

DIANNE CORNWALL
Director



DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE

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June 18, 2009

Joe Burgess
CHSI of Nevada
770 Pilot Road
Suite I
Las Vegas, NV. 89119

Dear Joe:

Thank you for your questions regarding the operation of Workers' Compensation self-insured groups in Nevada. Please see my response below:

1. How often does the Division of Insurance perform operational audits on self-insured groups?

Self-insured groups are examined at least every two years. These examinations could be characterized as a combination of a market conduct examination and a financial examination and are the same as those done on insurers. Examinations are to be performed in accordance with the provisions of the Financial Examiners Handbook published by the National Association on Insurance Commissioners. Ref: NRS 679B.230, NAC 616B.591.

2. Does the Division have the ability to inspect a group's operations at any time?

Yes, the Division can inspect a group's operations at any time. Ref: NRS 616B.395

3. Can you comment on the frequency of claims audits performed by the Division of Industrial Relations on self-insured groups and on any other claims audit activity regarding groups?

The Division of Industrial Relations performs regular audits on self-insurers, self-insured groups and insurers. These audits may be performed annually or randomly. Where a claims operation has had a spotless record, audits may be

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every five years but in practice they occur more frequently. Insurers or self-insurers must also make every claim file available for inspection by the Commissioner as directed during regular business hours. Ref: NRS 616B.003, NAC 616B.013, NRS 616B.410.

4. Does the Division receive annual actuarial reserve studies performed by independent certified actuaries on self-insured groups in Nevada?

Self-insured groups must include an actuarial reserve study provided by a certified actuary as part of their annual financial report. SIG's must maintain actuarially appropriate reserves. All Nevada SIG's have provided actuarial reports on a timely basis. Ref: NRS 616b.404, NAC 616B.419.

5. Do self-insured groups file rating plans with the Division?

Yes. Ref: NRS 616B.407, NRS 616B.594.

6. Do self-insured groups in Nevada have excess insurance coverage as protection against catastrophic losses?

Self-insured groups must have excess insurance to operate in Nevada. All self-insured groups have fulfilled this requirement. NRS 616B.353 & 354.

7. To your knowledge, has there been a special assessment of a self-insured group in Nevada?

I am not aware of any special assessments by self-insured groups in Nevada. There have been no special assessments for the Insolvency Fund for Associations of Public and Private Self-Insured Employers which is a backstop for self-insured groups and which is currently well-funded.

8. To your knowledge, has there been a failure of a self-insured group in Nevada since the first group was formed in October 1995?

There have been no failures of self-insured groups.

9. Do self-insured groups submit annual audited financial statements to the Division?

Each self-insured group must provide an audited statement of financial condition within 120 days of the close of the group's fiscal year. Ref: NRS 616B.404.

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10. Are self-insured groups permitted to self-administer claims and set reserves?

Self-administration of claims is not permitted. Ref: NRS 616B.371

11. Does the Joint & Several Liability agreement mean that members of a self-insured group would first be responsible for correcting a deficit within their own group before any other self-insured group was involved?

The Joint and Several Indemnity Agreement ties each member to all other members of that particular SIG, not to other SIG's. The Commissioner has the authority to assess other SIG's if the tangible net worth of the members of a SIG that has a deficit has not cured that deficit, and if there are not available funds in the Insolvency Fund. The Insolvency Fund is currently well-funded and there has never been a need for such an assessment. Ref: 616B.579

Thank you for your inquiry. Please do not hesitate to contact me if you have any additional questions.

Sincerely,



Terri Chambers
Chief, Self-Insured Workers' Compensation