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SENATE BILL NO. 30—COMMITTEE ON COMMERCE AND LABOR

(ON BEHALF OF THE DIVISION OF INSURANCE OF THE  
DEPARTMENT OF BUSINESS AND INDUSTRY)

PREFILED NOVEMBER 16, 2022

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions relating to associations of self-insured public or private employers. (BDR 53-271)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.  
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 industrial insurance; requiring an association of self-insured public or private employers that is financially impaired to submit a financial remediation plan to the Commissioner of Insurance; revising provisions governing excess insurance policies for associations of self-insured public or private employers; revising provisions governing financial reporting by associations of self-insured public or private employers and their members; revising provisions governing the cancellation of a certificate to act as an association of self-insured public or private employers; revising provisions governing the assessments charged to the members of an association of self-insured public or private employers; revising the requirements for distributing dividends to the members of an association of self-insured public or private employers; revising provisions governing the reserves which an association of self-insured public or private employers is required to maintain; repealing provisions relating to solicitors for proposed associations of self-insured public or private employers; and providing other matters properly relating thereto.



**Legislative Counsel's Digest:**

1 Existing law authorizes a group of five or more employers to act as an  
2 association of self-insured public or private employers for the purposes of the  
3 statutes governing industrial insurance, if the group of employers has obtained a  
4 certificate to act as such an association by the Commissioner of Insurance. (NRS  
5 616B.350) **Section 1** of this bill requires the Commissioner to provide certain  
6 notice to an association's administrator if the Commissioner determines that the  
7 association is financially impaired, based on a review of the association's audited  
8 statement of financial condition. **Section 1** provides that an association is  
9 financially impaired if: (1) the assets of the association are less than the sum of the  
10 liabilities of the association; or (2) the association fails to maintain its reserves at  
11 the level required by existing law. (NRS 616B.419) **Section 1** requires an  
12 association that is financially impaired to submit a financial remediation plan to the  
13 Commissioner that includes, among other things, a proposal for additional  
14 assessments from association members and a timeline to cure the financial  
15 impairment of the association. **Section 1** requires an association for which a plan  
16 has been approved by the Commissioner to submit an annual update to the plan  
17 until the association ceases to be financially impaired. **Sections 10, 11 and 13** of  
18 this bill make conforming changes to indicate the proper placement of **section 1** in  
19 the Nevada Revised Statutes.

20 Existing law requires an association to maintain a policy of specific and  
21 aggregate excess insurance in a form and amount required by the Commissioner.  
22 (NRS 616B.353) **Section 3** of this bill requires the policy of excess insurance to  
23 include certain provisions and requires the association to submit a copy of each  
24 such policy to the Commissioner upon issuance and annually. **Section 3** requires  
25 each member of an association, other than an association for which a solvency bond  
26 has been filed, to submit an annual financial statement containing certain  
27 information regarding the cash flows of the member. **Section 2** of this bill makes a  
28 conforming change to reflect the renumbering of certain subsections in **section 3**.

29 **Section 4** of this bill revises the requirements governing when the  
30 Commissioner is authorized to cancel the certificate of an association, at the request  
31 of the association.

32 Existing law requires an association to file annually with the Commissioner an  
33 audited statement of financial condition prepared by an independent certified public  
34 accountant and authorizes the Commissioner to require the filing of such other  
35 reports as he or she deems necessary. (NRS 616B.404) **Section 5** of this bill  
36 requires certain additional information to be included in the audited statement of  
37 financial condition. **Section 5** requires the Commissioner to request in writing the  
38 filing of any other report and requires the association to file such a report within 60  
39 days after receiving the request from the Commissioner.

40 **Section 6** of this bill revises provisions governing the calculation of the annual  
41 assessment required to be paid by each member of an association.

42 Existing law requires the Commissioner to conduct an annual audit of each  
43 association to verify certain information concerning the members of the association.  
44 (NRS 616B.410) **Section 7** of this bill requires an association to file with the  
45 Commissioner an annual statement containing certain information about its  
46 members and authorizes the Commissioner to require an audit to verify the  
47 information provided. **Section 7** authorizes the Commissioner to order an  
48 association to take certain action based upon the Commissioner's review of the  
49 information provided or the results of the audit.

50 **Section 8** of this bill authorizes an association to declare and distribute  
51 dividends to its members only if: (1) the Commissioner grants his or her approval;  
52 and (2) the assets of the association will exceed the liabilities of the association  
53 following the distribution. **Section 8** sets forth the criteria the Commissioner must



54 use in determining whether to approve the distribution of a dividend by an  
55 association.

56 **Section 9** of this bill establishes minimum reserves which an association is  
57 required to maintain based upon the actuarial opinion included in the association's  
58 annual audited statement of financial condition. **Section 9** authorizes an association  
59 to apply to the Commissioner for approval to deviate from the actuarially  
60 recommended loss reserves.

61 Existing law provides for the retention and administration of the security  
62 deposited by an association after the status of an association is terminated. (NRS  
63 616B.434) **Section 12** of this bill specifies that these provisions apply to  
64 circumstances in which the certificate of an association is withdrawn or cancelled.

65 **Section 14** of this bill repeals certain provisions governing the permitting of  
66 solicitors for proposed associations of self-insured public or private employers.

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

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

3 *1. If the Commissioner determines, based upon the audited*  
4 *statement of financial condition filed pursuant to NRS 616B.404,*  
5 *that an association is financially impaired, the Commissioner*  
6 *shall send a written notice to the association's administrator, by*  
7 *certified mail, that the association is financially impaired.*

8 *2. For the purposes of subsection 1, an association of self-*  
9 *insured public or private employers is financially impaired if:*

10 *(a) The assets of the association are less than the sum of the*  
11 *liabilities of the association; or*

12 *(b) The reserves of the association are less than the amount of*  
13 *reserves which the association is required to maintain pursuant to*  
14 *NRS 616B.419.*

15 *3. Within 60 days after the receipt of the notice required*  
16 *pursuant to subsection 1, the board of trustees of the association*  
17 *shall submit to the Commissioner a financial remediation plan*  
18 *designed to remedy the financial impairment of the association.*  
19 *The plan must include, without limitation:*

20 *(a) An actuarial review of the reserves for losses and loss-*  
21 *adjustment expenses of the association;*

22 *(b) A proposal for additional assessments from association*  
23 *members to eliminate any shortfall in the surplus or reserves of*  
24 *the association;*

25 *(c) A timeline for the financial remediation plan which*  
26 *includes, without limitation:*

27 *(1) The date by which any shortfall in the surplus or*  
28 *reserves of the association will be eliminated, which must not be*  
29 *later than 3 years after the date on which the notice required*



1 *pursuant to subsection 1 was received by the association's*  
2 *administrator; and*

3 *(2) Projections of the association's financial condition*  
4 *under the plan including, without limitation, the surplus and*  
5 *reserves of the association; and*

6 *(d) Any other supporting documentation or analysis which the*  
7 *Commissioner may require.*

8 *4. Not later than 30 days after the date on which a financial*  
9 *remediation plan is submitted, the Commissioner shall approve or*  
10 *reject the plan. The plan may be approved with modifications*  
11 *which have been mutually agreed upon between the Commissioner*  
12 *and the board of trustees of the association.*

13 *5. An association for which a financial remediation plan has*  
14 *been approved pursuant to subsection 4 shall submit to the*  
15 *Commissioner an annual update to the plan at the same time that*  
16 *the association files its audited statement of financial condition*  
17 *pursuant to NRS 616B.404 until the association ceases to be*  
18 *financially impaired. The update to the plan must include, without*  
19 *limitation:*

20 *(a) A comparison of the current actual financial condition of*  
21 *the association, including, without limitation, the surplus and*  
22 *reserves of the association, with the projections contained in the*  
23 *financial remediation plan; and*

24 *(b) If there is a shortfall between the current actual financial*  
25 *condition of the association and the projections in the financial*  
26 *remediation plan, revisions to the plan to address the shortfall,*  
27 *including, without limitation, any actuarially determined increases*  
28 *to reserves for losses and loss-adjustment expenses relative to*  
29 *previous estimates.*

30 **Sec. 2.** NRS 616B.350 is hereby amended to read as follows:

31 616B.350 1. A group of five or more employers may not act  
32 as an association of self-insured public employers unless the group:

33 (a) Is composed of employers engaged in the same or similar  
34 classifications of employment; and

35 (b) Has been issued a certificate to act as such an association by  
36 the Commissioner.

37 2. A group of five or more employers may not act as an  
38 association of self-insured private employers unless each member of  
39 the group:

40 (a) Is a member or associate member of a bona fide trade  
41 association, as determined by the Commissioner, which:

42 (1) Is incorporated in this State; and

43 (2) Has been in existence for at least 5 years; and

44 (b) Has been issued a certificate to act as such an association by  
45 the Commissioner.



1 3. An association of public or private employers that wishes to  
2 be issued a certificate must file with the Commissioner an  
3 application for certification.

4 4. The application must include:

5 (a) The name of the association.

6 (b) The address of:

7 (1) The principal office of the association.

8 (2) The location where the books and records of the  
9 association will be maintained.

10 (c) The date the association was organized.

11 (d) The name and address of each member of the association.

12 (e) The names of the initial members of the board of trustees and  
13 the name of the initial association's administrator.

14 (f) Such other information as the Commissioner may require.

15 5. The application must be accompanied by:

16 (a) A nonrefundable filing fee of \$1,000 and, in addition to any  
17 other fee or charge, all applicable fees required pursuant to  
18 NRS 680C.110.

19 (b) Proof of compliance with NRS 616B.353.

20 (c) Proof that the association or its third-party administrator is  
21 licensed or otherwise authorized to conduct business in this State  
22 pursuant to title 57 of NRS.

23 (d) A copy of the agreements entered into with the association's  
24 administrator and a third-party administrator.

25 (e) A copy of the bylaws of the association.

26 (f) A copy of an agreement jointly and severally binding the  
27 association and each member of the association to secure the  
28 payment of all compensation due pursuant to chapters 616A to 617,  
29 inclusive, of NRS.

30 (g) A pro forma financial statement prepared by an independent  
31 certified public accountant in accordance with generally accepted  
32 accounting principles that shows the financial ability of the  
33 association to pay all compensation due pursuant to chapters 616A  
34 to 617, inclusive, of NRS.

35 (h) A reviewed financial statement prepared by an independent  
36 certified public accountant for each proposed member of the  
37 association or evidence of the ability of the association or its  
38 proposed members to provide a solvency bond pursuant to  
39 subsection ~~3~~ 4 of NRS 616B.353.

40 (i) Proof that each member of the association will make the  
41 initial payment to the association required pursuant to NRS  
42 616B.416 on a date specified by the Commissioner. The payment  
43 shall be deemed to be a part of the assessment required to be paid by  
44 each member for the first year of self-insurance if certification is  
45 issued to the association.



1 6. Except as otherwise provided in NRS 239.0115, any  
2 financial information relating to a member of an association  
3 received by the Commissioner pursuant to the provisions of this  
4 section is confidential and must not be disclosed.

5 7. For the purposes of this section, "associate member of a  
6 bona fide trade association" means a supplier whose business, as  
7 determined by the Commissioner:

8 (a) Is limited to a specific industry; and

9 (b) Primarily involves providing a product or service that is  
10 directly used or consumed by substantially all of the members of the  
11 trade association or bears a direct relationship to the business of the  
12 members of the association.

13 **Sec. 3.** NRS 616B.353 is hereby amended to read as follows:

14 616B.353 1. An association of self-insured public or private  
15 employers shall:

16 (a) Execute an indemnity agreement jointly and severally  
17 binding the association and each member of the association to  
18 secure the payment of all compensation due pursuant to chapters  
19 616A to 617, inclusive, of NRS. The indemnity agreement must be  
20 in a form prescribed by the Commissioner. An association may add  
21 provisions to the indemnity agreement if they are first approved by  
22 the Commissioner.

23 (b) Except as otherwise provided in this subsection, maintain a  
24 policy of specific and aggregate excess insurance in a form and  
25 amount required by the Commissioner. The excess insurance must  
26 be written by an insurer approved by the Commissioner. *The policy*  
27 *must contain a provision requiring the insurer to provide notice of*  
28 *the cancellation of the policy not later than 60 days before the*  
29 *effective date of the cancellation and a provision which states that*  
30 *insolvency or bankruptcy of the association does not relieve the*  
31 *insurer of its duties under the policy and that reimbursement will*  
32 *be made by the insurer as if the association had not become*  
33 *insolvent or bankrupt. The association shall provide a complete*  
34 *copy of each policy of excess insurance to the Commissioner not*  
35 *later than 60 days after the date of the issuance of the policy and*  
36 *annually at the same time that the association files an audited*  
37 *statement of financial condition pursuant to NRS 616B.404. To*  
38 determine the amount of excess insurance required, the  
39 Commissioner shall consider:

40 (1) The number of members in the association;

41 (2) If the association is an association of self-insured public  
42 employers, the types of governmental services provided by the  
43 members of the association;



1 (3) If the association is an association of self-insured private  
2 employers, the classifications of employment of the members of the  
3 association;

4 (4) The number of years the association has been in  
5 existence; and

6 (5) Such other information as the Commissioner deems  
7 necessary.

8 ↪ Nothing in this paragraph prohibits an association from  
9 purchasing secondary excess insurance in addition to the excess  
10 insurance required by this paragraph.

11 (c) Collect an annual assessment from each member of the  
12 association in an aggregate amount of at least \$250,000 or in an  
13 aggregate amount which the Commissioner determines is  
14 satisfactory based on an annual review conducted by the  
15 Commissioner of the actuarial solvency of the association.

16 (d) Except as otherwise provided in paragraph (e), deposit as  
17 security with the Commissioner a bond executed by the association  
18 as principal, and by a licensed surety, payable to the State of  
19 Nevada, and conditioned upon the payment of compensation for  
20 injuries and occupational diseases to their employees. The bond  
21 must be in an amount determined by the Commissioner to be  
22 reasonably sufficient to ensure payment of such compensation, but  
23 in no event may it be less than \$100,000.

24 (e) In lieu of a bond, deposit with the Commissioner a like  
25 amount of lawful money of the United States or any other form of  
26 security authorized by NRS 100.065. If security is provided in the  
27 form of a savings certificate, certificate of deposit or investment  
28 certificate, the certificate must state that the amount is unavailable  
29 for withdrawal except upon order of the Commissioner.

30 2. Except as otherwise provided in subsection ~~3.1~~ 4, in  
31 addition to complying with the requirements of subsection 1, an  
32 association of self-insured private employers shall:

33 (a) At the time of initial qualification and until the association  
34 has operated successfully as a qualified association of self-insured  
35 private employers for 3 years, as determined by the Commissioner,  
36 have a combined tangible net worth of all members in the  
37 association of at least \$2,500,000, as evidenced by a statement of  
38 tangible net worth provided to the Division of Insurance of the  
39 Department of Business and Industry by an independent certified  
40 public accountant; or

41 (b) After 3 years of successful operation as a qualified  
42 association of self-insured private employers, as determined by the  
43 Commissioner, have combined net cash flows from operating  
44 activities plus net cash flows from financing activities of all



1 members in the association of five times the average of claims paid  
2 for each of the last 3 years or \$7,500,000, whichever is less.

3 3. *Each member of an association of self-insured private*  
4 *employers, except for a member of an association of self-insured*  
5 *private employers for which a solvency bond has been deposited*  
6 *pursuant to subsection 4, shall submit a financial statement to the*  
7 *association's administrator or an independent certified public*  
8 *accountant who has been designated by the board of trustees of*  
9 *the association within 120 days after the conclusion of the*  
10 *member's fiscal year that contains information for the previous*  
11 *fiscal year. The financial statement must:*

12 (a) *Be prepared by a certified public accountant in accordance*  
13 *with generally accepted accounting principles and have all*  
14 *monetary amounts stated in United States dollars;*

15 (b) *Include a cash flow statement reflecting the net cash flows*  
16 *of the member from operating activities and net cash flows of the*  
17 *member from financing activities; and*

18 (c) *Be made available by the association for inspection by the*  
19 *Commissioner or a designee thereof.*

20 4. In lieu of complying with the requirements of subsection 2,  
21 the association's administrator shall ensure that a solvency bond, in  
22 a form prescribed by the Commissioner and in an aggregate amount  
23 of at least \$2,500,000, is deposited with the Commissioner by the  
24 association or members of the association on behalf of the  
25 association.

26 ~~[4.]~~ 5. The association's administrator shall deposit with the  
27 Commissioner a bond executed by the association's administrator as  
28 principal, and by a licensed surety, payable to the State of Nevada,  
29 and conditioned upon the faithful performance of his or her duties.  
30 The bond must be in an amount determined by the Commissioner.

31 ~~[5.]~~ 6. Any third-party administrator providing claims services  
32 for the association shall deposit with the Commissioner a bond  
33 executed by the third-party administrator as principal, and by a  
34 licensed surety, payable to the State of Nevada, and conditioned  
35 upon the faithful performance of its duties. The bond must be in an  
36 amount determined by the Commissioner.

37 ~~[6.]~~ 7. The Commissioner may increase or decrease the  
38 amount of any bond or money required to be deposited by this  
39 section in accordance with chapter 681B of NRS and the  
40 Commissioner's regulations for loss reserves in casualty insurance.  
41 If the Commissioner requires an association, association's  
42 administrator or third-party administrator to increase its deposit, the  
43 Commissioner may specify the form of the additional security. The  
44 association, association's administrator or third-party administrator





1 shall comply with such a requirement within 60 days after receiving  
2 notice from the Commissioner.

3 ~~7.7~~ 8. The Account for Associations of Self-Insured Public  
4 and Private Employers is hereby created in the State Agency Fund  
5 for Bonds. All money received by the Commissioner pursuant to  
6 this section must be deposited with the State Treasurer to the credit  
7 of the Account. All claims against this Account must be paid as  
8 other claims against the State are paid.

9 **Sec. 4.** NRS 616B.359 is hereby amended to read as follows:

10 616B.359 1. The Commissioner shall grant or deny an  
11 application for certification as an association of self-insured public  
12 or private employers within 60 days after receiving the application.  
13 If the application is materially incomplete or does not comply with  
14 the applicable provisions of the law, the Commissioner shall notify  
15 the applicant of the additional information or changes required.  
16 Under such circumstances, if the Commissioner is unable to act  
17 upon the application within this 60-day period, the Commissioner  
18 may extend the period for granting or denying the application, but  
19 for not longer than an additional 90 days.

20 2. Upon determining that an association is qualified as an  
21 association of self-insured public or private employers, the  
22 Commissioner shall issue a certificate to that effect to the  
23 association and the association's administrator. No certificate may  
24 be issued to an association that, within the 2 years immediately  
25 preceding its application, has had its certification as an association  
26 of self-insured public or private employers involuntarily withdrawn  
27 by the Commissioner.

28 3. A certificate issued pursuant to this section must include,  
29 without limitation:

30 (a) The name of the association;

31 (b) The name of each employer who the Commissioner  
32 determines is a member of the association at the time of the issuance  
33 of the certificate;

34 (c) An identification number assigned to the association by the  
35 Commissioner; and

36 (d) The date on which the certificate was issued.

37 4. A certificate issued pursuant to this section remains in effect  
38 until the certificate is withdrawn by the Commissioner, the  
39 certificate is cancelled at the request of the association or an  
40 association does not pay, in addition to any other fee or charge, all  
41 applicable fees required pursuant to NRS 680C.110. Coverage for  
42 an association granted a certificate becomes effective on the date of  
43 certification or the date specified in the certificate.

44 5. *An association of self-insured public or private employers*  
45 *may submit a written request to the Commissioner to cancel the*



1 *certificate issued to the association pursuant to this section.* The  
2 Commissioner shall not grant a request to cancel a certificate unless  
3 the association ~~has~~ :

4 (a) *Undergoes an examination, conducted at the expense of*  
5 *the association, to determine the amount of outstanding liabilities*  
6 *of the association;*

7 (b) *Surrenders the certificate; and*

8 (c) *Has* insured or reinsured all ~~incurred~~ obligations *and*  
9 *responsibilities incurred during the period in which the certificate*  
10 *was in force* with an insurer authorized to do business in this State  
11 pursuant to an agreement filed with and approved by the  
12 Commissioner. The agreement must include coverage for actual  
13 claims and claims incurred but not reported, and the expenses  
14 associated with those claims.

15 **Sec. 5.** NRS 616B.404 is hereby amended to read as follows:

16 616B.404 1. An association of self-insured public or private  
17 employers shall file with the Commissioner an audited statement of  
18 financial condition prepared by an independent certified public  
19 accountant. The statement must be filed on or before May 1 of each  
20 year or within 120 days after the conclusion of the association's  
21 fiscal year and must contain information for the previous fiscal year.

22 2. The statement required by subsection 1 must be in a form  
23 prescribed by the Commissioner and include, without limitation:

24 (a) A statement of the reserves for:

25 (1) Actual claims and expenses;

26 (2) Claims incurred but not reported, and the expenses  
27 associated with those claims;

28 (3) Assessments that are due, but not paid; and

29 (4) Unpaid debts, which must be shown as liabilities.

30 (b) *A statement of the combined tangible net worth of all*  
31 *members in the association.*

32 (c) *A statement of the combined net cash flows from operating*  
33 *activities plus the combined net cash flows from financing*  
34 *activities of all members in the association.*

35 ~~(b)~~ (d) An actuarial opinion regarding reserves that is  
36 prepared by a member of the American Academy of Actuaries or  
37 another specialist in loss reserves identified in the annual statement  
38 adopted by the National Association of Insurance Commissioners.  
39 The actuarial opinion must include a statement of:

40 (1) Actual claims and the expenses associated with those  
41 claims; and

42 (2) Claims incurred but not reported, and the expenses  
43 associated with those claims.

44 3. The Commissioner may adopt a uniform financial reporting  
45 system for associations of self-insured public and private employers



1 to ensure the accurate and complete reporting of financial  
2 information.

3 4. The Commissioner may require the filing of such other  
4 reports *by an association of self-insured public or private*  
5 *employers* as the Commissioner deems necessary to carry out the  
6 provisions of this section. ~~[, including.]~~ *The Commissioner shall*  
7 *request in writing the filing of such a report and the association*  
8 *shall file the report with the Commissioner within 60 days after*  
9 *receipt of the written request. Reports which the Commissioner*  
10 *may require pursuant to this subsection include,* without  
11 limitation:

12 (a) Audits of the payrolls of the members of ~~[an]~~ *the* association  
13 ~~;~~ ~~[of self-insured public or private employers.];~~

14 (b) Reports of losses; ~~[and]~~

15 (c) Quarterly financial statements ~~[.];~~

16 (d) *Reports of claims paid and the expenses related to those*  
17 *claims;*

18 (e) *Reports of costs associated with the policy of excess*  
19 *insurance of the association; and*

20 (f) *Reports of assessments, payments and penalties related to*  
21 *the Subsequent Injury Account for Associations of Self-Insured*  
22 *Public or Private Employers created by NRS 616B.569 and the*  
23 *Uninsured Employers' Claim Account established by*  
24 *NRS 616A.430.*

25 **Sec. 6.** NRS 616B.407 is hereby amended to read as follows:

26 616B.407 1. Except as otherwise provided in subsection 2 ~~[.];~~  
27 *and 3,* the annual assessment required to be paid by each member of  
28 an association of self-insured public or private employers must be:

29 (a) Calculated by a rate service organization that is licensed  
30 pursuant to chapter 686B of NRS; ~~[and]~~

31 (b) Based on the premium rate for the standard industrial  
32 classification of that member, adjusted by the member's individual  
33 experience ~~[.];~~

34 ~~→ If approved by the Commissioner, payments of assessments] ;~~  
35 *and*

36 (c) *Sufficient to ensure that the association has sufficient*  
37 *assets to maintain the reserves required pursuant to*  
38 *NRS 616B.419.*

39 2. *The annual assessment required to be paid by each*  
40 *member of an association of self-insured public or private*  
41 *employers* may be reduced by an amount based on the association's  
42 level of expenses and loss experience ~~[.];~~

43 ~~—2.] , if the association obtains written approval for the~~  
44 *reduction from the Commissioner. The approval of the*  
45 *Commissioner for a reduction in the assessment is only effective*



1 *for the fund year in which the approval is given. The*  
2 *Commissioner may revoke the approval at any time by providing*  
3 *notice to the association not less than 60 days before the effective*  
4 *date of the revocation.*

5 3. If approved by the Commissioner ~~[ ]~~ *in writing*, an  
6 association may calculate the annual assessment required to be paid  
7 by each member of the association. An assessment calculated by the  
8 association must be based on at least 5 years of the member's  
9 individual experience.

10 **Sec. 7.** NRS 616B.410 is hereby amended to read as follows:

11 616B.410 1. ~~[The]~~ *An association of self-insured public or*  
12 *private employers shall file with the Commissioner ~~[shall cause to~~*  
13 *be conducted at least annually an audit of each association of self-*  
14 *insured public or private employers in order to verify:] , on or*  
15 *before May 1 of each year or within 120 days after the conclusion*  
16 *of the association's fiscal year, a statement which contains the*  
17 *following information:*

18 (a) The standard industrial classification of each member of the  
19 association;

20 (b) The individual experience of each member of the  
21 association;

22 (c) The payroll of each member of the association; and

23 (d) The assessment required to be paid by each member of the  
24 association.

25 2. *The Commissioner in his or her discretion may require an*  
26 *audit to verify the information filed pursuant to subsection 1.* The  
27 audit ~~[required by this section]~~ must be conducted by an auditor  
28 approved by the Commissioner. *The expenses of the audit must be*  
29 *paid for by the association.*

30 3. A report of ~~[the]~~ *an audit conducted pursuant to subsection*  
31 **2** must be filed with the Commissioner in a form required by the  
32 Commissioner.

33 4. *As a result of an audit conducted pursuant to subsection 2,*  
34 *the Commissioner may assign to a member of the association a*  
35 *standard industrial classification that is different from the*  
36 *standard industrial classification contained in the statement filed*  
37 *pursuant to subsection 1.* The association or any member of the  
38 association may request a hearing before the Commissioner to  
39 object to any standard industrial classification assigned to a member  
40 of the association as a result of the audit.

41 5. If the Commissioner , *based upon his or her review of the*  
42 *information filed pursuant to subsection 1 or the results of an*  
43 *audit conducted pursuant to subsection 2, including, without*  
44 *limitation, any change in the standard industrial classification*  
45 *assigned to a member of the association as a result of the audit,*



1 determines that the assessment required to be paid by any member  
2 of the association is:

3 (a) Insufficient because of the standard industrial classification  
4 ~~[assigned to]~~ of the member, the Commissioner shall order the  
5 association to collect from that member any amount required to  
6 recover the deficiency.

7 (b) Excessive because of the standard industrial classification  
8 ~~[assigned to]~~ of the member, the Commissioner shall order the  
9 association to pay to the member the excess amount collected.

10 ~~[5.—The expenses of any audit conducted pursuant to this  
11 section must be paid by the association.]~~

12 **Sec. 8.** NRS 616B.413 is hereby amended to read as follows:

13 616B.413 1. ~~[If the assets]~~ *The board of trustees* of an  
14 association of self-insured public or private employers *may, after*  
15 *obtaining the approval of the Commissioner, declare and*  
16 *distribute dividends to the members of the association if, following*  
17 *the distribution of the dividend, the assets of the association will*  
18 exceed the ~~[amount necessary for]~~ *liabilities of the association and*  
19 the association *will be able* to:

20 (a) Pay its obligations and administrative expenses;

21 (b) Carry reasonable reserves; and

22 (c) Provide for contingencies . ~~†~~

23 ~~→ the board of trustees of the association may, after obtaining the  
24 approval of the Commissioner, declare and distribute dividends to  
25 the members of the association.]~~

26 2. *In determining whether to grant approval to the board of*  
27 *trustees of an association for any dividend requested pursuant to*  
28 *subsection 1, the Commissioner shall consider the following*  
29 *factors, without limitation:*

30 (a) *The leverage and liquidity ratios of the association;*

31 (b) *Any reoccurring losses of the association in the*  
32 *immediately preceding 3 years; and*

33 (c) *Any adverse findings from the most recent examination*  
34 *report of the association.*

35 3. Any dividend declared pursuant to subsection 1 must be  
36 distributed not less than 12 months after the end of the fund year.

37 ~~[3.]~~ 4. A dividend may be paid only to those members who are  
38 members of the association for the entire fund year. The payment of  
39 a dividend must not be conditioned upon the member continuing his  
40 or her membership in the association after the fund year.

41 ~~[4.]~~ 5. An association shall give to each prospective member  
42 of the association a written description of its plan for distributing  
43 dividends when the prospective member applies for membership in  
44 the association.



1       **Sec. 9.** NRS 616B.419 is hereby amended to read as follows:  
2       616B.419 *1.* Each association of self-insured public or  
3 private employers shall maintain:

4       ~~1-1~~ *(a)* Actuarially appropriate loss reserves. Such reserves  
5 must include reserves for:

6       ~~1-a~~ *(1)* Actual claims and the expenses associated with those  
7 claims; and

8       ~~1-b~~ *(2)* Claims incurred but not reported, and the expenses  
9 associated with those claims.

10       ~~2-1~~ *(b)* Reserves for uncollected debts based on the experience  
11 of the association or other associations.

12       *2. Except as otherwise provided in subsection 3, the reserves*  
13 *which an association is required to maintain pursuant to this*  
14 *section shall be determined based upon the actuarial opinion*  
15 *regarding reserves which is filed as part of the statement required*  
16 *pursuant to NRS 616B.404. The loss reserves and loss adjustment*  
17 *expenses of an association must be not less than:*

18       *(a) If the actuary provided a single point estimate, the single*  
19 *point estimate of loss reserves and loss adjustment expenses; or*

20       *(b) If the actuary provided a range of estimates, the actuarial*  
21 *central estimate, the determination of which is subject to the*  
22 *judgment of the actuary but, in any event, must be not less than*  
23 *the midpoint of the range of estimates.*

24       *3. An association may apply to the Commissioner for*  
25 *approval to deviate from the actuarially recommended loss*  
26 *reserves and loss adjustment expenses. Any such approval must be*  
27 *in writing and is effective until a new actuarial opinion regarding*  
28 *reserves is filed pursuant to NRS 616B.404, unless the*  
29 *Commissioner revokes the approval at an earlier date.*

30       **Sec. 10.** NRS 616B.425 is hereby amended to read as follows:

31       616B.425 *1.* The Commissioner may issue an order requiring  
32 an association of self-insured public or private employers or a  
33 member of the association to cease and desist from engaging in any  
34 act or practice found to be in violation of any provision of NRS  
35 616B.350 to 616B.446, inclusive, *and section 1 of this act*, or any  
36 regulation adopted pursuant thereto.

37       *2.* If the Commissioner determines that an association or a  
38 member of the association has violated an order to cease and desist,  
39 the Commissioner may impose an administrative fine of not more  
40 than \$10,000 for each violation of the order, not to exceed an  
41 aggregate amount of \$100,000, or withdraw the certificate of the  
42 association, or both.

43       **Sec. 11.** NRS 616B.428 is hereby amended to read as follows:

44       616B.428 *1.* The Commissioner may impose an  
45 administrative fine for each violation of any provision of



1 NRS 616B.350 to 616B.446, inclusive, *and section 1 of this act*, or  
2 any regulation adopted pursuant thereto. Except as otherwise  
3 provided in those sections, the amount of the fine may not exceed  
4 \$1,000 for each violation or an aggregate amount of \$10,000.

5 2. The Commissioner may withdraw the certificate of an  
6 association of self-insured public or private employers if:

7 (a) The association's certificate was obtained by fraud;

8 (b) The application for certification contained a material  
9 misrepresentation;

10 (c) The association is found to be insolvent;

11 (d) The association fails to have five or more members;

12 (e) The association fails to pay the costs of any examination or  
13 any penalty, fee or assessment required by the provisions of chapters  
14 616A to 616D, inclusive, or chapter 617 of NRS;

15 (f) The association fails to comply with any of the provisions of  
16 ~~[this chapter or chapter]~~ *chapters* 616A ~~[-616C,]~~ *to* 616D ,  
17 *inclusive*, or *chapter* 617 of NRS, or any regulation adopted  
18 pursuant thereto;

19 (g) The association fails to comply with any order of the  
20 Commissioner within the time prescribed by the provisions of  
21 chapters 616A to 616D, inclusive, or chapter 617 of NRS or in the  
22 order of the Commissioner; or

23 (h) The association or its third-party administrator  
24 misappropriates, converts, illegally withholds or refuses to pay any  
25 money to which a person is entitled and that was entrusted to the  
26 association in its fiduciary capacity.

27 3. If the Commissioner withdraws the certification of an  
28 association of self-insured public or private employers, each  
29 employer who is a member of the association remains liable for his  
30 or her obligations incurred before and after the order of withdrawal.

31 4. Any employer who is a member of an association whose  
32 certification is withdrawn shall, on the effective date of the  
33 withdrawal, qualify as an employer pursuant to NRS 616B.650.

34 **Sec. 12.** NRS 616B.434 is hereby amended to read as follows:

35 616B.434 1. If for any reason the status of an association of  
36 self-insured public or private employers as an association of self-  
37 insured employers is terminated, *including, without limitation, if*  
38 *the certificate of the association is withdrawn or cancelled*, the  
39 security deposited under NRS 616B.353 must remain on deposit for  
40 at least 36 months in such an amount as is necessary to secure the  
41 outstanding and contingent liability arising from accidental injuries  
42 or occupational diseases secured by the security, or to assure the  
43 payment of claims for aggravation, payment of claims under NRS  
44 616C.390 and payment of claims under NRS 616C.392 based on  
45 such accidental injuries or occupational diseases.





1 2. At the expiration of the 36-month period, or such other  
2 period as the Commissioner deems proper, the Commissioner may  
3 accept, in lieu of any security so deposited, a policy of paid-up  
4 insurance in a form approved by the Commissioner.

5 **Sec. 13.** NRS 616B.446 is hereby amended to read as follows:

6 616B.446 The Commissioner may adopt such regulations as  
7 are necessary to carry out the provisions of NRS 616B.350 to  
8 616B.446, inclusive ~~[ ]~~, *and section 1 of this act.*

9 **Sec. 14.** NRS 616A.315, 616B.374, 616B.377, 616B.380 and  
10 616B.383 are hereby repealed.

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**LEADLINES OF REPEALED SECTIONS**

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**616A.315** "Solicitor" defined.

**616B.374** Solicitor's permit: Advertising or offering for sale membership in proposed association of self-insured public or private employers without permit prohibited; application for permit; fee; penalty; exceptions.

**616B.377** Solicitor's permit: Commissioner to conduct investigation after filing of application for permit; required issuance of permit; Commissioner to give notice to applicant if application denied; fee nonrefundable.

**616B.380** Solicitor's permit: Power of Commissioner to suspend or revoke permit; hearing required.

**616B.383** Advertisements or written materials to join association of self-insured public or private employers; solicitor to provide to Commissioner upon request copy of document relating to solicitation.

