



DEPARTMENT OF BUSINESS AND INDUSTRY  
DIVISION OF INSURANCE

1818 East College Pkwy., Suite 103  
Carson City, Nevada 89706  
(775) 687-0700 • Fax (775) 687-0787  
Website: doi.nv.gov  
E-mail: insinfo@doi.state.nv.us

**NEVADA COMMENTS REGARDING THE DRAFT NONADMITTED  
INSURANCE PREMIUM TAX CLEARINGHOUSE ACCESS AGREEMENT**

April 21, 2011

1. With regard the optional language on Single-State Risks in Section 2 (STATE OBLIGATIONS), Nevada proposes rendering the very text of the language, in addition to its existence, optional rather than binding upon the State. Instead of stating “The State shall also require...”, Nevada recommends a revision to the following effect: “The State may also, at its discretion and with adequate notice to the Clearinghouse, require...”

With this revision, a given State that has elected to include this clause in its contract would be able to choose to alter its approach to utilizing the Clearinghouse for Single-State Risks without needing to amend its contract with the Clearinghouse to do this.

2. Also in Section 2, Nevada recommends changing “banking institution” to “financial institution” – a more generic term that accommodates a broader variety of financial arrangements whereby States maintain their depository accounts.

3. Nevada supports the inclusion of the OPTIONAL PROVISION FOR AMENDMENT OR MODIFICATION in the contracts. This provision would allow for greater versatility in adjusting to presently unforeseen circumstances as they arise.

4. With regard to Section 8 (INSURANCE REQUIREMENTS) and Section 9 (PERFORMANCE BOND), Nevada recommends that the Clearinghouse *only* be required to obtain errors and omissions (E&O) insurance and that Section 9 be removed. The requirement to also supply a performance bond may be duplicative any may impose substantial costs upon the Clearinghouse, since such a bond would be required for each State with which the Clearinghouse contracts. A single insurance policy could cover the Clearinghouse’s liability exposures with respect to all of the NIMA Participating States.

5. Nevada also recommends amending the insurance described in Section 8 to specify that such insurance must cover the failure of an information technology (IT) system. Not all professional liability or E&O policies provide such coverage. IT-system failure and its consequences would probably entail the greatest liability risk for the Clearinghouse.

6. Nevada is concerned that Section 13 (PUBLICITY) is unduly restrictive upon both the State and the Clearinghouse. For the State, numerous official functions (e.g., providing testimony to the Legislature, responding to inquiries from agents, brokers, and insureds, communicating among State agencies) may require regular use of the name of the Clearinghouse vendor. In such cases, obtaining prior written permission from the Clearinghouse vendor may be cumbersome, uneconomical, and of questionable added value. Likewise, with respect to the Clearinghouse vendor's prerogatives, we have no concerns with the vendor using Nevada's name to illustrate, for instance, that it provides services to certain States. Indeed, the two vendors that responded to the Surplus Lines Task Force's Request for Information (RFI) both provided the identities of the States with whom they currently have contractual arrangements for software similar to that contemplated for the NIMA Clearinghouse. This disclosure was instrumental in order for the vendors to convey an impression of their prior experience in providing the contemplated services.

Moreover, a particular State's participation in NIMA and the identity of the NIMA Clearinghouse vendor would be publicly available facts. Nevada sees no reason for a contract to restrict disclosure of information that is broadly available to the public in any case. Therefore, Nevada recommends that Section 13 be removed in entirety.

Sincerely,



Mr. Gennady Stolyarov II, ARe, AIS  
Actuary I  
Property and Casualty Section  
Nevada Division of Insurance