.361;

3. NRS 683A.400;

4. *NRS 683A.451;*

5. NRS 683A.461;

~~5-~~ 6. NRS 683A.480;

~~6-~~ 7. NRS 683A.490; and

~~7-~~ 8. NRS 683A.520.

Sec. 76.5. Chapter 685B of NRS is hereby amended by adding thereto the provisions set forth as sections 77 and 78 of this act.

Sec. 77. *Any producer of insurance or surplus lines broker licensed in this State who in this State knowingly represents or aids an unauthorized insurer in violation of the Unauthorized Insurers Act is guilty of a category B felony and shall be punished as provided in NRS 193.130.*

Sec. 78. *Any insurer who transacts any unauthorized insurance business as set forth in NRS 685B.030 is guilty of a category B felony and shall be punished as provided in NRS 193.130.*

Sec. 79. NRS 685B.080 is hereby amended to read as follows:

685B.080 1. Any unauthorized insurer who transacts any unauthorized act of an insurance business as set forth in the Unauthorized Insurers Act may be fined not more than \$10,000 for each act or violation.

2. ~~In addition to any other penalties provided in this Code:~~

~~—(a) Any producer of insurance or surplus lines broker licensed in this State who in this State knowingly represents or aids an unauthorized insurer in violation of the Unauthorized Insurers Act is guilty of a category C felony and shall be punished as provided in NRS 193.130.~~

~~—(b) Any person other than a producer of insurance or surplus lines broker licensed in this State who in this State represents or aids an unauthorized insurer in violation of the Unauthorized Insurers Act is guilty of a category C felony and shall be punished as provided in NRS 193.130.~~

~~—(c) Any person who commits a second or subsequent violation of this section is guilty of a category B felony and shall be punished by imprisonment in the state prison for a minimum term of not less than 1 year and a maximum term of not more than 20 years.~~

~~—3.]~~ In addition to the penalties provided in subsection ~~[2,]~~ **1**, such a violator is liable, personally, jointly and severally with any other person liable therefor, for the payment of premium taxes at the same rate of tax as imposed by law on the premiums of similar coverages written by authorized insurers.

Secs. 80 and 81. (Deleted by amendment.)

Sec. 82. NRS 687A.060 is hereby amended to read as follows:

687A.060 1. The Association:

(a) Is obligated to the extent of the covered claims existing before the determination of insolvency and arising within 30 days after the determination of insolvency, or before the expiration date of the policy if that date is less than 30 days after the determination, or before the insured replaces the policy or on request cancels the policy if he does so within 30 days after the determination. The

obligation of the Association to pay a covered claim is limited to the payment of:

(1) The entire amount of the claim, if the claim is for workers' compensation pursuant to the provisions of chapters 616A to 616D, inclusive, or chapter 617 of NRS;

(2) Not more than \$300,000 for each policy if the claim is for the return of unearned premiums; or

(3) The limit specified in a policy or \$300,000, whichever is less, for each occurrence for any covered claim other than a covered claim specified in subparagraph (1) or (2).

(b) Shall be deemed the insurer to the extent of its obligations on the covered claims and to that extent has any rights, duties and obligations of the insolvent insurer as if the insurer had not become insolvent. The rights include, without limitation, the right to seek and obtain any recoverable salvage and to subrogate a covered claim, to the extent that the Association has paid its obligation under the claim.

(c) Shall assess member insurers amounts necessary to pay the obligations of the Association pursuant to paragraph (a) after an insolvency, the expenses of handling covered claims subsequent to an insolvency, the cost of examinations pursuant to NRS 687A.110 and other expenses authorized by this chapter. The assessment of each member insurer must be in the proportion that the net direct written premiums of the member insurer for the calendar year preceding the assessment bear to the net direct written premiums of all member insurers for the same calendar year. Each member insurer must be notified of the assessment not later than 30 days before it is due. No member insurer may be assessed in any year an amount greater than 2 percent of the net direct written premiums of that member insurer for the calendar year preceding the assessment. If the maximum assessment, together with the other assets of the Association, does not provide in any 1 year an amount sufficient to make all necessary payments, the money available may be prorated and the unpaid portion must be paid as soon as money becomes available. The Association may pay claims in any order, including the order in which the claims are received or in groups or categories. The Association may exempt or defer, in whole or in part, the assessment of any member insurer if the assessment would cause the financial statement of the member insurer to reflect amounts of capital or surplus less than the minimum amounts required for a certificate of authority by any jurisdiction in which the member insurer is authorized to transact insurance. During the period of deferment, no dividends may be paid to shareholders or policyholders. Deferred assessments must be paid when payment will not reduce capital or surplus below required minimums. Payments must be refunded to those companies receiving larger

assessments because of deferment, or, in the discretion of the company, credited against future assessments. Each member insurer must be allowed a premium tax credit for any amounts paid pursuant to the provisions of this chapter:

(1) For assessments made before January 1, 1993, at the rate of 10 percent per year for 10 successive years beginning March 1, 1996; or

(2) For assessments made on or after January 1, 1993, at the rate of 20 percent per year for 5 successive years beginning with the calendar year following the calendar year in which the assessments are paid.

(d) Shall investigate claims brought against the fund and adjust, compromise, settle and pay covered claims to the extent of the obligation of the Association and deny any other claims.

(e) Shall notify such persons as the Commissioner directs pursuant to paragraph (a) of subsection 2 of NRS 687A.080.

(f) Shall act on claims through its employees or through one or more member insurers or other persons designated as servicing facilities. Designation of a servicing facility is subject to the approval of the Commissioner, but the designation may be declined by a member insurer.

(g) Shall reimburse each servicing facility for obligations of the Association paid by the facility and for expenses incurred by the facility while handling claims on behalf of the Association and pay the other expenses of the Association authorized by this chapter.

2. The Association may:

(a) Appear in, defend and appeal any action on a claim brought against the Association.

(b) Employ or retain persons necessary to handle claims and perform other duties of the Association.

(c) Borrow money necessary to carry out the purposes of this chapter in accordance with the plan of operation.

(d) Sue or be sued.

(e) Negotiate and become a party to contracts necessary to carry out the purposes of this chapter.

(f) Perform other acts necessary or proper to effectuate the purposes of this chapter.

(g) *Perform any administrative acts requested by the Commissioner in furtherance of the purposes of this title and, if the cost of the action is not paid for by the Association or its member insurers, the Nevada Industrial Insurance Act.*

(h) If, at the end of any calendar year, the Board of Directors of *the Association* finds that the assets of the Association exceed its liabilities as estimated by the Board of Directors for the coming year, refund to the member insurers in proportion to the contribution

of each that amount by which the assets of the Association exceed the liabilities.

~~[(b)]~~ (i) Assess each member insurer equally not more than \$100 per year for administrative expenses not related to the insolvency of any insurer.

Sec. 83. NRS 687A.080 is hereby amended to read as follows:

687A.080 1. The Commissioner shall:

(a) Notify the Association of the existence of an insolvent insurer not later than 3 days after he receives notice of the determination of insolvency by a court or makes a determination of insolvency pursuant to NRS 687A.107, whichever is earlier.

(b) Upon request of the Board of Directors ~~[(b)]~~ *of the Association*, provide the Association with a statement of the net direct written premiums of each member insurer.

2. The Commissioner may:

(a) Require that the Association notify the insureds of the insolvent insurer and any other interested parties of the determination of insolvency and of their rights under this chapter. Such notification must be by mail at their last known address, but if sufficient information for notification by mail is not available, notice by publication in a newspaper of general circulation is sufficient.

(b) Suspend or revoke, after notice and opportunity for hearing, the certificate of authority to transact insurance in this State of any member insurer which fails to pay an assessment when due or fails to comply with the plan of operation. As an alternative, the Commissioner may levy a fine on any member insurer which fails to pay an assessment when due. The fine must not exceed 5 percent of the unpaid assessment per month, except that no fine may be less than \$100 per month.

(c) Revoke the designation of any servicing facility if he finds claims are being acted upon unsatisfactorily.

(d) Request the Association to perform any acts specified in paragraph (g) of subsection 2 of NRS 687A.060.

Sec. 84. NRS 687B.325 is hereby amended to read as follows:

687B.325 1. No policy of industrial insurance that has been in effect for at least 70 days or that has been renewed may be cancelled by the insurer before the expiration of the agreed term or 1 year ~~[(from)]~~ *after* the effective date of the policy or renewal, whichever occurs first, except on any one of the following grounds:

(a) A failure by the policyholder to pay a premium for the policy of industrial insurance when due ~~[(b)]~~ *, including the failure of the policyholder to remit an amount due because of an endorsement for a deductible;*

(b) A failure by the policyholder to:

(1) Report any payroll;

(2) Allow the insurer to audit any payroll in accordance with the terms of the policy or any previous policy issued by the insurer; or

(3) Pay any additional premium charged because of an audit of any payroll as required by the terms of the policy or any previous policy issued by the insurer;

(c) A material failure by the policyholder to comply with any federal or state order concerning safety or any written recommendation of the insurer's designated representative for loss control;

(d) A material change in ownership of the policyholder or any change in the policyholder's business or operations that:

(1) Materially increases the hazard for frequency or severity of loss;

(2) Requires additional or different classifications for the calculation of premiums; or

(3) Contemplates an activity that is excluded by any reinsurance treaty of the insurer;

(e) A material misrepresentation made by the policyholder; or

(f) A failure by the policyholder to cooperate with the insurer in conducting an investigation of a claim.

2. An insurer shall not cancel a policy of industrial insurance pursuant to paragraph (a) ~~[(b), (e) or (f)]~~ of subsection 1 except upon 10 days' written notice submitted by the insurer to the policyholder.

3. Except as otherwise provided in this subsection, an insurer shall not cancel a policy of industrial insurance pursuant to paragraph (b), (c), ~~(e)~~ (d), ~~(e) or (f)~~ of subsection 1 except upon 30 days' written notice by the insurer to the policyholder. An insurer is not required to provide a written notice to a policyholder pursuant to this subsection if the policyholder and the insurer consent to the cancellation of the policy of industrial insurance and to the reissuance of another policy of industrial insurance effective upon a material change in the ownership or operations of the insured. If the policyholder corrects the condition to the satisfaction of the insurer within the period specified in the policy of insurance, the insurer shall not cancel the policy.

4. Any written notice submitted to a policyholder pursuant to this section must be given by first-class mail addressed to the policyholder at the address of the policyholder set forth in the policy of industrial insurance. Evidence indicating that a written notice specified in this section has been mailed is sufficient proof of notice.

5. The provisions of this section do not prohibit, during any period in which a policy of industrial insurance is in force, any change in the premium rate required or authorized by any law,

regulation or order of the Commissioner, or otherwise agreed upon by the policyholder and the insurer.

6. For the purposes of this section, any policy of industrial insurance that is written for a term of more than 1 year, or any policy of industrial insurance with no fixed date of expiration, shall be deemed to be written for successive periods of 1 year.

Sec. 85. Chapter 688C of NRS is hereby amended by adding thereto a new section to read as follows:

1. A natural person who has been licensed for at least 1 year and who is in good standing as a resident or nonresident producer of insurance with a life insurance qualification is not required to be licensed as a broker of viatical settlements.

2. A licensed producer of insurance specified in subsection 1 must register with the Division not more than 30 days after first operating as a broker of viatical settlements, on a form prescribed by the Commissioner, and pay the fee for registration pursuant to NRS 680B.010. Failure to register within the required period or late payment of or failure to pay the fee may result in the imposition of an administrative fine of not more than \$500.

3. A producer of insurance who acts as a broker of viatical settlements pursuant to subsection 1 shall comply with the provisions of NRS 688C.220 to 688C.250, inclusive, and 688C.310.

Sec. 86. NRS 688C.170 is hereby amended to read as follows:
688C.170 The Commissioner may adopt regulations to:

1. Establish standards for evaluating the reasonableness of payments under viatical settlements to persons chronically or terminally ill, including the regulation of the rates of discount used to determine the amount paid in exchange for an assignment, transfer, sale or devise of a benefit under a policy.

2. Require a bond or otherwise ensure financial accountability of providers and brokers of viatical settlements.

3. Govern the relationship of insurers with providers and brokers of viatical settlements during the viatication of a policy.

4. Establish standards and requirements for licensing and registering producers of insurance acting as brokers of viatical settlements.

Sec. 87. NRS 688C.190 is hereby amended to read as follows:

688C.190 1. ~~[A]~~ *Except as otherwise provided in section 85 of this act,* a person shall not, without first obtaining a license from the Commissioner, operate in or from this State as a provider or broker of viatical settlements.

2. Application for a license must be made to the Commissioner on a form prescribed by him, accompanied by the prescribed fee. A license may be renewed from year to year on its anniversary by payment of the prescribed fee. The license expires if the fee is not paid by that date.

3. An applicant shall provide information on forms required by the Commissioner, who may at any time require the applicant to disclose the identity of all stockholders, partners, members, officers and employees. The Commissioner may refuse to issue a license to an organization if he is not satisfied that a stockholder, partner, member or officer who may materially influence the applicant's conduct satisfies the requirements of this chapter.

4. A license issued to an organization authorizes all partners, members, officers and designated employees to act as providers or brokers of viatical settlements. Those persons must be named in the application or a supplement to it.

Sec. 87.5. Chapter 689A of NRS is hereby amended by adding thereto the provisions set forth as sections 88 and 88.5 of this act.

Sec. 88. *“Exclusion for a preexisting condition” means:*

1. Any limitation or exclusion of benefits relating to a condition that was present before the date coverage was first provided, regardless of whether any medical advice, diagnosis, care or treatment was recommended or received before that date; or

2. Any exclusion applicable to an individual based on any information relating to the status of an individual's health that was obtained before the date coverage was first provided, including, without limitation, any identification of a condition resulting from:

(a) A pre-enrollment questionnaire or physical examination provided to the individual; or

(b) A review of any medical records relating to the period of pre-enrollment.

Sec. 88.5. *An insurer may, subject to regulation by the Commissioner, offer a policy of health insurance that has a high deductible and is in compliance with 26 U.S.C. § 223 for the purposes of establishing a health savings account.*

Sec. 89. NRS 689A.470 is hereby amended to read as follows:

689A.470 As used in NRS 689A.470 to 689A.740, inclusive, *and section 88 of this act*, unless the context otherwise requires, the words and terms defined in NRS 689A.475 to 689A.605, inclusive, *and section 88 of this act*, have the meanings ascribed to them in those sections.

Sec. 89.5. Chapter 689B of NRS is hereby amended by adding thereto the provisions set forth as sections 90 and 90.3 of this act.

Sec. 90. *Coverage provided under a conversion health benefit plan must be renewed by the carrier that issued the plan, at the option of the person covered under the health benefit plan, unless:*

1. The person failed to pay premiums or contributions in accordance with the terms of the health benefit plan or the individual carrier has not received timely premium payments;

2. The person committed an act or practice that constitutes fraud or has made an intentional misrepresentation of material fact under the terms of the coverage; or

3. The carrier who is obligated to offer a conversion health benefit plan pursuant to NRS 689B.590 or a health maintenance organization organized pursuant to chapter 695C of NRS decides to discontinue offering and renewing all health benefit plans delivered or issued for delivery in this State. If the carrier or health maintenance organization decides to discontinue offering and renewing those plans, the carrier or health maintenance organization shall:

(a) Provide notice of its intention to the Commissioner and the chief regulatory officer for insurance in each state in which the carrier or health maintenance organization is licensed to transact insurance at least 60 days before the date on which notice of cancellation or nonrenewal is delivered or mailed to the persons covered by the insurance to be discontinued;

(b) Provide notice of its intention at least 180 days before the renewal of any conversion health benefit plan to all persons covered under its conversion health benefit plans and to the Commissioner and the chief regulatory officer for insurance in each state in which the carrier or health maintenance organization is licensed to transact insurance; and

(c) Discontinue all group health insurance delivered or issued for delivery to persons in this State and not renew coverage under any policy of group health insurance issued to those persons.

Sec. 90.3. *An insurer may, subject to regulation by the Commissioner, offer a policy of health insurance that has a high deductible and is in compliance with 26 U.S.C. § 223 for the purposes of establishing a health savings account.*

Sec. 90.7. Chapter 689C of NRS is hereby amended by adding thereto a new section to read as follows:

A carrier may, subject to regulation by the Commissioner, offer a policy of health insurance that has a high deductible and is in compliance with 26 U.S.C. § 223 for the purposes of establishing a health savings account.

Sec. 91. Chapter 690A of NRS is hereby amended by adding thereto the provisions set forth as sections 92 to 114, inclusive, of this act.

Sec. 92. (Deleted by amendment.)

Sec. 93. *“Credit accident and health insurance” means insurance on a debtor to provide indemnity for payments or debt*

becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy.

Sec. 94. *“Credit transaction” means any transaction for which the terms of repayment of money loaned or loan commitment made, or payment of goods, services or properties sold or leased, is to be made at a future date or dates.*

Sec. 95. *“Credit unemployment insurance” means insurance on a debtor to provide indemnity for payments or a debt becoming due on a specific loan or other credit transaction while the debtor is involuntarily unemployed as defined in the policy.*

Sec. 96. *“Gross debt” means the sum of the remaining payments owed to a creditor by a debtor.*

Sec. 97. *“Identifiable charge” means a charge for consumer credit insurance that is made to debtors who have that insurance and not made to debtors who do not have that insurance. The term includes a charge for insurance that is disclosed in the credit agreement or other instrument furnished to the debtor which sets forth the financial elements of the credit transaction and any difference in the finance, interest, service or other similar charge made to debtors who are in similar circumstances except for the insured or noninsured status of the debtor or of the property used as security for the credit transaction.*

Sec. 98. *“Net debt” means the amount required to liquidate the remaining debt in a single lump-sum payment, excluding all unearned interest and other unearned finance charges.*

Sec. 99. *“Open-end credit” means credit extended by a creditor under an agreement in which:*

- 1. The creditor reasonably contemplates repeated transactions;*
- 2. The creditor periodically imposes a finance charge on any outstanding unpaid balance; and*
- 3. The amount of credit that may be extended to the debtor during the term of the agreement up to any limit set by the creditor is generally made available to the extent that any outstanding balance is repaid.*

Sec. 100. *The types of consumer credit insurance defined in this chapter may be written separately or in combination with other types of consumer credit insurance on an individual policy or group policy basis. The Commissioner may by regulation prohibit or limit any combination.*

Sec. 101. 1. *Except as otherwise provided in this section, the amount of credit life insurance must not exceed the greater of the actual net debt or the scheduled net debt.*

2. If coverage is written on the actual net debt, the amount payable at the time of loss must not be less than the actual net debt less any payments that are more than 2 months past due.

3. *If the coverage is written on any scheduled net debt, the amount payable at the time of loss must not be less than:*

(a) If the actual net debt is less than or equal to the scheduled net debt, the scheduled net debt;

(b) If the actual net debt is greater than the scheduled net debt but less than or equal to the scheduled net debt plus 2 months of payments, the actual net debt; or

(c) If the actual net debt is greater than the scheduled net debt plus 2 months of payments, the scheduled net debt plus 2 months of payments.

4. *If a premium is assessed to the debtor on a monthly basis and is based on the actual net debt, the amount payable at the time of loss must not be less than the actual net debt on the date of death. If the premium is based on a balance that does not include accrued past due interest, the amount payable at the time of loss must not be less than the actual net debt less any accrued interest that is more than 2 months past due.*

5. *Insurance on agricultural loan commitments that do not exceed 1 year in duration may be written for not more than the amount of the loan on a nondecreasing or level term plan.*

6. *Insurance on educational loan commitments may be written for the net unpaid debt plus any unused commitment.*

7. *Coverage may be written for less than the net debt through the following methods:*

(a) The amount of insurance may be the lesser of a stated level amount and the amount determined in accordance with subsection 2;

(b) The amount of insurance may be the lesser of a stated level amount and the amount determined in accordance with subsection 3;

(c) The amount of insurance may be a constant percentage of the amount determined in accordance with subsection 2;

(d) The amount of insurance may be a constant percentage of the amount determined in accordance with subsection 3; or

(e) In the absence of any exclusions for a preexisting condition, the amount of insurance payable in the event of death by natural causes may be limited to the balance as it existed 6 months before the date of death if:

(1) There have been one or more increases in the outstanding balance during the 6-month period other than increases resulting from the accrual of interest or late charges; and

(2) Evidence of individual insurability has not been required during the 6-month period.

8. *Other kinds of insurance may be used if those kinds are not inconsistent with the provisions of this section.*

Sec. 102. *1. Except as otherwise provided in this section, for consumer credit insurance that is made available to and elected by a debtor before or with the credit transaction to which it relates, the term of the insurance must, subject to acceptance by the insurer, commence on the date on which the debtor becomes obligated to the creditor. If the insurer requires evidence of individual insurability and the evidence is provided to the insurer more than 30 days after the date on which the debtor becomes obligated to the creditor, the insurance may commence on the date on which the insurer determines the evidence to be satisfactory.*

2. Except as otherwise provided in this section, for consumer credit insurance that is made available to and elected by a debtor after the credit transaction to which it relates, the term of the insurance must, subject to acceptance by the insurer, commence on a date not earlier than the date the election is made by the debtor and not later than 30 days after the date on which the insurance company accepts the risk for coverage. If the coverage does not commence on the date on which the insurance company accepts the risk for coverage, the date that coverage commences must be related to an objective method for determining the date, including, without limitation, the billing cycle, the payment cycle or a calendar month.

3. If a group policy provides coverage with respect to debts existing on the effective date of the policy, the insurance related to a debt must not commence before the effective date of the group policy.

4. A creditor or insurer shall not charge or retain payment from a debtor before commencement of the insurance to which the charge is related.

Sec. 103. *1. The term of any consumer credit insurance must not extend beyond the date of termination specified in the policy. The date of termination of the insurance must not occur more than 15 days after the scheduled maturity date of the debt to which it relates unless:*

(a) The date is extended at no additional cost to the debtor; or

(b) The date is extended pursuant to a written agreement signed by the debtor and relates to a variable rate credit transaction or a deferral, renewal, refinancing or consolidation of debt.

2. If a debt is discharged because of any renewal, refinancing or consolidation before the scheduled date of termination of the consumer credit insurance, the insurance must be cancelled before any new consumer credit insurance is written in relation to the renewed, refinanced or consolidated debt.

3. If consumer credit insurance is terminated before the scheduled termination date, unless the insurance is terminated

because of the performance by the insurer of all obligations with respect to the insurance, the insurer shall make an appropriate refund or credit to the debtor of any unearned charge that was paid by the debtor.

4. A debtor may cancel consumer credit insurance at any time by providing a request to the insurer. The insurer may require the request to be submitted in writing and may require the debtor to surrender any individual policy or group certificate. The right of the debtor to cancel the insurance may be subject to the terms of the credit transaction.

Sec. 104. *1. Before a debtor elects to purchase consumer credit insurance in connection with a credit transaction, the following information must be disclosed to the debtor in writing:*

(a) That the purchase of consumer credit insurance from the creditor is not mandatory and is not a condition for obtaining credit approval;

(b) If more than one type of consumer credit insurance is made available to the debtor, whether the debtor may purchase each separately or only as a package;

(c) The conditions of eligibility;

(d) That if the debtor has other insurance that covers the risk, the debtor may not want or need consumer credit insurance;

(e) That the debtor may cancel the insurance at any time, or if evidence of insurance is required for the extension of credit, upon proof of insurance that is acceptable to the creditor, and obtain a refund of or credit for:

(1) If the cancellation is not more than 30 days after the debtor receives the individual policy or certificate of insurance, any premium paid by the debtor; or

(2) If the cancellation is more than 30 days after the debtor receives the individual policy or certificate of insurance, any unearned premium paid by the debtor;

(f) A brief description of the coverage, including a description of the amount, term, exceptions, limitations and exclusions, the insured event, any waiting or elimination period, any deductible, any applicable waiver of premium, the person who would receive any benefits, and the premium or premium rate for the consumer credit insurance; and

(g) If the premium or insurance charge is financed, that it will be subject to finance charges at the rate applicable to the credit transaction.

2. The disclosures required pursuant to subsection 1:

(a) If made in connection with consumer credit insurance offered at the same time as the extension of credit or offered through direct mail advertisements, must be made in writing and presented to the customer in a clear and conspicuous manner; or

(b) If made in connection with consumer credit insurance offered after the extension of credit other than through direct mail advertisements, may be provided orally or electronically if written disclosures are provided not later than the earlier of:

(1) Ten days after the debtor elects to accept the coverage; or

(2) The date any other written material is provided to the debtor.

Sec. 105. *1. All consumer credit insurance must be evidenced by an individual policy or a group certificate that is delivered to the debtor.*

2. The individual policy or group certificate must, in addition to other requirements of law, include:

(a) The name and address of the home office of the insurer;

(b) The name of each debtor or, on a certificate of insurance, the identity by name or otherwise of each debtor;

(c) The amount of the premium or payment of the debtor stated separately for each type of coverage or as a package or, for open-end credit, the premium rate, basis of the calculation of premiums and balance to which the premium rate applies;

(d) A complete description of the coverage or coverages, including the amount, term and any exceptions, limitations and exclusions of coverage;

(e) A statement that all benefits must be paid to the creditor to reduce or extinguish the unpaid debt and that if the benefits exceed the unpaid debt, any excess benefit must be paid to the debtor, to a beneficiary, other than the creditor, named by the debtor or to the estate of the debtor; and

(f) If the scheduled term of the insurance is less than the scheduled term of the credit transaction, a statement indicating that fact set forth on the face of the individual policy or certificate of insurance in not less than 10-point bold type.

3. The insurer shall deliver the individual policy or group certificate to the debtor upon acceptance of insurance by the insurer and not more than 30 days after the debtor elects to purchase the insurance. An individual policy or group certificate related to open-end credit or consumer credit insurance that is requested by the debtor after the date of the credit transaction to which it is related shall be deemed to have been delivered at the time the debtor elected to purchase insurance if the actual delivery is made not more than 30 days after the date on which the insurer accepts the insurance.

Sec. 106. *1. If the individual policy or group certificate is not delivered to the debtor at the time the debt is incurred or at such other time as the debtor purchases consumer credit insurance, a copy of the application or a notice of proposed*

insurance, signed by the debtor, must be delivered to the debtor. The application or notice of proposed insurance must include:

- (a) The name and address of the home office of the insurer;*
- (b) The name of each debtor;*
- (c) The premium or amount of payment by the debtor for the insurance;*
- (d) The amount, term and a brief description of the coverage; and*
- (e) A statement that upon acceptance by the insurer, the insurance will become effective as described in section 102 of this act.*

2. The application or notice of insurance provided pursuant to subsection 1 must:

- (a) Refer exclusively to consumer credit insurance; and*
- (b) Be separate from the loan, sale or other credit statement, instrument or agreement unless the information required pursuant to subsection 1 is prominently set forth in the statement, instrument or agreement.*

3. The application or notice of insurance provided pursuant to subsection 1 may be used to meet the requirements of sections 104 and 105 of this act if it includes the information required by those sections.

Sec. 107. *1. If a named insurer does not accept the insurance and another insurer accepts the insurance, the insurer shall provide an individual policy or group certificate that includes the name and address of the home office of the insurer who accepted the insurance and the amount of the premium to be charged. If the premium is less than the premium paid by the debtor, the insurer shall provide a refund of the excess premium not more than 30 days after the date it was paid by the debtor.*

2. If a named insurer does not accept the insurance and no other insurer accepts the insurance, a person who received any premium payment related to the insurance shall refund the payment not more than 30 days after the date it was paid by the debtor.

Sec. 108. *1. Except as otherwise provided in sections 109 and 110 of this act, all policies, certificates of insurance, applications for insurance, enrollment forms, endorsements and riders delivered or issued for delivery in this State and the schedules of premium rates related thereto must be filed with the Commissioner.*

2. An item filed with the Commissioner pursuant to subsection 1 may not be issued or used until 60 days after it is filed with the Commissioner or until the written prior approval of the Commissioner is obtained.

3. *The Commissioner shall, not more than 60 days after an item is submitted to him pursuant to subsection 1, disapprove the item if the benefits are not reasonable in relation to the premium charged or if the item contains provisions that are unjust, unfair, inequitable, misleading or deceptive or encourage misrepresentation of the coverage or are contrary to any provision of the Code or any regulation adopted pursuant to the Code. If the Commissioner does not disapprove an item filed pursuant to subsection 1 in accordance with this subsection, the item shall be deemed to be approved.*

4. *If the Commissioner notifies an insurer that an item is disapproved pursuant to subsection 3, the insurer shall not use the item. The notice must include the reason for the disapproval and state that a hearing will be granted not more than 30 days after the insurer submits a written request for a hearing to the Commissioner, unless postponed by mutual consent or by order of the Commissioner.*

5. *The Commissioner may hold a hearing to withdraw approval of an item submitted pursuant to subsection 1 not less than 20 days after providing a written notice of the hearing to the insurer. The written notice must include one of the reasons described in subsection 3 for the proposed withdrawal of approval of the item. An insurer shall not use an item if approval of the item is withdrawn pursuant to this subsection.*

Sec. 109. *1. The Commissioner may adopt by regulation forms for use in the issuance of consumer credit insurance, including applications, policies, forms for claims and any other forms required for the sale, issuance and administration of consumer credit insurance. An insurer may elect to use those forms in lieu of any other forms.*

2. If an officer of the insurer submits, in the manner prescribed by the Commissioner, a written certification to the Commissioner that the forms used by the insurer are identical to those adopted by the Commissioner, the insurer is not required to file those forms with the Commissioner for approval pursuant to section 108 of this act.

Sec. 110. *1. The Commissioner shall, by regulation, establish reasonable rates as described in this chapter and in accordance with the standards established in NRS 686B.050 and 686B.060. The rates must be reasonable in relation to the benefits provided and must not be excessive, inadequate or unfairly discriminatory.*

2. The Commissioner may, by regulation, establish rates that an insurer may use without filing pursuant to section 108 of this act. In establishing such rates, the Commissioner shall consider and apply the following factors:

- (a) *Actual and expected loss experience;*
- (b) *General and administrative expenses;*
- (c) *Loss settlement and adjustment expenses;*
- (d) *Reasonable creditor compensation;*
- (e) *The manner in which premiums are charged;*
- (f) *Other acquisition costs;*
- (g) *Reserves;*
- (h) *Taxes;*
- (i) *Regulatory license fees and fund assessments;*
- (j) *Reasonable insurer profit; and*
- (k) *Other relevant data consistent with generally accepted actuarial standards.*

Sec. 110.3. *Except as otherwise provided in section 110 of this act, if an insurer revises its schedule of premium rates, the insurer shall file the revised schedule with the Commissioner pursuant to section 108 of this act. An insurer shall not issue consumer credit insurance for which the premium rates differ from the rates determined by the schedule approved by the Commissioner.*

Sec. 110.7. 1. *Each individual policy or group certificate must provide for a refund of unearned premiums if the consumer credit insurance is cancelled before the scheduled date of termination of the insurance.*

2. Except as otherwise provided in this section, any refund must be provided to the person to whom it is entitled as soon as practicable after the date of cancellation of the insurance.

3. The Commissioner shall, by regulation, establish the minimum amount of unearned premiums that must remain outstanding at the time of cancellation in order for a person to be entitled to a refund. If the amount of unearned premiums that remains outstanding at the time of cancellation is less than the minimum amount established by regulation, the person is not entitled to a refund.

4. The formula that an insurer uses to determine the amount of a refund must be submitted to and approved by the Commissioner before it is used.

Sec. 111. *If a creditor requires a debtor to make a payment for consumer credit insurance and an individual policy or group certificate is not issued, the creditor shall immediately notify the debtor in writing and make an appropriate credit to the account of the debtor or issue a refund.*

Sec. 112. *The amount charged to a debtor for any consumer credit insurance must not exceed the amount of the premiums charged by the insurer as determined at the time that the contract was accepted by the debtor.*

Sec. 113. *Except as otherwise prohibited by law, any duty imposed on an insurer pursuant to this chapter may be carried out by a creditor who is acting as an agent of the insurer.*

Sec. 114. *The Commissioner may adopt regulations to carry out the provisions of this chapter.*

Sec. 115. NRS 690A.010 is hereby amended to read as follows:

690A.010 Any *consumer credit* insurance issued in connection with loans or other credit transactions *for personal, family or household use* is subject to the provisions of this chapter ~~unless the insurance is issued~~ *except:*

1. *Insurance written* in connection with a ~~[loan or other]~~ credit transaction ~~[of more than 15 years' duration or the issuance of the insurance is]~~ *that is:*

(a) *Secured by a first mortgage or deed of trust; and*

(b) *Made to finance the purchase of real property or the construction of a dwelling thereon, or to refinance a prior credit transaction made for that purpose;*

2. *Insurance that is sold as* an isolated transaction on the part of the insurer and not related to an agreement or a plan for insuring debtors of the creditor ~~[.]~~;

3. *Insurance for which no identifiable charge is made to the debtor; or*

4. *Insurance on accounts receivable.*

Sec. 116. NRS 690A.011 is hereby amended to read as follows:

690A.011 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 690A.012 to ~~[690A.028.]~~ *690A.018, inclusive, and sections 92 to 99, inclusive, of this act* have the meanings ascribed to them in those sections.

Sec. 116.5. NRS 690A.012 is hereby amended to read as follows:

690A.012 "Compensation" means any valuable consideration, direct or indirect, paid by or on behalf of the insurer, or by any subsidiary or parent, or subsidiary of the parent of the insurer, or by any other person to or on behalf of any group policyholder or producer or withheld from an insurer by any group policyholder or producer, and includes:

1. Paid or credited commissions or contingent commissions.

2. Fees for services, consulting fees or any other fee paid or credited within or outside this State in direct relation to the volume of premiums produced or written in this State.

3. The use of electronic data processing equipment or services, except for devices provided in lieu of books and charts of rates and refunds usable only for that purpose.

4. The furnishing of supplies, except forms approved by the Commissioner, the usual forms for claims and reports, envelopes for transmitting claims and brochures, and books and charts of rates and refunds.

5. Providing rental equipment of any type.

6. Advertising.

7. Providing telephone service without charge or at a charge less than the usual cost.

8. Participation in a profit-sharing plan.

9. Dividends and refunds or credits based on experience ratings.

10. An allowance for expenses.

11. Participation in stock plans or bonuses.

12. Any form of credit, including the use of money.

13. Commissions for reinsurance, ceded or assumed.

14. Reinsurance with a nonauthorized insurer owned or controlled by a creditor or producer or with a nonauthorized insurer in which a creditor or producer is a stockholder.

15. Any commission or fee, inducement or intention to induce, or any other consideration arising from the sale of insurance or other product or service, except *consumer* credit insurance as part of the transaction in which the indebtedness is arranged or the application for the *consumer* credit insurance is made.

Sec. 117. NRS 690A.015 is hereby amended to read as follows:

690A.015 “Credit insurance” *or “consumer credit insurance”* means ~~[credit]~~ *any or all of the following:*

1. *Credit* life insurance ~~[, credit disability insurance, involuntary];~~

2. *Credit accident and health insurance;*

3. *Credit* unemployment insurance ~~[and any other similar form of insurance.]; or~~

4. *Any other insurance defined in this chapter.*

Sec. 118. NRS 690A.016 is hereby amended to read as follows:

690A.016 “Credit life insurance” means insurance on the life of a debtor pursuant to or in connection with a specific loan or other credit transaction ~~[]~~ *to provide for satisfaction of a debt, in whole or in part, upon the death of an insured debtor.*

Sec. 119. NRS 690A.050 is hereby amended to read as follows:

690A.050 1. Except as otherwise provided in subsection 2, the total amount of periodic indemnity payable pursuant to a policy of credit ~~[disability]~~ *accident and health insurance or credit unemployment* insurance in the event of disability ~~[]~~ *or unemployment*, as defined in the policy, ~~[or pursuant to a policy of~~

~~involuntary unemployment insurance in the event of involuntary unemployment as defined in the policy,]~~ must not exceed the aggregate of the periodic scheduled unpaid installments of the ~~[indebtedness,]~~ *gross debt*, and the amount of each periodic indemnity payment must not exceed the original ~~[indebtedness]~~ *gross debt* divided by the number of periodic installments.

2. ~~[Credit disability insurance or involuntary]~~ *For credit accident and health insurance or credit* unemployment insurance ~~[may be]~~ written in connection with ~~[a commitment for an educational credit transaction if the monthly indemnity does not exceed the amount that results when the total commitment is divided by the number of months in the term of the transaction.]~~ *an open-end credit agreement, the amount of insurance must not exceed the gross debt which would accrue on that amount using the periodic indemnity. Subject to any policy maximum, the periodic indemnity must not be less than the minimum repayment schedule of the creditor.*

Sec. 120. NRS 690A.120 is hereby amended to read as follows:

690A.120 All policies and certificates of *consumer* credit insurance may be delivered or issued for delivery in this State only by an insurer authorized to do an insurance business in this State, and may be issued only through holders of licenses or certificates of authority issued by the Commissioner.

Sec. 121. NRS 690A.130 is hereby amended to read as follows:

690A.130 1. All claims must be promptly reported to the insurer or its designated claim representative, and the insurer shall maintain adequate files on all reported claims. All claims must be settled as soon as ~~[possible]~~ *practicable* and in accordance with the terms of the insurance contract.

2. All claims must be paid ~~[either]~~ by draft drawn upon the insurer, *by electronic funds transfer* or by check of the insurer to the order of:

(a) The claimant to whom payment of the claim is due pursuant to the provisions of the policy; or

(b) Any other person designated by the claimant to whom payment is due.

3. ~~[No]~~ A plan or arrangement may *not* be used whereby ~~[any]~~ *a* person other than the insurer or its designated *claim* representative is authorized to settle or adjust claims. The creditor may not be designated as the representative for the insurer in adjusting *a* claim, ~~[but]~~ *except that* a group policyholder may, by arrangement with the group insurer, draw drafts, *electronic transfers* or checks in payment of claims due the group policyholder subject to the periodic audit ~~[of]~~ *by* the insurer.

Sec. 122. NRS 690A.140 is hereby amended to read as follows:

690A.140 When any form of *consumer* credit insurance is required as additional security for any ~~[indebtedness,]~~ *debt*, the debtor may furnish the required amount of insurance through existing policies of insurance owned or controlled by him or procure or furnish the required coverage through any insurer authorized to transact the business of insurance in this State.

Sec. 122.5. NRS 690A.260 is hereby amended to read as follows:

690A.260 1. Except as otherwise provided in subsection 2, an authorized insurer issuing *consumer* credit insurance may not enter into any agreement whereby the authorized insurer transfers, by reinsurance or otherwise, to an unauthorized insurer, as they relate to *consumer* credit insurance written or issued in this State:

(a) A substantial portion of the risk of loss under the *consumer* credit insurance written by the authorized insurer in this State;

(b) All of one or more kinds, lines, types or classes of *consumer* credit insurance;

(c) All of the *consumer* credit insurance produced through one or more agents, agencies or creditors;

(d) All of the *consumer* credit insurance written or issued in a designated geographical area; or

(e) All of the *consumer* credit insurance under a policy of group insurance.

2. An authorized insurer may make the transfers listed in subsection 1 to an unauthorized insurer if the unauthorized insurer:

(a) Maintains security on deposit with the Commissioner in an amount which when added to the actual capital and surplus of the insurer is equal to the capital and surplus required of an authorized stock insurer pursuant to NRS 680A.120. The security may consist only of the following:

(1) Cash.

(2) General obligations of, or obligations guaranteed by, the Federal Government, this State or any of its political subdivisions. These obligations must be valued at the lower of market value or par value.

(3) Any other type of security that would be acceptable if posted by a domestic or foreign insurer.

(b) Files an annual statement with the Commissioner pursuant to NRS 680A.270.

(c) Maintains reserves on its *consumer* credit insurance business pursuant to NRS 681B.050.

(d) Values its assets and liabilities pursuant to NRS 681B.010 to 681B.040, inclusive.

(e) Agrees to examinations conducted by the Commissioner pursuant to NRS 679B.230.

(f) Complies with the standards adopted by the Commissioner pursuant to NRS 679A.150.

(g) Does not hold, issue or have an arrangement for holding or issuing any of its stock for which dividends are paid based on:

(1) The experience of a specific risk of all of one or more kinds, lines, types or classes of insurance;

(2) All of the business produced through one or more agents, agencies or creditors;

(3) All of the business written in a designated geographical area; or

(4) All of the business written for one or more forms of insurance.

Sec. 123. NRS 690A.280 is hereby amended to read as follows:

690A.280 In addition to any other penalty provided by law, any person who violates any provision of this chapter or a regulation adopted or a final order of the Commissioner issued pursuant to this chapter shall, after notice and hearing, pay ~~fa—civil~~ *an administrative* penalty:

1. In an amount not to exceed ~~[\$2,500;]~~ *\$5,000;* or

2. If the violation is willful, in an amount not to exceed \$10,000,

↪ and the Commissioner may, after notice and a hearing, revoke or suspend the license or certificate of authority of that person.

Sec. 123.5. NRS 692A.104 is hereby amended to read as follows:

692A.104 Before the issuance or renewal of a license as a title agent or escrow officer the applicant must pay a fee *established by the Commissioner* of *not more than* \$15 for deposit in the insurance recovery account created by NRS 679B.305.

Sec. 124. Chapter 694C of NRS is hereby amended by adding thereto the provisions set forth as sections 125 to 143, inclusive, of this act.

Sec. 125. *“Alien captive insurer” means any insurer formed to write insurance business for its parents and affiliates and is licensed pursuant to the laws of an alien jurisdiction which imposes statutory or regulatory standards acceptable to the Commissioner on companies transacting the business of insurance in such jurisdiction.*

Sec. 126. *“Branch business” means any insurance business transacted by a branch captive insurer in this State.*

Sec. 127. *“Branch captive insurer” means an alien captive insurer licensed pursuant to this chapter to transact the business*

of insurance through a business unit with a principal place of business in this State.

Sec. 128. *“Branch operations” means any business operations of a branch captive insurer in this State.*

Sec. 129. *“Controlled unaffiliated business” means any company:*

1. That is not in the corporate system of a parent and affiliated companies;

2. That has an existing contractual relationship with a parent or affiliated company; and

3. Whose risks are managed by a captive insurer pursuant to this chapter.

Sec. 130. *“Participant” means a corporation, association, limited-liability company, partnership, trust, sponsor or other business organization, and any affiliate thereof, that is insured by a sponsored captive insurer, where the losses of the participant are limited by a participant contract to the participant’s pro rata share of the assets of one or more protected cells identified in such participant contract.*

Sec. 131. *“Participant contract” means a contract by which a sponsored captive insurer insures the risks of a participant and limits the losses of each such participant to its pro rata share of the assets of one or more protected cells identified in the participant contract.*

Sec. 132. *“Protected cell” means a separate account established by a sponsored captive insurer in which assets are maintained for one or more participants in accordance with the terms of one or more participant contracts that fund the liability of the sponsored captive insurer assumed on behalf of the participants as set forth in the participant contracts.*

Sec. 133. *“Sponsor” means an insurer licensed pursuant to the laws of any state, a reinsurer authorized or approved under the laws of any state, or a captive insurer formed or licensed pursuant to this chapter that:*

1. Meets the requirements of subsection 3 of NRS 694C.180; and

2. Is approved by the Commissioner to provide all or part of the capital and surplus required by applicable law and to organize and operate a sponsored captive insurer.

Sec. 134. *“Sponsored captive insurer” means any captive insurer:*

1. In which the minimum capital and surplus required by applicable law is provided by one or more sponsors;

2. That is formed or licensed pursuant to this chapter;

3. That only insures the risks of its participants through separate participant contracts; and

4. *That funds the liability for each participant through one or more protected cells where the assets of each protected cell are segregated from the assets of other protected cells and the assets of the general account of the sponsored captive insurer.*

Sec. 135. 1. *One or more sponsors may form a sponsored captive insurer pursuant to this chapter.*

2. *A sponsored captive insurer formed or licensed pursuant to this chapter may establish and maintain one or more protected cells to insure the risks of one or more participants, subject to the following conditions:*

(a) *The shareholders of a sponsored captive insurer must be limited to its participants and sponsors, provided that the sponsored captive insurer may issue nonvoting securities to other persons on terms approved by the Commissioner;*

(b) *Each protected cell must be accounted for separately on the books and records of the sponsored captive insurer to reflect the financial condition and results of operations of that protected cell, including, but not limited to, the net income or loss, dividends, or other distributions to participants, and such other factors as may be set forth in the participant contract or required by the Commissioner;*

(c) *The assets of a protected cell must not be chargeable with liabilities arising out of any other insurance business which the sponsored captive insurer may conduct;*

(d) *A sponsored captive insurer shall not make a sale, exchange, transfer of assets, dividend or distribution between or among any of its protected cells without the consent of any participant for which the protected cells are maintained;*

(e) *A sponsored captive insurer shall not make a sale, exchange, transfer of assets, dividend or distribution from a protected cell to a sponsor or participant without the prior written approval of the Commissioner, and the Commissioner shall not give written approval if the sale, exchange, transfer, dividend or distribution would result in the insolvency or impairment of the protected cell;*

(f) *On or before March 1 of each year, a sponsored captive insurer must file with the Commissioner a report of its financial condition, including, but not limited to, accounting statements detailing the financial experience of each protected cell and any other information required by the Commissioner;*

(g) *A sponsored captive insurer must notify the Commissioner not more than 10 business days after a protected cell becomes insolvent or otherwise unable to meet its claims or expense obligations;*

(h) *A participant contract must not become effective without the prior written approval of the Commissioner;*

(i) The addition of each new protected cell, the withdrawal of any participant of a protected cell or the termination of any existing protected cell constitutes a change in the business plan and requires the prior written approval of the Commissioner; and

(j) The business written by a sponsored captive insurer with respect to each protected cell must be:

(1) Fronted by an insurer licensed pursuant to the laws of any state;

(2) Reinsured by a reinsurer authorized or approved by the Commissioner; or

(3) Secured by a trust fund in the United States for the benefit of policyholders and claimants or funded by an irrevocable letter of credit or other arrangement that is acceptable to the Commissioner. The amount of security provided must not be less than the reserves associated with those liabilities, which are not fronted or reinsured pursuant to subparagraph (1) or (2), including reserves for losses, allocated loss adjustment expenses, incurred but not reported losses and unearned premiums for business written through the protected cell maintained for the participant. The Commissioner may require the sponsored captive insurer to increase the funding of any security arrangement established under this subsection. If the form of security is a letter of credit, the letter of credit must be established, issued or confirmed by a bank chartered in this State, a member of the Federal Reserve System or a bank chartered in another state if the bank is deemed acceptable by the Commissioner. A trust maintained pursuant to this subparagraph must be established in a form and under such terms that are approved by the Commissioner.

3. A sponsor of a sponsored captive insurer must:

(a) Be an insurer licensed pursuant to the laws of any state, a reinsurer authorized or approved under the laws of any state or a captive insurer formed or licensed pursuant to this chapter; and

(b) Not be a risk retention group.

4. A participant in a sponsored captive insurer need not be a shareholder of the sponsored captive insurer or an affiliate of the sponsored captive insurer and:

(a) May be an association, corporation, limited-liability company, partnership, trust or other form of business organization;

(b) May be a sponsor of the sponsored captive insurer; and

(c) Must not be a risk retention group.

5. A participant in a sponsored captive insurer shall insure only its own risks through a sponsored captive insurer.

Sec. 136. *Notwithstanding the provisions of this chapter, the assets of two or more protected cells may be combined for the*

purpose of investment, and such combination must not be construed as defeating the separation of the assets for accounting or other purposes. Sponsored captive insurers shall comply with the investment requirements set forth in NRS 694C.340, if applicable, except to the extent that credit for reinsurance ceded to reinsurers is allowed pursuant to NRS 694C.350 or to the extent otherwise deemed reasonable and appropriate by the Commissioner. Notwithstanding the provisions of this chapter, the Commissioner may approve the use of alternative reliable methods of valuation and rating.

Sec. 137. *The provisions of chapter 696B of NRS apply to a sponsored captive insurer if:*

1. The assets of a protected cell are not used to pay any expense or claim other than those that are attributable to the protected cell; and

2. The capital and surplus of the sponsored captive insurer are available at all times to pay any expenses of or claims against the sponsored captive insurer.

Sec. 138. *1. As security for the payment of liabilities attributable to the branch operations of a branch captive insurer, the Commissioner shall require that a trust fund, funded by an irrevocable letter of credit or other acceptable asset, be established and maintained in the United States for the benefit of United States policy holders and ceding United States insurers under insurance policies or reinsurance contracts issued or assumed by the branch captive insurer through its branch operations.*

2. The amount of the security must be not less than the total amount required by NRS 694C.250 and 694C.260, and any reserves on such insurance policies or reinsurance contracts, including reserves for losses, allocated loss adjustment expenses, incurred but not reported losses and unearned premiums with regard to business written through the branch operations. The Commissioner may authorize a branch captive insurer that is required to post security for loss reserves on branch business by its reinsurer to reduce the funds in the trust account required by this section by that same amount as long as the security remains posted with the reinsurer.

3. If the form of the security is a letter of credit, the letter of credit must be established, issued or confirmed by a bank chartered in this State or a bank that is a member of the Federal Reserve System.

Sec. 139. *An alien captive insurer licensed as a branch captive insurer shall petition the Commissioner to issue a certificate setting forth the finding of the Commissioner that, after considering the character, reputation, financial responsibility, insurance experience and business qualifications of the officers*

and directors of the alien captive insurer, the licensing and maintenance of the branch operations will promote the general welfare of the State. The alien captive insurer may register to do business in this State after the certificate is issued by the Commissioner.

Sec. 140. *Before March 1 of each year or, if approved by the Commissioner, not more than 60 days after the expiration of the fiscal year of the branch captive insurer, the branch captive insurer shall file with the Commissioner a copy of all reports and statements required to be filed under the laws of the jurisdiction in which the alien captive insurer is domiciled. The reports and statements must be verified by oath of two of the executive officers of the alien captive insurer. If the Commissioner is satisfied that the annual report filed by the alien captive insurer in the jurisdiction in which it is domiciled provides adequate information concerning the financial condition of the alien captive insurer, the Commissioner may waive the requirement for completion of the captive annual statement for business written in the alien jurisdiction.*

Sec. 141. *1. The examination of a branch captive insurer pursuant to NRS 694C.410 must be of branch business and branch operations only, so long as the branch captive insurer provides to the Commissioner on an annual basis a certificate of compliance, or equivalent documentation, issued by or filed with the licensing authority of the jurisdiction in which the branch captive insurer is formed, and demonstrates to the satisfaction of the Commissioner that it is operating in a sound financial condition and in accordance with all applicable laws and regulations of that jurisdiction.*

2. As a condition of licensure, the alien captive insurer must authorize the Commissioner to examine the affairs of the alien captive insurer in the jurisdiction in which the alien captive insurer is formed.

Sec. 142. *The tax required pursuant to NRS 694C.450 applies only to the branch business of the branch captive insurer.*

Sec. 143. *In addition to the information required pursuant to NRS 694C.200, each sponsored captive insurer shall file with the Commissioner:*

1. Information demonstrating the manner in which the applicant will account for the loss and expense experience of each protected cell, at a level of detail deemed sufficient by the Commissioner, and the method of reporting such information;

2. A written acknowledgement that all financial records of the sponsored captive insurer, including, but not limited to, records pertaining to any protected cells, must be made available

for inspection or examination by the Commissioner or his designee;

3. All contracts entered into between the sponsored captive insurer and any participant, including, but not limited to, participant contracts; and

4. Evidence satisfactory to the Commissioner indicating that expenses will be allocated to each protected cell in a fair and equitable manner.

Sec. 144. NRS 694C.010 is hereby amended to read as follows:

694C.010 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS 694C.020 to 694C.150, inclusive, *and sections 125 to 134, inclusive, of this act* have the meanings ascribed to them in those sections.

Sec. 145. NRS 694C.030 is hereby amended to read as follows:

694C.030 “Agency captive insurer” means a captive insurer that is owned *or directly or indirectly controlled* by an insurance agency or brokerage and that only insures risks of policies which are placed by or through the agency or brokerage.

Sec. 146. NRS 694C.040 is hereby amended to read as follows:

694C.040 “Association” means a legal entity consisting of two or more corporations, *limited-liability companies*, partnerships, associations or other forms of business organizations.

Sec. 147. NRS 694C.060 is hereby amended to read as follows:

694C.060 “Captive insurer” means any pure captive insurer, association captive insurer, agency captive insurer, ~~and~~ rental captive insurer *and sponsored captive insurer* licensed pursuant to this chapter. *The term includes a pure captive insurer who, unless otherwise provided by the Commissioner, is a branch captive insurer with respect to operations in this State.*

Sec. 148. NRS 694C.090 is hereby amended to read as follows:

694C.090 “Member organization” means any *individual or* corporation, *limited-liability company*, partnership, association or other form of business organization that belongs to an association.

Sec. 149. NRS 694C.110 is hereby amended to read as follows:

694C.110 “Parent” means a corporation, *limited-liability company*, partnership, association or other form of business organization that directly or indirectly owns, controls or holds with power to vote more than 50 percent of the outstanding voting securities of ~~it~~:

1. A pure captive insurer ~~[]~~ *organized as a stock corporation; or*
2. *The membership of a pure captive insurer organized as a nonprofit corporation.*

Sec. 150. NRS 694C.120 is hereby amended to read as follows:

694C.120 “Pure captive insurer” means a captive insurer that only insures risks of its parent and affiliated companies ~~[]~~ *or controlled unaffiliated businesses and, unless otherwise provided by the Commissioner, includes a branch captive insurer.*

Sec. 151. NRS 694C.180 is hereby amended to read as follows:

694C.180 1. ~~[A]~~ *Unless otherwise approved by the Commissioner, a* pure captive insurer, an agency captive insurer, ~~[or]~~ a rental captive insurer ~~[shall]~~ *or a sponsored captive insurer must* be incorporated as a stock insurer.

2. An association captive insurer ~~[shall]~~ *must* be formed as a:

(a) Stock insurer;

(b) Mutual insurer; or

(c) Reciprocal insurer, except that its attorney-in-fact must be a corporation incorporated in this State.

3. A captive insurer shall have not less than three incorporators ~~[]~~ *or organizers*, at least ~~[two]~~ *one* of whom must be ~~[residents]~~ *a resident* of this State.

4. Before the articles of incorporation of a captive insurer may be filed with the Secretary of State, the Commissioner must approve the articles of incorporation. In determining whether to grant ~~[such]~~ *that* approval, the Commissioner shall consider:

(a) The character, reputation, financial standing and purposes of the incorporators ~~[]~~ *or organizers*;

(b) The character, reputation, financial responsibility, experience relating to insurance and business qualifications of the officers and directors of the captive insurer;

(c) The competence of any person who, pursuant to a contract with the captive insurer, will manage the affairs of the captive insurer;

(d) The competence, reputation and experience of the legal counsel of the captive insurer relating to the regulation of insurance;

(e) If the captive insurer is a rental captive insurer, the competence, reputation and experience of the underwriter of the captive insurer;

(f) The business plan of the captive insurer; and

(g) Such other aspects of the captive insurer as the Commissioner deems advisable.

5. The capital stock of a captive insurer incorporated as a stock insurer must be issued at not less than par value.

6. At least one member of the board of directors of a captive insurer *formed as a corporation*, or ~~[of its]~~ *one member of the subscribers advisory committee or the attorney-in-fact of a captive insurer formed as a reciprocal insurer*, must be a resident of this State.

7. A captive insurer formed pursuant to the provisions of this chapter has the privileges of, and is subject to, the provisions of general corporation law set forth in chapter 78 of NRS *and, if formed as a nonprofit corporation, the provisions set forth in chapter 82 of NRS*, as well as the applicable provisions contained in this chapter. If the provisions of this chapter conflict with the general provisions in chapter 78 *or 82* of NRS governing corporations, the provisions of this chapter control. The provisions of chapter 693A of NRS relating to mergers, consolidations, conversions, mutualizations and transfers of domicile to this State apply to determine the procedures to be followed by captive insurers in carrying out any of those transactions in accordance with this chapter.

8. The articles of association, articles of incorporation, charter or bylaws of a captive insurer *formed as a corporation* must require that a quorum of the board of directors consists of not less than one-third of the number of directors prescribed by the articles of association, articles of incorporation, charter or bylaws.

9. The agreement of the subscribers or other organizing document of a captive insurer formed as a reciprocal insurer must require that a quorum of its subscribers advisory committee consists of not less than one-third of the number of its members.

Sec. 152. NRS 694C.230 is hereby amended to read as follows:

694C.230 1. If the Commissioner determines that the documents and statements filed by the captive insurer satisfy the requirements for licensure, the Commissioner shall issue a license to the captive insurer. ~~[The license is valid for 1 year after the date on which it is issued.]~~ The license may be renewed *annually* upon the satisfaction of all requirements imposed by the Commissioner and payment of the renewal fee.

2. A captive insurer must pay a fee of \$300 for the issuance of a license and *, on or before March 1 of each year,* an annual fee of \$300 for the renewal of a license.

Sec. 153. NRS 694C.250 is hereby amended to read as follows:

694C.250 1. A captive insurer must not be issued a license, and shall not hold a license, unless the captive insurer has and maintains, in addition to any other capital required to be maintained pursuant to subsection 3, unimpaired paid-in capital of:

(a) For a pure captive insurer, not less than \$100,000;

(b) For an association captive insurer incorporated as a stock insurer, not less than \$200,000;

(c) For an agency captive insurer, not less than \$300,000; ~~and~~

(d) For a rental captive insurer, not less than \$400,000 ~~and~~;

(e) For a sponsored captive insurer, not less than \$200,000.

2. Except as otherwise provided by the Commissioner pursuant to subsection 3, the capital required to be maintained pursuant to this section must be in the form of cash or an irrevocable letter of credit.

3. The Commissioner may prescribe additional requirements relating to capital based on the type, volume and nature of the insurance business that is transacted by the captive insurer and requirements regarding which capital, if any, may be in the form of an irrevocable letter of credit.

4. A letter of credit used by a captive insurer as evidence of capital required pursuant to this section must:

(a) Be issued by a bank chartered by this State or a bank that is a member of the United States Federal Reserve System and has been approved by the Commissioner; and

(b) Include a provision pursuant to which the letter of credit is automatically renewable each year, unless the issuer gives written notice to the Commissioner and the captive insurer at least 90 days before the expiration date.

Sec. 154. NRS 694C.260 is hereby amended to read as follows:

694C.260 1. A captive insurer must not be issued a license, and shall not hold a license, unless the captive insurer has and maintains, in addition to any other surplus required to be maintained pursuant to subsection 3, an unencumbered surplus of:

(a) For a pure captive insurer, not less than ~~[\$150,000;]~~ *\$100,000;*

(b) For an association captive insurer incorporated as a stock insurer, not less than \$300,000;

(c) For an agency captive insurer, not less than \$300,000;

(d) For a rental captive insurer, not less than ~~[\$350,000; and]~~ *\$400,000;*

(e) For an association captive insurer incorporated as a mutual insurer or reciprocal insurer, not less than \$500,000 ~~and~~;

(f) For a sponsored captive insurer, not less than \$300,000.

2. Except as otherwise provided in subsection 3, the surplus required to be maintained pursuant to this section must be in the form of cash or an irrevocable letter of credit.

3. The Commissioner may prescribe additional requirements relating to surplus based on the type, volume and nature of the insurance business that is transacted by the captive insurer and

requirements regarding which surplus, if any, may be in the form of an irrevocable letter of credit.

4. A letter of credit used by a captive insurer as evidence of required surplus pursuant to this section must:

(a) Be issued by a bank chartered by this State or a bank that is a member of the United States Federal Reserve System and has been approved by the Commissioner; and

(b) Include a provision pursuant to which the letter of credit is automatically renewable each year, unless the issuer gives written notice to the Commissioner and the captive insurer at least 90 days before the expiration date.

Sec. 155. NRS 694C.300 is hereby amended to read as follows:

694C.300 1. Except as otherwise provided in this section, a captive insurer licensed pursuant to this chapter may transact any form of insurance described in NRS 681A.020 to 681A.080, inclusive.

2. A captive insurer licensed pursuant to this chapter:

(a) Shall not directly provide personal motor vehicle or homeowners' insurance coverage, or any component thereof.

(b) Shall not accept or cede reinsurance, except as otherwise provided in NRS 694C.350.

(c) May provide excess workers' compensation insurance to its parent and affiliated companies, unless otherwise prohibited by the laws of the state in which the insurance is transacted.

(d) May reinsure workers' compensation insurance provided pursuant to a program of self-funded insurance of its parent and affiliated companies if:

(1) The parent or affiliated company which is providing the self-funded insurance is certified as a self-insured employer by the Commissioner, if the insurance is being transacted in this State; or

(2) The program of self-funded insurance is otherwise qualified pursuant to, or in compliance with, the laws of the state in which the insurance is transacted.

3. A pure captive insurer shall not insure any risks other than those of its parent and affiliated companies ~~or~~ *or controlled unaffiliated businesses.*

4. An association captive insurer shall not insure any risks other than those of the member organizations of its association and the affiliated companies of the member organizations.

5. An agency captive insurer shall not insure any risks other than those of the policies that are placed by or through the insurance agency or brokerage that owns the captive insurer.

6. A rental captive insurer shall not insure any risks other than those of the policyholders or associations that have entered into agreements with the rental captive insurer for the insurance of those

risks. Such agreements must be in a form which has been approved by the Commissioner.

7. *A sponsored captive insurer shall not insure any risks other than those of its participants.*

8. As used in this section, “excess workers’ compensation insurance” means insurance in excess of the specified per-incident or aggregate limit, if any, established by:

(a) The Commissioner, if the insurance is being transacted in this State; or

(b) The chief regulatory officer for insurance in the state in which the insurance is being transacted.

Sec. 156. NRS 694C.310 is hereby amended to read as follows:

694C.310 1. The board of directors of a captive insurer shall meet at least ~~one time~~ *once* each year in this State. The captive insurer shall:

(a) Maintain its principal place of business in this State; and

(b) Appoint a resident of this State as a registered agent to accept service of process and otherwise act on behalf of the captive insurer in this State. If the registered agent cannot be located with reasonable diligence for the purpose of serving a notice or demand on the captive insurer, the notice or demand may be served on the Secretary of State who shall be deemed to be the agent for the captive insurer.

2. A captive insurer shall not transact insurance in this State unless:

(a) The captive insurer has made adequate arrangements with a bank located in this State that is authorized pursuant to state or federal law to transfer money;

(b) If the captive insurer employs or has entered into a contract with a natural person or business organization to manage the affairs of the captive insurer, the natural person or business organization meets the standards of competence and experience satisfactory to the Commissioner;

(c) The captive insurer employs or has entered into a contract with a qualified and experienced certified public accountant *who is approved by the Commissioner* or a firm of certified public accountants that is nationally recognized;

(d) The captive insurer employs or has entered into a contract with qualified, experienced actuaries *who are approved by the Commissioner* to perform reviews and evaluations of the operations of the captive insurer; and

(e) The captive insurer employs or has entered into a contract with an attorney who is licensed to practice law in this State and who meets the standards of competence and experience in matters

concerning the regulation of insurance in this State established by the Commissioner by regulation.

Sec. 157. NRS 694C.340 is hereby amended to read as follows:

694C.340 1. Except as otherwise provided in this section ~~and section 136 of this act~~, an association captive insurer, an agency captive insurer, ~~or~~ a rental captive insurer *or a sponsored captive insurer* shall comply with the requirements relating to investments set forth in chapter 682A of NRS. Upon the request of the association captive insurer, agency captive insurer, ~~or~~ rental captive insurer ~~or sponsored captive insurer~~, the Commissioner may approve the use of reliable, alternative methods of valuation and rating.

2. A pure captive insurer is not subject to any restrictions on allowable investments, except that the Commissioner may prohibit or limit any investment that threatens the solvency or liquidity of the pure captive insurer.

3. A pure captive insurer may make a loan to its parent or affiliated company if the loan:

(a) Is first approved in writing by the Commissioner;

(b) Is evidenced by a note that is in a form that is approved by the Commissioner; and

(c) Does not include any money that has been set aside as capital or surplus as required by subsection 1 of NRS 694C.250 or subsection 1 of NRS 694C.260.

Sec. 158. NRS 694C.450 is hereby amended to read as follows:

694C.450 1. Except as otherwise provided in this section, a captive insurer shall pay to the Division, not later than March 1 of each year, a tax at the rate of:

(a) Two-fifths of 1 percent on the first \$20,000,000 of its net direct premiums;

(b) One-fifth of 1 percent on the next \$20,000,000 of its net direct premiums; and

(c) Seventy-five thousandths of 1 percent on each additional dollar of its net direct premiums.

2. Except as otherwise provided in this section, a captive insurer shall pay to the Division, not later than March 1 of each year, a tax at a rate of:

(a) Two hundred twenty-five thousandths of 1 percent on the first \$20,000,000 of revenue from assumed reinsurance premiums;

(b) One hundred fifty thousandths of 1 percent on the next \$20,000,000 of revenue from assumed reinsurance premiums; and

(c) Twenty-five thousandths of 1 percent on each additional dollar of revenue from assumed reinsurance premiums.

↪ The tax on reinsurance premiums pursuant to this subsection must not be levied on premiums for risks or portions of risks which are subject to taxation on a direct basis pursuant to subsection 1. A captive insurer is not required to pay any reinsurance premium tax pursuant to this subsection on revenue related to the receipt of assets by the captive insurer in exchange for the assumption of loss reserves and other liabilities of another insurer that is under common ownership and control with the captive insurer, if the transaction is part of a plan to discontinue the operation of the other insurer and the intent of the parties to the transaction is to renew or maintain such business with the captive insurer.

3. If the sum of the taxes to be paid by a captive insurer calculated pursuant to subsections 1 and 2 is less than \$5,000 in any given year, the captive insurer shall pay a tax of \$5,000 for that year. *The maximum aggregate tax for any year must not exceed \$175,000. The maximum aggregate tax to be paid by a sponsored captive insurer applies only to each protected cell and does not apply to the sponsored captive insurer as a whole.*

4. Two or more captive insurers under common ownership and control must be taxed as if they were a single captive insurer.

5. Notwithstanding any specific statute to the contrary and except as otherwise provided in this subsection, the tax provided for by this section constitutes all the taxes collectible pursuant to the laws of this State from a captive insurer, and no occupation tax or other taxes may be levied or collected from a captive insurer by this State or by any county, city or municipality within this State, except for taxes imposed pursuant to chapter 363A or 363B of NRS and ad valorem taxes on real or personal property located in this State used in the production of income by the captive insurer.

6. ~~{Ten}~~ *Twenty-five* percent of the revenues collected from the tax imposed pursuant to this section must be deposited with the State Treasurer for credit to the Account for the Regulation and Supervision of Captive Insurers created pursuant to NRS 694C.460. The remaining 90 percent of the revenues collected must be deposited with the State Treasurer for credit to the State General Fund.

7. A captive insurer that is issued a license pursuant to this chapter after July 1, 2003, is entitled to receive a nonrefundable credit of \$5,000 applied against the aggregate taxes owed by the captive insurer for the first year in which the captive insurer incurs any liability for the payment of taxes pursuant to this section. A captive insurer is entitled to a nonrefundable credit pursuant to this section not more than once after the captive insurer is initially licensed pursuant to this chapter.

8. As used in this section, unless the context otherwise requires:

(a) “Common ownership and control” means:

(1) In the case of a stock insurer, the direct or indirect ownership of 80 percent or more of the outstanding voting stock of two or more corporations by the same member or members.

(2) In the case of a mutual insurer, the direct or indirect ownership of 80 percent or more of the surplus and the voting power of two or more corporations by the same member or members.

(b) “Net direct premiums” means the direct premiums collected or contracted for on policies or contracts of insurance written by a captive insurer during the preceding calendar year, less the amounts paid to policyholders as return premiums, including dividends on unabsorbed premiums or premium deposits returned or credited to policyholders.

Sec. 159. NRS 694C.460 is hereby amended to read as follows:

694C.460 1. There is hereby created in the State General Fund an Account for the Regulation and Supervision of Captive Insurers. Money in the Account must be used only to carry out the provisions of this chapter. Except as otherwise provided in NRS 694C.450, all fees and assessments received by the Commissioner or Division pursuant to this chapter must be credited to the Account. Not more than 2 percent of the tax collected and deposited in the Account pursuant to NRS 694C.450, may, upon application by the Division or an agency for economic development to, and with the approval of, the Interim Finance Committee, be transferred to an agency for economic development to be used by that agency to promote the industry of captive insurance in this State.

2. Except as otherwise provided in this section, all payments from the Account for the maintenance of staff and associated expenses, including contractual services, as necessary, must be disbursed from the State Treasury only upon warrants issued by the State Controller, after receipt of proper documentation of the services rendered and expenses incurred.

3. At the end of each fiscal year, that portion of the balance in the Account which exceeds ~~[\$100,000]~~ **\$500,000** must be transferred to the State General Fund.

4. The State Controller may anticipate receipts to the Account and issue warrants based thereon.

Sec. 159.3. Chapter 695A of NRS is hereby amended by adding thereto a new section to read as follows:

A society may, subject to regulation by the Commissioner, offer a policy of health insurance that has a high deductible and is in compliance with 26 U.S.C. § 223 for the purposes of establishing a health savings account.

Sec. 159.7. Chapter 695B of NRS is hereby amended by adding thereto a new section to read as follows:

A corporation may, subject to regulation by the Commissioner, offer a policy of health insurance that has a high deductible and is in compliance with 26 U.S.C. § 223 for the purposes of establishing a health savings account.

Sec. 160. NRS 695B.150 is hereby amended to read as follows:

695B.150 A corporation organized under this chapter shall be deemed to be insolvent if its reserve fund is impaired so as to be less than the amounts set forth in NRS 695B.140. For the purposes of determining such insolvency and the financial condition of ~~[such a]~~ *the* corporation, for the purposes of preparation of annual statements, and for all other purposes not otherwise expressly provided for in this chapter, ~~[such a corporation shall be]~~ *the corporation is* subject to all requirements of the laws of the State of Nevada as to assets, liabilities and reserves which are applicable to mutual nonassessable ~~[legal reserve disability]~~ *life or health* insurers.

Sec. 160.5. Chapter 695C of NRS is hereby amended by adding thereto a new section to read as follows:

A health maintenance organization may, subject to regulation by the Commissioner, offer a policy of health insurance that has a high deductible and is in compliance with 26 U.S.C. § 223 for the purposes of establishing a health savings account.

Sec. 161. NRS 695E.140 is hereby amended to read as follows:

695E.140 1. A risk retention group seeking to be chartered in this State must obtain a certificate of authority pursuant to chapter ~~[680A]~~ *694C* of NRS to transact liability insurance and, except as otherwise provided in this chapter, must comply with:

(a) All of the laws, regulations and requirements applicable to liability insurers in this State; and

(b) The provisions of NRS 695E.150 to 695E.210, inclusive, to the extent that those provisions do not limit or conflict with the provisions with which the group is required to comply pursuant to paragraph (a).

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

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

Sec. 161.5. Chapter 695G of NRS is hereby amended by adding thereto a new section to read as follows:

A managed care organization may, subject to regulation by the Commissioner, offer a policy of health insurance that has a high deductible and is in compliance with 26 U.S.C. § 223 for the purposes of establishing a health savings account.

Sec. 162. NRS 696A.300 is hereby amended to read as follows:

696A.300 1. Each license for a club agent issued under this chapter continues in force for 3 years unless it is suspended, revoked or otherwise terminated. A license may be renewed upon submission of the statement required pursuant to NRS 696A.303 and payment to the Commissioner of the applicable fee for renewal and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the insurance recovery account created by NRS 679B.305. The statement must be submitted and the fees must be paid on or before the last day of the month in which the license is renewable.

2. Any license not so renewed expires at midnight on the last day specified for its renewal. The Commissioner may accept a request for renewal received by him within 30 days after the expiration of the license if the request is accompanied by the statement required pursuant to NRS 696A.303, a fee for renewal of 150 percent of the fee otherwise required and the fee *established by the Commissioner* of *not more than* \$15 for deposit in the insurance recovery account created by NRS 679B.305.

3. The Commissioner shall collect in advance and deposit with the State Treasurer for credit to the State General Fund the following fees for licensure as a club agent:

- (a) Application and license..... \$78
- (b) Appointment by each motor club 5
- (c) Triennial renewal of each license 78

Sec. 163. NRS 696A.300 is hereby amended to read as follows:

696A.300 1. Each license for a club agent issued under this chapter continues in force for 3 years unless it is suspended, revoked or otherwise terminated. A license may be renewed upon payment to the Commissioner of the applicable fee for renewal and a fee *established by the Commissioner* of *not more than* \$15 for deposit in the insurance recovery account created by NRS 679B.305. The fees must be paid on or before the last day of the month in which the license is renewable.

2. Any license not so renewed expires at midnight on the last day specified for its renewal. The Commissioner may accept a request for renewal received by him within 30 days after the expiration of the license if the request is accompanied by a fee for renewal of 150 percent of the fee otherwise required and the fee *established by the Commissioner* of *not more than* \$15 for deposit in the insurance recovery account created by NRS 679B.305.

3. The Commissioner shall collect in advance and deposit with the State Treasurer for credit to the State General Fund the following fees for licensure as a club agent:

- (a) Application and license..... \$78
- (b) Appointment by each motor club 5
- (c) Triennial renewal of each license 78

Sec. 164. NRS 689B.190, 690A.013, 690A.014, 690A.019, 690A.021, 690A.022, 690A.023, 690A.024, 690A.025, 690A.026, 690A.027, 690A.028, 690A.030, 690A.040, 690A.060, 690A.070, 690A.080, 690A.090, 690A.100, 690A.110, 690A.150, 690A.160, 690A.170, 690A.180, 690A.190, 690A.200, 690A.210, 690A.220, 690A.230, 690A.240, 690A.250, 690A.270 and 690B.060 are hereby repealed.

Sec. 165. 1. This section and sections 62, 63, 65, 76.5 to 83, inclusive, 88, 89, 90, 124 to 159, inclusive, and 161 of this act become effective upon passage and approval.

2. Sections 64, 66 to 71.1, inclusive, 71.5, 71.7, 72, 73, 74, 75.3, 75.5, 76, 84 to 87.5, inclusive, 88.5, 89.5, 90.3, 90.7, 123.5, 159.3, 159.7, 160, 160.5, 161.5, 162 and 164 of this act become effective on October 1, 2005.

3. Sections 1 to 61, inclusive, and 91 to 123, inclusive, of this act become effective:

(a) Upon passage and approval for the purpose of adopting regulations and performing any other preparatory administrative tasks that are required to carry out the provisions of this act; and

(b) On October 1, 2005, for all other purposes.

4. Sections 71.1, 71.7, 74, 75.5 and 162 of this act expire by limitation on the date on which the provisions of 42 U.S.C. § 666 requiring each state to establish procedures under which the state has authority to withhold or suspend, or to restrict the use of professional, occupational and recreational licenses of persons who:

(a) Have failed to comply with a subpoena or warrant relating to a proceeding to determine the paternity of a child or to establish or enforce an obligation for the support of a child; or

(b) Are in arrears in the payment for the support of one or more children,

➤ are repealed by the Congress of the United States.

5. Sections 71.3, 71.9, 75, 75.7 and 163 of this act become effective on the date on which the provisions of 42 U.S.C. § 666

requiring each state to establish procedures under which the state has authority to withhold or suspend, or to restrict the use of professional, occupational and recreational licenses of persons who:

(a) Have failed to comply with a subpoena or warrant relating to a proceeding to determine the paternity of a child or to establish or enforce an obligation for the support of a child; or

(b) Are in arrears in the payment for the support of one or more children,

→ are repealed by the Congress of the United States.

