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ASSEMBLY BILL NO. 161—COMMITTEE ON COMMERCE AND LABOR

(ON BEHALF OF THE DIVISION OF INSURANCE)

FEBRUARY 23, 2007

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Referred to Committee on Commerce and Labor

SUMMARY—Revises various provisions governing insurance.  
(BDR 57-586)

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

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

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AN ACT relating to insurance; making various changes relating to persons licensed or regulated by the Commissioner of Insurance; increasing the maximum annual assessment on member insurers of the Nevada Life and Health Insurance Guaranty Association; revising provisions governing policies of various types of insurance; revising reporting requirements for an insurer that issues a policy of insurance covering the liability of a physician or osteopathic physician; making certain provisions applicable to title insurers, title agents and escrow officers; requiring a motor club to pay an administrative penalty for failing to pay an annual fee to the Commissioner timely; revising provisions governing claims against an insolvent insurer; making certain provisions applicable to licensed bail agents, bail solicitors, bail enforcement agents and general agents; repealing the requirement that a trustee of a medical savings account file an annual report with the Commissioner; increasing the number of deputies that the Commissioner may appoint; and providing other matters properly relating thereto.



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**Legislative Counsel's Digest:**

Existing law establishes certain requirements for business organizations to be licensed as producers of insurance. (NRS 683A.251) **Sections 1 and 2** of this bill require such a business organization to report to the Commissioner of Insurance when another producer of insurance is authorized to act on its behalf and when such authorization is terminated.

Existing law prohibits insurance fraud. (NRS 686A.290) **Section 4** of this bill requires insurers to adopt programs to detect, prevent and prosecute insurance fraud.

Under existing law, insurers are required to be members of the Nevada Life and Health Insurance Guaranty Association. Member insurers are required to pay an annual assessment to the Association. (NRS 686C.240) **Section 7** of this bill increases the maximum amount of such an assessment.

Existing law requires that an insurer which issues a policy covering the liability of a physician or osteopathic physician file a report with the Commissioner whenever a claim on the policy is closed. (NRS 690B.260) **Section 16** of this bill changes the filing requirement to require that such a report be filed at the end of each calendar quarter on all claims closed during that quarter.

Existing law requires captive insurers to maintain certain levels of unimpaired paid-in capital and unencumbered surplus. (NRS 694C.250, 694C.260) Additionally, certain captive insurers are required to submit to the Commissioner an annual report on their financial condition. **Section 19** of this bill increases the required levels of such capital and surplus. **Section 23** of this bill applies the reporting requirement of captive insurers to sponsored captive insurers.

Existing law governs the filing of claims against an insurer against which delinquency proceedings have begun. Currently, claims are filed with the receiver and a court determines the validity of the claim. (NRS 696B.330) Existing law establishes classes for the order of priority for distribution of the assets of an insurer to claimants against the insurer. (NRS 696B.420) **Section 27** of this bill requires the receiver to determine the validity of a claim and to determine the priority of the claim. If a person objects to the determination of the receiver, the determination may be appealed to a court.

Existing law authorizes the Commissioner to appoint two deputies. **Section 31** of this bill authorizes the Commissioner to appoint one additional deputy.

Existing law requires a trustee of a medical savings account to file an annual report with the Commissioner. (NRS 689A.735) **Section 32** of this bill repeals that requirement.

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

**Section 1.** Chapter 683A of NRS is hereby amended by adding thereto a new section to read as follows:

*1. A business organization which is licensed as a producer of insurance and which authorizes another producer of insurance to transact business on its behalf shall notify the Commissioner within 15 days after the effective date of the authorization in the manner prescribed by the Commissioner.*

*2. A business organization which is licensed as a producer of insurance and which terminates the authorization of a producer of insurance for any reason shall notify the Commissioner within 30*



1 *days after the effective date of the termination in the manner*  
2 *prescribed by the Commissioner. The business organization shall*  
3 *provide additional information or documents if so requested in*  
4 *writing by the Commissioner.*

5 3. *If the reason for termination is an activity described in*  
6 *NRS 683A.451 as a cause for disciplinary action or the business*  
7 *organization knows that the producer of insurance has been found*  
8 *to have engaged in such an activity by a court, governmental*  
9 *agency or self-regulatory organization authorized by law, the*  
10 *business organization shall notify the Commissioner, in the*  
11 *manner prescribed by the Commissioner, if the business*  
12 *organization discovers additional information that would have*  
13 *been reportable originally to the Commissioner if the business*  
14 *organization had then known it.*

15 **Sec. 2.** NRS 683A.251 is hereby amended to read as follows:

16 683A.251 1. The Commissioner shall prescribe the form of  
17 application by a natural person for a license as a resident producer  
18 of insurance. The applicant must declare, under penalty of refusal to  
19 issue, or suspension or revocation of, the license, that the statements  
20 made in the application are true, correct and complete to the best of  
21 his knowledge and belief. Before approving the application, the  
22 Commissioner must find that the applicant has:

23 (a) Attained the age of 18 years;

24 (b) Not committed any act that is a ground for refusal to issue,  
25 or suspension or revocation of, a license;

26 (c) Completed a course of study for the lines of authority for  
27 which the application is made, unless the applicant is exempt from  
28 this requirement;

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

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

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

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

43 ~~{and}~~

44 (b) Designated a natural person who is licensed as a producer of  
45 insurance and who is ~~{affiliated with}~~ *authorized to transact*



1 *business on behalf of* the business organization to be responsible  
2 for the organization's compliance with the laws and regulations of  
3 this State relating to insurance ~~§~~; and

4 *(c) If the business organization has authorized a producer of*  
5 *insurance not designated pursuant to paragraph (b) to transact*  
6 *business on behalf of the business organization, submitted to the*  
7 *Commissioner on a form prescribed by the Commissioner the*  
8 *name of each producer of insurance authorized to transact*  
9 *business on behalf of the business organization.*

10 3. A natural person who is a resident of this State applying for  
11 a license must furnish a complete set of his fingerprints which the  
12 Commissioner may forward to the Central Repository for Nevada  
13 Records of Criminal History for submission to the Federal Bureau  
14 of Investigation for its report. The Commissioner shall adopt  
15 regulations concerning the procedures for obtaining this  
16 information.

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

19 **Sec. 3.** NRS 683A.261 is hereby amended to read as follows:

20 683A.261 1. Unless the Commissioner refuses to issue the  
21 license under NRS 683A.451, he shall issue a license as a producer  
22 of insurance to a person who has satisfied the requirements of NRS  
23 683A.241 and 683A.251. A producer of insurance may qualify for a  
24 license in one or more of the lines of authority permitted by statute  
25 or regulation, including:

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

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

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

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

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

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

41 (g) Credit insurance, including life, disability, property,  
42 unemployment, involuntary unemployment, mortgage life, mortgage  
43 guaranty, mortgage disability, guaranteed protection of assets, and  
44 any other form of insurance offered in connection with an extension  
45 of credit that is limited to wholly or partially extinguishing the



1 obligation which the Commissioner determines should be  
2 considered as limited-line credit insurance.

3 (h) Personal lines, consisting of automobile and motorcycle  
4 insurance and residential property insurance, including coverage for  
5 flood, of personal watercraft and of excess liability, written over one  
6 or more underlying policies of automobile or residential property  
7 insurance.

8 (i) Fixed annuities as a limited line.

9 (j) Travel and baggage as a limited line.

10 (k) Rental car agency as a limited line.

11 2. A license as a producer of insurance remains in effect unless  
12 revoked, suspended or otherwise terminated if a request for a  
13 renewal is submitted on or before the date for the renewal specified  
14 on the license, the fee for renewal and a fee established by the  
15 Commissioner of not more than \$15 for deposit in the Insurance  
16 Recovery Account are paid for each license and each ~~affiliation~~  
17 ~~with~~ *authorization to transact business on behalf of* a business  
18 organization licensed pursuant to subsection 2 of NRS 683A.251,  
19 and any requirement for education or any other requirement to  
20 renew the license is satisfied by the date specified on the license for  
21 the renewal. A producer of insurance may submit a request for a  
22 renewal of his license within 30 days after the date specified on the  
23 license for the renewal if the producer of insurance otherwise  
24 complies with the provisions of this subsection and pays, in addition  
25 to any fee paid pursuant to this subsection, a penalty of 50 percent  
26 of the renewal fee. A license as a producer of insurance expires if  
27 the Commissioner receives a request for a renewal of the license  
28 more than 30 days after the date specified on the license for the  
29 renewal. A fee paid pursuant to this subsection is nonrefundable.

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

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

43 5. A license must state the licensee's name, address, personal  
44 identification number, the date of issuance, the lines of authority and  
45 the date of expiration and must contain any other information the



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1 Commissioner considers necessary. A resident producer of  
2 insurance shall maintain a place of business in this State which is  
3 accessible to the public and where he principally conducts  
4 transactions under his license. The place of business may be in his  
5 residence. The license must be conspicuously displayed in an area of  
6 the place of business which is open to the public.

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

20 **Sec. 4.** Chapter 686A of NRS is hereby amended by adding  
21 thereto a new section to read as follows:

22 *1. Each insurer, including, without limitation, each health*  
23 *maintenance organization, shall establish and maintain a program*  
24 *for the detection, prevention and prosecution of insurance fraud.*

25 *2. A program for the detection, prevention and prosecution of*  
26 *insurance fraud established and maintained pursuant to*  
27 *subsection 1 may include, without limitation, employing or*  
28 *contracting with persons who provide investigative services for the*  
29 *purpose of detecting, preventing or prosecuting insurance fraud.*

30 *3. If a program for the detection, prevention and prosecution*  
31 *of insurance fraud established and maintained pursuant to*  
32 *subsection 1 does not include employing or contracting with*  
33 *persons who provide investigative services for the purpose of*  
34 *detecting, preventing or prosecuting insurance fraud, the program*  
35 *must be submitted to the Commissioner.*

36 *4. A program submitted to the Commissioner pursuant to*  
37 *subsection 3 is confidential and privileged, is not a public record*  
38 *and is not subject to discovery or subpoena in a civil action or*  
39 *criminal prosecution.*

40 **Sec. 5.** NRS 686A.281 is hereby amended to read as follows:

41 686A.281 As used in NRS 686A.281 to 686A.295, inclusive,  
42 *and section 4 of this act*, unless the context otherwise requires, the  
43 words and terms defined in NRS 686A.2815, 686A.282 and  
44 686A.2825 have the meanings ascribed to them in those sections.



**Sec. 6.** NRS 686A.283 is hereby amended to read as follows:

686A.283 1. Any person, governmental entity, insurer or authorized representative of an insurer , *including, without limitation, any health maintenance organization, administrator or other person required to be licensed, registered or certified pursuant to the provisions of this title*, shall report any information concerning insurance fraud *or any activity that may reasonably be believed is related to insurance fraud* to the Commissioner and Attorney General on a form prescribed by the Commissioner and Attorney General.

2. The Commissioner and Attorney General shall each independently:

(a) Review each report of insurance fraud; and

(b) Determine whether an investigation should be made of the facts in the report.

3. During their respective investigations, the Commissioner and Attorney General shall independently determine whether there is probable cause to believe that insurance fraud has occurred.

4. A district attorney of any county where fraudulent activity has occurred or is occurring or where a fraudulent claim that would constitute insurance fraud has been made may, with the permission of the Attorney General or at the request of the Attorney General, institute proceedings in the name of the State of Nevada.

**Sec. 7.** NRS 686C.240 is hereby amended to read as follows:

686C.240 1. The Board of Directors *of the Association* shall determine the amount of each assessment in Class A and may, but need not, prorate it. If an assessment is prorated, the Board may provide that any surplus be credited against future assessments in Class B. An assessment which is not prorated must not exceed ~~[\$150]~~ *\$300* for each member insurer for any ~~one~~ *1* calendar year.

2. The Board may allocate any assessment in Class B among the accounts according to the premiums or reserves of the impaired or insolvent insurer or any other standard which it considers fair and reasonable under the circumstances.

3. Assessments in Class B against member insurers for each account and subaccount must be in the proportion that the premiums received on business in this State by each assessed member insurer on policies or contracts covered by each account or subaccount for the 3 most recent calendar years for which information is available preceding the year in which the insurer became impaired or insolvent bears to premiums received on business in this State for those calendar years by all assessed member insurers.

4. Assessments for money to meet the requirements of the Association with respect to an impaired or insolvent insurer must not be authorized or called until necessary to carry out the purposes





of this chapter. Classification of assessments under subsection 2 of NRS 686C.230 and computation of assessments under this section must be made with a reasonable degree of accuracy, recognizing that exact determinations may not always be possible. The Association shall notify each member insurer of its anticipated prorated share of an assessment authorized but not yet called within 180 days after it is authorized.

**Sec. 8.** NRS 687B.350 is hereby amended to read as follows:

687B.350 1. Except as otherwise provided in subsection 2, an insurer shall not renew a policy on different terms, including different rates, unless the insurer notifies the insured in writing of the different terms or rates at least 30 days before the expiration of the policy. If the insurer fails to provide adequate and timely notice, the insurer shall renew the policy at the expiring terms and rates:

(a) For a period that is equal to the expiring term if the agreed term is 1 year or less; or

(b) For 1 year if the agreed term is more than 1 year.

2. The provisions of this section do not apply to *a change in the rate for* a policy of industrial insurance ~~to~~ *which is based on:*

*(a) A change to a prospective loss cost filed by the Advisory Organization pursuant to NRS 686B.177 that is applicable to the risk in accordance with the manual of rules formulated pursuant to NRS 686B.1764; or*

*(b) A correction based on the experience that is applicable to the risk in accordance with the Uniform Plan for Rating Experience filed with the Commissioner pursuant to NRS 686B.177.*

**Sec. 9.** NRS 689.150 is hereby amended to read as follows:

689.150 As used in NRS 689.150 to 689.375, inclusive, unless the context otherwise requires:

1. "Funeral service or services" means those services performed normally by funeral directors or funeral or mortuary parlors and includes their sales of supplies and equipment for burial. The term includes cremations and crematory services. The term does not include services performed by a cemetery or the sale by a cemetery of services, interests in land, markers, memorials, monuments or merchandise and equipment in relation to the cemetery or the sale of crypts or niches constructed or to be constructed in a mausoleum or columbarium or otherwise on the property of a cemetery.

2. "Performer" means any person designated in a prepaid contract to furnish the funeral services, supplies and equipment covered by the contract on the demise of the beneficiary.





3. "Prepaid contract" means any contract under which, for a specified consideration paid in advance in a lump sum or by installments ~~[, a person]~~ *or payable solely from the proceeds of a policy of life insurance, the seller of the contract guarantees or* promises either before or upon the death of a beneficiary named in or otherwise ascertainable from the contract to furnish funeral services and merchandise. The term does not include a contract of insurance or any instrument in writing whereby any charitable, religious, benevolent or fraternal benefit society, corporation, association, institution or organization, not having for its object or purpose pecuniary profit, promises or agrees to embalm, inter or otherwise dispose of the remains of any person, or to procure or pay the expenses, or any part thereof, of embalming, interring or otherwise disposing of the remains of any person.

**Sec. 10.** NRS 689.185 is hereby amended to read as follows:

689.185 1. *Except as otherwise provided in subsection 2:*

*(a)* Before the issuance of a certificate of authority, the seller shall post with the Commissioner and thereafter maintain in force a bond in the principal sum of \$50,000 issued by an authorized corporate surety in favor of the State of Nevada, or a deposit of cash or negotiable securities or a combination of cash and negotiable securities. If a deposit is made in lieu of a bond, the deposit must at all times have a market value of not less than the amount of the bond required by the Commissioner.

~~[2-]~~ *(b)* The bond or deposit must be held for the benefit of buyers of prepaid contracts, and other persons as their interests may appear, who may be damaged by misuse or diversion of money by the seller or his agents, or to satisfy any judgments against the seller for failure to perform a prepaid contract. The aggregate liability of the surety for all breaches of the conditions of the bond must not exceed the sum of the bond. The surety on the bond has the right to cancel the bond upon giving 30 days' notice to the Commissioner and thereafter is relieved of liability for any breach of condition occurring after the effective date of the cancellation.

~~[3-]~~ *(c)* The Commissioner shall release the bond or deposit after the seller has ceased doing business as such and the Commissioner is satisfied of the nonexistence of any obligation or liability of the seller for which the bond or deposit was held.

*2. The Commissioner may waive the requirements of subsection 1 if the seller agrees:*

*(a) To offer for sale only prepaid contracts that are payable solely from the proceeds of a policy of life insurance; and*

*(b) Not to collect any money from the purchaser of a prepaid contract.*



**Sec. 11.** NRS 689.315 is hereby amended to read as follows:  
689.315 1. *Except as otherwise provided in subsection 2:*

(a) The seller shall establish and maintain a trust fund with an authorized trustee, for the benefit of the beneficiary of the prepaid contract, in accordance with the trust agreement filed with and approved by the Commissioner.

~~[2-]~~ (b) The seller shall maintain unimpaired and shall deposit in the trust fund, within 15 days after the end of the month in which payment was received, all installments received on prepaid contracts sold after the sales commission has been deducted.

~~[3-]~~ (c) The trustee shall, with respect to the money in the trust fund, exercise the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their money, considering the probable income as well as the probable safety of their capital. Within the limitations of such standards, and subject to any express provision or limitation contained in any particular trust instrument, a trustee may acquire and retain every kind of investment, specifically including bonds, debentures and other corporate obligations and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account.

~~[4-]~~ (d) Except as otherwise provided in NRS 689.150 to 689.375, inclusive, or the trust agreement approved in writing by the Commissioner or as may be required by an order of a court of competent jurisdiction, the trustees shall maintain the trust fund intact and unimpaired and shall make no other payment or disbursement from the trust fund.

2. *The requirements of subsection 1 do not apply if:*

(a) *The prepaid contract is payable solely from the proceeds of a policy of life insurance; and*

(b) *The seller of the prepaid contract does not collect any money from the purchaser of the prepaid contract.*

**Sec. 12.** NRS 689.475 is hereby amended to read as follows:

689.475 1. "Prepaid contract" means any contract under which, for a specified consideration paid in advance in a lump sum or by installments ~~[a person]~~ *or payable solely from the proceeds of a policy of life insurance, the seller of the contract guarantees* or promises, either before or upon the death of a beneficiary named in or otherwise ascertainable from the contract, to provide burial services and to furnish adaptable or suitable personal property, merchandise, supplies or facilities in connection with such services.

2. "Prepaid contract" does not include a contract of insurance or any instrument in writing whereby any charitable, religious,



1 benevolent or fraternal benefit society, corporation, association,  
2 institution or organization, not having for its object or purpose  
3 pecuniary profit, promises or agrees to embalm, inter or otherwise  
4 dispose of the remains of any person, or to procure or pay the  
5 expenses, or any part thereof, for embalming, interring or otherwise  
6 disposing of the remains of any person.

7 **Sec. 13.** NRS 689.495 is hereby amended to read as follows:

8 689.495 1. *Except as otherwise provided in subsection 2:*

9 (a) Before the issuance of a permit to a seller, the seller shall  
10 post with the Commissioner and thereafter maintain in force a bond  
11 in the principal sum of \$50,000 issued by an authorized corporate  
12 surety in favor of the State of Nevada, or a deposit of cash or  
13 negotiable securities or a combination of cash and negotiable  
14 securities. If a deposit is made in lieu of a bond, the deposit must at  
15 all times have a market value not less than the amount of the bond  
16 required by the Commissioner.

17 ~~(2-)~~ (b) The bond or deposit must be held for the benefit of  
18 buyers of prepaid contracts, and other persons as their interests may  
19 appear, who may be damaged by misuse or diversion of money by  
20 the seller or his agents, or to satisfy any judgments against the seller  
21 for failure to perform a prepaid contract. The aggregate liability of  
22 the surety for all breaches of the conditions of the bond must not  
23 exceed the sum of the bond. The surety on the bond has the right to  
24 cancel the bond upon giving 30 days' notice to the Commissioner  
25 and thereafter is relieved of liability for any breach of condition  
26 occurring after the effective date of the cancellation.

27 ~~(3-)~~ (c) The Commissioner shall release the bond or deposit  
28 after the seller has ceased doing business as such and the  
29 Commissioner is satisfied of the nonexistence of any obligation or  
30 liability of the seller for which the bond or deposit was held.

31 *2. The Commissioner may waive the requirements of*  
32 *subsection 1 if the seller agrees:*

33 (a) *To offer for sale only prepaid contracts that are payable*  
34 *solely from the proceeds of a policy of life insurance; and*

35 (b) *Not to collect any money from the purchaser of a prepaid*  
36 *contract.*

37 **Sec. 14.** NRS 689.560 is hereby amended to read as follows:

38 689.560 1. *Except as otherwise provided in subsection 2:*

39 (a) The seller shall establish and maintain a trust fund with an  
40 authorized trustee, for the benefit of the beneficiary of the prepaid  
41 contract, in accordance with the trust agreement filed with and  
42 approved by the Commissioner.

43 ~~(2-)~~ (b) The seller shall maintain unimpaired and shall deposit  
44 in the trust fund, within 15 days after the end of the month in which



1 payment was received, all installments received on prepaid contracts  
2 sold after the sales commission has been deducted.

3 ~~[3.]~~ (c) The trustee shall, with respect to the money in the trust  
4 fund, exercise the judgment and care under the circumstances then  
5 prevailing which persons of prudence, discretion and intelligence  
6 exercise in the management of their own affairs, not in regard to  
7 speculation, but in regard to the permanent disposition of their  
8 money, considering the probable income as well as the probable  
9 safety of their capital. Within the limitations of such standards, and  
10 subject to any express provision or limitation contained in any  
11 particular trust instrument, a trustee may acquire and retain every  
12 kind of investment, specifically including bonds, debentures and  
13 other corporate obligations and stocks, preferred or common, which  
14 persons of prudence, discretion and intelligence acquire or retain for  
15 their own account.

16 ~~[4.—Except]~~

17 (d) *The trustee shall, except* as otherwise provided in NRS  
18 689.450 to 689.595, inclusive, or the trust agreement approved in  
19 writing by the Commissioner or as may be required by an order of a  
20 court of competent jurisdiction, ~~[the trustees shall]~~ maintain the trust  
21 fund intact and unimpaired and ~~[shall]~~ not make any payment or  
22 disbursement from the trust fund.

23 2. *The requirements of subsection 1 do not apply if:*

24 (a) *The prepaid contract is payable solely from the proceeds of*  
25 *a policy of life insurance; and*

26 (b) *The seller of the prepaid contract does not collect any*  
27 *money from the purchaser of the prepaid contract.*

28 **Sec. 15.** NRS 689C.075 is hereby amended to read as follows:

29 689C.075 1. "Health benefit plan" means a policy ~~for~~  
30 ~~certificate for hospital or medical expenses, a contract for dental,~~  
31 ~~hospital or medical services, or a health care plan of a health~~  
32 ~~maintenance organization available for use, offered or sold to a~~  
33 ~~small employer.], contract, certificate or agreement to provide for,~~  
34 *deliver payment for, arrange for the payment of, pay for or*  
35 *reimburse any of the costs of health care services.* Except as  
36 otherwise provided in this section, the term includes short-term and  
37 catastrophic health insurance policies ~~[.]~~ and a policy that pays on a  
38 cost-incurred basis.

39 2. The term does not include:

40 (a) Coverage that is only for accident or disability income  
41 insurance, or any combination thereof;

42 (b) Coverage issued as a supplement to liability insurance;

43 (c) Liability insurance, including general liability insurance and  
44 automobile liability insurance;

45 (d) Workers' compensation or similar insurance;



(e) Coverage for medical payments under a policy of automobile insurance;

(f) Credit insurance;

(g) Coverage for on-site medical clinics;

(h) Coverage under a short-term health insurance policy;

(i) Coverage under a blanket student accident and health insurance policy; and

(j) Other similar insurance coverage specified in federal regulations issued pursuant to the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, under which benefits for medical care are secondary or incidental to other insurance benefits.

3. If the benefits are provided under a separate policy, certificate or contract of insurance or are otherwise not an integral part of a health benefit plan, the term does not include the following benefits:

(a) Limited-scope dental or vision benefits;

(b) Benefits for long-term care, nursing home care, home health care or community-based care, or any combination thereof; and

(c) Such other similar benefits as are specified in any federal regulations adopted pursuant to the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191.

4. If the benefits are provided under a separate policy, certificate or contract of insurance, there is no coordination between the provision of the benefits and any exclusion of benefits under any group health plan maintained by the same plan sponsor, and the benefits are paid for a claim without regard to whether benefits are provided for such a claim under any group health plan maintained by the same plan sponsor, the term does not include:

(a) Coverage that is only for a specified disease or illness; and

(b) Hospital indemnity or other fixed indemnity insurance.

5. If offered as a separate policy, certificate or contract of insurance, the term does not include:

(a) Medicare supplemental health insurance as defined in section 1882(g)(1) of the Social Security Act, 42 U.S.C. § 1395ss, as that section existed on July 16, 1997;

(b) Coverage supplemental to the coverage provided pursuant to the Civilian Health and Medical Program of Uniformed Services, CHAMPUS, 10 U.S.C. §§ 1071 et seq.; and

(c) Similar supplemental coverage provided under a group health plan.

**Sec. 16.** NRS 690B.260 is hereby amended to read as follows:

690B.260 1. Each insurer which issues a policy of insurance covering the liability of a physician licensed under chapter 630 of NRS or an osteopathic physician licensed under chapter 633 of NRS



1 for a breach of his professional duty toward a patient shall, within  
2 45 days after ~~[a claim is closed under the policy,]~~ *the end of a*  
3 *calendar quarter*, submit a report to the Commissioner concerning  
4 ~~[the claim.]~~ *each claim that was closed during that calendar*  
5 *quarter under such a policy of insurance issued by the insurer and*  
6 *any change during that calendar quarter to any claim under such*  
7 *a policy of insurance issued by the insurer that was closed during*  
8 *a previous calendar quarter.* The report must include, without  
9 limitation:

10 (a) The name and address of the claimant and the insured under  
11 ~~[the]~~ *each* policy;

12 (b) A statement setting forth the circumstances of ~~[the]~~ *that*  
13 case;

14 (c) Information indicating whether any payment was made on  
15 ~~[the]~~ *a* claim and the amount of the payment, if any; and

16 (d) The information specified in subsection 2 of NRS 679B.144  
17 ~~[.]~~ *for each claim.*

18 2. An insurer who fails to comply with the provisions of  
19 subsection 1 is subject to the imposition of an administrative fine  
20 pursuant to NRS 679B.460.

21 3. The Commissioner shall, within 30 days after receiving a  
22 report from an insurer pursuant to this section, submit a report to the  
23 Board of Medical Examiners or the State Board of Osteopathic  
24 Medicine, as applicable, setting forth the information provided to  
25 the Commissioner by the insurer pursuant to this section.

26 **Sec. 17.** NRS 690C.080 is hereby amended to read as follows:

27 690C.080 *1.* "Service contract" means a contract pursuant to  
28 which a provider, in exchange for separately stated consideration, is  
29 obligated for a specified period to a holder to repair, replace or  
30 perform maintenance on, or indemnify or reimburse the holder for  
31 the costs of repairing, replacing or performing maintenance on,  
32 goods that are described in the service contract and which have an  
33 operational or structural failure as a result of a defect in materials,  
34 workmanship or normal wear and tear, including, without limitation:

35 ~~[1.]~~ *(a)* A contract that includes a provision for incidental  
36 payment of indemnity under limited circumstances, including,  
37 without limitation, towing, rental and emergency road service; and

38 ~~[2.]~~ *(b)* A contract that provides for the repair, replacement or  
39 maintenance of goods for damages that result from power surges or  
40 accidental damage from handling.

41 *2. The term does not include a contract pursuant to which a*  
42 *provider, other than the manufacturer, builder, seller or lessor of*  
43 *a manufactured home, in exchange for separately stated*  
44 *consideration, is obligated for a specified period to a holder to*  
45 *repair or replace, or indemnify or reimburse the holder for the*



1 *costs of repairing or replacing, any component of the physical*  
2 *structure of the manufactured home, including, without limitation,*  
3 *the walls, roof supports, structural floor base or foundation.*

4 **Sec. 18.** NRS 692A.270 is hereby amended to read as follows:

5 692A.270 The provisions of NRS *683A.321, 683A.331,*  
6 683A.341, 683A.400, 683A.451 to 683A.490, inclusive, and  
7 683A.520 apply to title insurers, title agents and escrow officers.

8 **Sec. 19.** NRS 694C.250 is hereby amended to read as follows:

9 694C.250 1. A captive insurer must not be issued a license,  
10 and shall not hold a license, unless the captive insurer has and  
11 maintains, in addition to any other capital *or surplus* required to be  
12 maintained pursuant to subsection 3, unimpaired paid-in capital *and*  
13 *unencumbered surplus* of:

14 (a) For a pure captive insurer, not less than ~~[\$100,000;]~~  
15 *\$200,000;*

16 (b) For an association captive insurer, ~~[incorporated as a stock~~  
17 ~~insurer;]~~ not less than ~~[\$200,000;]~~ *\$500,000;*

18 (c) For an agency captive insurer, not less than ~~[\$300,000;]~~  
19 *\$600,000;*

20 (d) For a rental captive insurer, not less than ~~[\$400,000;]~~  
21 *\$800,000;* and

22 (e) For a sponsored captive insurer, not less than ~~[\$200,000;]~~  
23 *\$500,000.*

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

28 3. The Commissioner may prescribe additional requirements  
29 relating to capital *or surplus* based on the type, volume and nature  
30 of the insurance business that is transacted by the captive insurer  
31 and requirements regarding which capital ~~[and surplus,~~ if any,  
32 may be in the form of an irrevocable letter of credit.

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

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

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

42 **Sec. 20.** NRS 694C.270 is hereby amended to read as follows:

43 694C.270 1. The Commissioner may suspend or revoke the  
44 license of a captive insurer if, after an examination and hearing, the  
45 Commissioner determines that:





- 1 (a) The captive insurer:
  - 2 (1) Is insolvent or has impaired its required capital or
  - 3 surplus;
  - 4 (2) Has failed to meet a requirement of NRS 694C.250,
  - 5 ~~694C.260,~~ 694C.320 or 694C.330;
  - 6 (3) Has refused or failed to submit an annual report, as
  - 7 required by NRS 694C.400, or any other report or statement
  - 8 required by law or by order of the Commissioner;
  - 9 (4) Has failed to comply with the provisions of its charter or
  - 10 bylaws;
  - 11 (5) Has failed to submit to an examination required pursuant
  - 12 to NRS 694C.410;
  - 13 (6) Has refused or failed to pay the cost of an examination
  - 14 required pursuant to NRS 694C.410;
  - 15 (7) Has used any method in transacting insurance pursuant to
  - 16 this chapter which is detrimental to the operation of the captive
  - 17 insurer or would make its condition unsound with respect to its
  - 18 policyholders or the general public; or
  - 19 (8) Has failed otherwise to comply with the laws of this
  - 20 State; and
- 21 (b) The suspension or revocation of the license of the captive
- 22 insurer is in the best interest of its policyholders or the general
- 23 public.
- 24 2. The provisions of NRS 679B.310 to 679B.370, inclusive,
- 25 apply to hearings conducted pursuant to this section.
- 26 **Sec. 21.** NRS 694C.340 is hereby amended to read as follows:
- 27 694C.340 1. Except as otherwise provided in this section and
- 28 NRS 694C.382, an association captive insurer, an agency captive
- 29 insurer, a rental captive insurer or a sponsored captive insurer shall
- 30 comply with the requirements relating to investments set forth in
- 31 chapter 682A of NRS. Upon the request of the association captive
- 32 insurer, agency captive insurer, rental captive insurer or sponsored
- 33 captive insurer, the Commissioner may approve the use of reliable,
- 34 alternative methods of valuation and rating.
- 35 2. A pure captive insurer is not subject to any restrictions on
- 36 allowable investments, except that the Commissioner may prohibit
- 37 or limit any investment that threatens the solvency or liquidity of the
- 38 pure captive insurer.
- 39 3. A pure captive insurer may make a loan to its parent or
- 40 affiliated company if the loan:
  - 41 (a) Is first approved in writing by the Commissioner;
  - 42 (b) Is evidenced by a note that is in a form that is approved by
  - 43 the Commissioner; and



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

**Sec. 22.** NRS 694C.384 is hereby amended to read as follows:

694C.384 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 policyholders 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. 23.** NRS 694C.400 is hereby amended to read as follows:

694C.400 1. On or before March 1 of each year, a captive insurer shall submit to the Commissioner a report of its financial condition, as prepared by a certified public accountant. A captive insurer shall use generally accepted accounting principles and include any useful or necessary modifications or adaptations thereof that have been approved or accepted by the Commissioner for the type of insurance and kinds of insurers to be reported upon, and as supplemented by additional information required by the Commissioner. Except as otherwise provided in this section, each association captive insurer, agency captive insurer , ~~or~~ rental captive insurer *or sponsored captive insurer* shall file its report in the form required by NRS 680A.265. The Commissioner shall adopt regulations designating the form in which pure captive insurers must report.

2. A pure captive insurer may apply, in writing, for authorization to file its annual report based on a fiscal year that is



1 consistent with the fiscal year of the parent company of the pure  
2 captive insurer. If an alternative date is granted:

3 (a) The annual report is due not later than 60 days after the end  
4 of each such fiscal year; and

5 (b) The pure captive insurer shall file on or before March 1 of  
6 each year such forms as required by the Commissioner by regulation  
7 to provide sufficient detail to support its premium tax return filed  
8 pursuant to NRS 694C.450.

9 **Sec. 24.** NRS 695D.270 is hereby amended to read as follows:

10 695D.270 1. The Commissioner shall, ~~once:~~

11 ~~—(a) Every 6 months for the first~~ *not less frequently than once*  
12 *every 3 years*, ~~[after an organization for dental care receives its~~  
13 ~~certificate of authority; and~~

14 ~~—(b) Each year thereafter,~~

15 ~~→~~ conduct an examination of ~~the~~ *an* organization *for dental care*  
16 pursuant to NRS 679B.250 to 679B.300, inclusive.

17 2. The Commissioner may examine any organization which  
18 holds a certificate of authority from this State or another state at any  
19 other time he deems necessary. For those organizations transacting  
20 business in this State which are not organized in this State, the  
21 Commissioner may accept a full report of the last examination of the  
22 organization certified by the state officer who supervises those  
23 organizations in the other state, if that examination is equivalent to  
24 an examination conducted by the Commissioner.

25 3. The Commissioner shall, in like manner, examine all  
26 organizations applying for a certificate of authority.

27 **Sec. 25.** NRS 695F.310 is hereby amended to read as follows:

28 695F.310 1. The Commissioner may examine the affairs of  
29 any prepaid limited health service organization as often as is  
30 reasonably necessary to protect the interests of the residents of this  
31 State, but not less frequently than once every ~~[2]~~ *3* years.

32 2. A prepaid limited health service organization shall make its  
33 books and records available for examination and cooperate with the  
34 Commissioner to facilitate the examination.

35 3. In lieu of such an examination, the Commissioner may  
36 accept the report of an examination conducted by the commissioner  
37 of insurance of another state.

38 4. The reasonable expenses of an examination conducted  
39 pursuant to this section must be charged to the organization being  
40 examined and remitted to the Commissioner.

41 **Sec. 26.** NRS 696A.185 is hereby amended to read as follows:

42 696A.185 1. Every motor club shall file with the  
43 Commissioner on or before March 1 of each year a report which  
44 summarizes its activities for the preceding calendar year. The report  
45 must be verified by at least two officers of the motor club.



2. The report must be on a form prescribed by the Commissioner and must include:

(a) A financial statement for the motor club, including its balance sheet and receipts and disbursements for the preceding calendar year;

(b) Any material changes in the information given in the previous report;

(c) The number of members enrolled in the year;

(d) The costs of all services provided for that year; and

(e) Any other information relating to the motor club requested by the Commissioner.

3. The motor club must pay to the Commissioner an annual fee of \$500.

4. Every motor club shall file with the Commissioner on or before June 1 of each year a financial statement of the motor club certified by an independent public accountant.

5. Any motor club failing, without just cause beyond its reasonable control, to file timely the report or financial statement *or to pay timely the annual fee* required by this section shall pay an administrative penalty of \$100 per day until the report or statement is filed, except that the total penalty must not exceed \$3,000. The Attorney General shall recover the penalty in the name of the State of Nevada.

6. A motor club is not exempt from the provisions of NRS 679B.700.

**Sec. 27.** NRS 696B.330 is hereby amended to read as follows:

696B.330 1. All claims against an insurer against which delinquency proceedings have ~~been begun shall~~ *commenced must be filed in the manner and form established by the receiver and* set forth in reasonable detail the amount of the claim, or the basis upon which ~~such~~ *that* amount can be ascertained, the facts upon which the claim is based, and the priorities asserted, if any. All such claims ~~shall~~ *must* be verified by the affidavit of the claimant, or someone authorized to act on his behalf and having knowledge of the facts, and ~~shall~~ be supported by such documents as may be material thereto.

2. All claims filed in this State ~~shall~~ *must* be filed with the receiver, whether domiciliary or ancillary, in this State, on or before the last date for filing as specified in this chapter.

3. ~~Within 10 days of the receipt of any claim, or within such further period as the court may fix for good cause shown, the receiver shall report the claim to the court, specifying in such report his recommendation with respect to the action to be taken thereon. Upon receipt of such report, the court shall fix a time for hearing the claim and shall direct that the claimant or the receiver, as the court~~



~~shall specify, shall give such notice as the court determines to such persons as appear to the court to be interested therein. All such notices shall specify the time and place of the hearing and shall concisely state the amount and nature of the claim, the priorities asserted, if any, and the recommendation of the receiver with reference thereto.~~

~~4. At the hearing, all persons interested shall be entitled to appear, and the court shall enter an order allowing, allowing in part, or disallowing the claim. Any such order is an appealable order.]~~

*Except as otherwise provided in subsection 4, after the last date for filing a claim against an insurer as specified in this chapter, the receiver shall:*

*(a) Determine whether to approve or deny, in whole or in part, each claim against the insurer filed with the receiver pursuant to subsection 2; and*

*(b) If the receiver approves a claim, in whole or in part, determine the class of the claim as provided in NRS 696B.420.*

*4. The receiver shall not process any claims in a class until it appears that assets will be available for distribution to that class. If there are insufficient assets to process claims for a class, the receiver shall notify the court and may make a recommendation to the court for the processing of any such claims.*

*5. The receiver shall mail, by first-class mail, postage prepaid, to each claimant that filed a claim with the receiver pursuant to subsection 2, written notice of the determination regarding the claim.*

*6. Not more than 60 days after the mailing of the written notice pursuant to subsection 5, a person may file with the receiver an objection to the determination of the receiver on a claim.*

*7. If an objection is filed pursuant to subsection 6, the receiver shall submit to the court a report on the determination of the receiver on each claim to which an objection has been filed. The court shall fix a time for a hearing on such claims and shall direct the receiver to give notice of the hearing. The notice provided by the receiver must:*

*(a) Be sent to the claimant by first-class mail, postage prepaid, not more than 30 days and not less than 10 days before the hearing, on any claim to which an objection has been filed; and*

*(b) Specify the time and place of the hearing.*

*8. A hearing may be conducted by the court or by a master or referee appointed by the court. If a hearing is conducted by a master or referee, the master or referee shall submit findings of fact and his recommendations to the court. The court shall enter an order approving or denying, in whole or in part, a claim filed against an insurer. Any such order is an appealable order.*



1     **Sec. 28.** NRS 697.360 is hereby amended to read as follows:  
2     697.360 Licensed bail agents, bail solicitors and bail  
3 enforcement agents, and general agents are also subject to the  
4 following provisions of this Code, to the extent reasonably  
5 applicable:

- 6     1. Chapter 679A of NRS.
- 7     2. Chapter 679B of NRS.
- 8     3. NRS 683A.261.
- 9     4. NRS 683A.301.
- 10    5. NRS 683A.311.
- 11    6. *NRS 683A.331.*
- 12    7. NRS 683A.341.
- 13    ~~7.~~ 8. NRS 683A.361.
- 14    ~~8.~~ 9. NRS 683A.400.
- 15    ~~9.~~ 10. NRS 683A.451.
- 16    ~~10.~~ 11. NRS 683A.461.
- 17    ~~11.~~ 12. NRS 683A.480.
- 18    ~~12.~~ 13. NRS 683A.500.
- 19    ~~13.~~ 14. NRS 683A.520.
- 20    ~~14.~~ 15. NRS 686A.010 to 686A.310, inclusive.

21     **Sec. 29.** NRS 616A.330 is hereby amended to read as follows:  
22     616A.330 “Tangible net worth” means *the value of* all ~~of~~ the  
23 assets , *minus the value of all the liabilities*, of an association of  
24 self-insured private employers or of a member of such an  
25 association except:

- 26     1. Accounts receivable, if they are factored or collateralized.
- 27     2. An inventory, except one held for resale and not  
28 collateralized.
- 29     3. A prepaid expense.
- 30     4. An unqualified investment.
- 31     5. An allocated bond fund.
- 32     6. An investment in an affiliate.
- 33     7. A restricted fund.
- 34     8. A reserve.
- 35     9. A security cost, such as a capitalized bond cost.
- 36     10. A cash equivalent, unless it is described in the footnotes for  
37 the balance sheet by item, and for investments, by duration and  
38 nature. A cash flow statement is not a sufficient description.
- 39     11. A contingency or commitment, including any estimated  
40 cost.
- 41     12. Any book adjustment caused by a change in an accounting  
42 policy or a restatement.
- 43     13. Goodwill or excess cost over the fair market value of  
44 assets.



1 14. Any other items listed in the assets that are deemed  
2 unacceptable by the Commissioner because they cannot be justified  
3 or because they do not directly support the ability of the association  
4 or the member to pay a claim.

5 **Sec. 30.** NRS 616B.386 is hereby amended to read as follows:

6 616B.386 1. If an employer wishes to become a member of  
7 an association of self-insured public or private employers, the  
8 employer must:

9 (a) Submit an application for membership to the board of  
10 trustees or third-party administrator of the association; and

11 (b) Enter into an indemnity agreement as required by  
12 NRS 616B.353.

13 2. The membership of the applicant becomes effective when  
14 each member of the association approves the application or on a  
15 later date specified by the association. The application for  
16 membership and the action taken on the application must be  
17 maintained as permanent records of the board of trustees.

18 3. Each member who is a member of an association during the  
19 12 months immediately following the formation of the association  
20 must:

21 (a) Have a tangible net worth of at least \$500,000; or

22 (b) Have had a reported payroll for the previous 12 months  
23 which would have resulted in a manual premium of at least \$15,000,  
24 calculated in accordance with a manual prepared pursuant to  
25 subsection 4 of NRS 686B.1765.

26 4. An employer who seeks to become a member of the  
27 association after the 12 months immediately following the formation  
28 of the association must meet the requirement set forth in paragraph  
29 (a) or (b) of subsection 3 unless the Commissioner adjusts the  
30 requirement for membership in the association after conducting an  
31 annual review of the actuarial solvency of the association pursuant  
32 to subsection 1 of NRS 616B.353.

33 5. An association of self-insured private employers may apply  
34 to the Commissioner for authority to determine the amount of  
35 tangible net worth and manual premium that an employer must have  
36 to become a member of the association. The Commissioner shall  
37 approve the application if the association:

38 (a) Has been certified to act as an association for at least the 3  
39 consecutive years immediately preceding the date on which the  
40 association filed the application with the Commissioner;

41 (b) Has a combined tangible net worth of all members in the  
42 association of at least \$5,000,000;

43 (c) Has at least 15 members; and

44 (d) Has not been required to meet informally with the  
45 Commissioner pursuant to subsection 1 of NRS 616B.431 during





1 the 18-month period immediately preceding the date on which the  
2 association filed the application with the Commissioner or, if the  
3 association has been required to attend such a meeting during that  
4 period, has not had its certificate withdrawn before the date on  
5 which the association filed the application.

6 6. An association of self-insured private employers may apply  
7 to the Commissioner for authority to determine the documentation  
8 demonstrating solvency that an employer must provide to become a  
9 member of the association. The Commissioner shall approve the  
10 application if the association:

11 (a) Has been certified to act as an association for at least the 3  
12 consecutive years immediately preceding the date on which the  
13 association filed the application with the Commissioner;

14 (b) Has a combined tangible net worth of all members in the  
15 association of at least \$5,000,000; and

16 (c) Has at least 15 members.

17 7. The Commissioner may withdraw his approval of an  
18 application submitted pursuant to subsection 5 or 6 if he determines  
19 the association has ceased to comply with any of the requirements  
20 set forth in subsection 5 or 6, as applicable.

21 8. A member of an association may terminate his membership  
22 at any time. To terminate his membership, a member must submit to  
23 the association's administrator a notice of intent to withdraw from  
24 the association at least 120 days before the effective date of  
25 withdrawal. The notice of intent to withdraw must include a  
26 statement indicating that the member has:

27 (a) Been certified as a self-insured employer pursuant to  
28 NRS 616B.312;

29 (b) Become a member of another association of self-insured  
30 public or private employers; or

31 (c) Become insured by a private carrier.

32 9. The members of an association may cancel the membership  
33 of any member of the association in accordance with the bylaws of  
34 the association.

35 10. The association shall:

36 (a) Within 30 days after the addition of an employer to the  
37 membership of the association, notify the Commissioner of the  
38 addition and:

39 (1) If the association has not received authority from the  
40 Commissioner pursuant to subsection 5 or 6, as applicable, provide  
41 to the Commissioner all information and assurances for the new  
42 member that were required from each of the original members of the  
43 association upon its organization; or

44 (2) If the association has received authority from the  
45 Commissioner pursuant to subsection 5 or 6, as applicable, provide



1 to the Commissioner evidence that is satisfactory to the  
2 Commissioner that the new member is a member or associate  
3 member of the bona fide trade association as required pursuant to  
4 paragraph (a) of subsection 2 of NRS 616B.350, a copy of the  
5 indemnity agreement that jointly and severally binds the new  
6 member, the other members of the association and the association  
7 that is required to be executed pursuant to paragraph (a) of  
8 subsection 1 of NRS 616B.353 and any other information the  
9 Commissioner may reasonably require to determine whether the  
10 amount of security deposited with the Commissioner pursuant to  
11 paragraph (d) or (e) of subsection 1 of NRS 616B.353 is sufficient,  
12 but such information must not exceed the information required to be  
13 provided to the Commissioner pursuant to subparagraph (1);

14 (b) Notify the Commissioner and the Administrator of the  
15 termination or cancellation of the membership of any member of the  
16 association within 10 days after the termination or cancellation; and

17 (c) At the expense of the member whose membership is  
18 terminated or cancelled, maintain coverage for that member for ~~30~~  
19 60 days after notice is given pursuant to paragraph (b), unless the  
20 association first receives notice from the Administrator that the  
21 member has:

22 (1) Been certified as a self-insured employer pursuant to  
23 NRS 616B.312;

24 (2) Become a member of another association of self-insured  
25 public or private employers; or

26 (3) Become insured by a private carrier.

27 11. If a member of an association changes his name or form of  
28 organization, the member remains liable for any obligations incurred  
29 or any responsibilities imposed pursuant to chapters 616A to 617,  
30 inclusive, of NRS under his former name or form of organization.

31 12. An association is liable for the payment of any  
32 compensation required to be paid by a member of the association  
33 pursuant to chapters 616A to 616D, inclusive, or chapter 617 of  
34 NRS during his period of membership. The insolvency or  
35 bankruptcy of a member does not relieve the association of liability  
36 for the payment of the compensation.

37 **Sec. 31.** NRS 232.825 is hereby amended to read as follows:

38 232.825 The Commissioner:

39 1. May appoint ~~two~~ three deputies. The deputies are in the  
40 unclassified service of the State. Except as otherwise provided in  
41 NRS 284.143, each deputy shall devote his entire time and attention  
42 to the business of his office and shall not pursue any other business  
43 or occupation or hold any other office of profit.



- 1        2. Is responsible for the administration of the provisions of title
- 2 57 of NRS, and all other provisions of law relating to the functions
- 3 of the Division.
- 4        3. May employ such staff as is necessary for the performance
- 5 of his duties.
- 6        4. Has such other powers and duties as are provided by law.
- 7        **Sec. 32.** NRS 689A.735 and 694C.260 are hereby repealed.

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## TEXT OF REPEALED SECTIONS

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**689A.735 Report to Commissioner by trustee of medical savings account.** On or before July 1 of each year, a trustee of a medical savings account established and maintained in accordance with 26 U.S.C. § 220 shall report to the Commissioner the number of medical savings accounts administered by the trustee during the previous calendar year.

**694C.260 Surplus required: Amount; form; Commissioner authorized to prescribe additional requirements; letter of credit.**

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 \$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 \$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.

③



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