

## SELF-INSURANCE REQUIREMENTS

### PRE-QUALIFICATIONS (NAC 485.060, 485.070)

***Applicant must have more than 10 vehicles actively registered in Nevada under the name of the self-insurance applicant to qualify for Self-Insurance.***

### APPLICATION (NAC 485.060)

#### Application for Self-Insurance

The Application for Self-Insurance must be completed in full and signed by a principal of the business. The application must contain a statement by the applicant that he/she realizes that, in self-insuring, he/she is performing an insurance function and expressly agrees, as a condition to the granting of a certificate of self-insurance, to abide by the statutes of this State concerning unfair practices in settling claims and any regulations adopted thereunder by the Commissioner of Insurance.

**Note:** If filing a joint application, please submit a copy of the indemnity agreement (either an original or a copy notarized by a licensed notary public) with your application. According to NAC 485.075, "Entities making a joint application for a certificate of self-insurance pursuant to NAC 485.060 must enter into an indemnity agreement jointly and severally binding each entity for all liability arising from the operation of each motor vehicle that is self-insured pursuant to the certificate."

#### CPA's Affidavit of Audit of Current Financial Ratio

The applicant for a certificate of self-insurance must submit, for the confidential use of the Department, an affidavit (form SI-10) from a certified public accountant licensed in this State attesting that the financial statements of the applicant have been audited and setting forth the current ratio of the applicant at the time of the audit.

#### Vehicle List

***Applicant must submit a complete list of more than 10 vehicles actively registered in Nevada under the name of the self-insurance applicant to qualify for Self-Insurance.*** The list must contain the vehicle identification number, the license plate number, and the name of the make and model of each vehicle. No certificate of self-insurance may be issued or approved for an applicant whose previous certificate of self-insurance was cancelled within one (1) year after the date of the application for any of the reasons stated in NAC 485.120.

### SECURITY (NAC 485.080, 485.090, 485.100)

#### Acceptable Forms of Security (NAC 485.090)

#### ***What types of security can a Self-Insurance applicant deposit with the Department?***

Meeting all requirements listed in NAC 485.090, a self-insurance applicant may deposit the following types of security with the Department of Motor Vehicles:

1. A time certificate of deposit with a bank chartered by this State or a bank that is a member of the United States Federal Reserve System.
2. A surety bond which is issued by a company authorized and licensed to transact the business of surety insurance in this State and which is countersigned by a resident agent licensed in this State.

3. Cash.
4. A letter of credit [meeting all requirements listed in NAC 485.090 (4)].

**Security Deposit Amounts Required** (NAC 485.080)

***How much security shall be deposited with the Department and how is the amount determined?***

The amount of security required will be based on the greater amount of the following, either:

1. One hundred thirty percent (130%) of the average annual claims paid by the self-insurer during the immediately preceding 3-year period; **OR**
2. The amount will be determined according to the following scale for vehicles actively registered in this State in the name of the self-insurer:

Number of Vehicles	Amount of Security
11 to 50	\$55,000
51 to 100	80,000
101 to 250	130,000
251 to 500	205,000
501 to 750	280,000
751 or more	355,000

**Use and Replenishment of Security Deposit** (NAC 485.080)

***How is the security deposit used and when must the Self-Insurer replenish the deposit?***

The security deposit must be used to satisfy judgments which have become final and remain unsatisfied after 30 days unless a court order mandates otherwise. Upon notification to the self-insurer that the security has been used to satisfy damages, the self-insurer must replenish the required security amount within 24 hours. Failure to maintain the amount of required security is grounds for the cancellation of the certificate of self-insurance.

**Duration of Security Deposit** (NAC 485.100)

***How long are security deposit amounts required?***

The security deposited under NAC 485.090 must be maintained for as long as the self-insurer holds or desires to hold a certificate of self-insurance in this State.

Further, the security must remain on file for a period of 3½ years after the self-insurer no longer desires to hold a certificate of self-insurance, or the number of vehicles actively registered in this State in the name of the self-insurer drops below 11, or until the Director is satisfied that all outstanding claims have been adjudicated and paid.

**TAXICABS** (NRS 706.3056)

Operator of taxicab may deposit security with Department in lieu of insurance:

1. Any security in the amount of \$500,000; **OR**
2. An amount equal to 110 percent of the average annual costs of claims incurred by the operator for accidents involving motor vehicles during the immediately preceding three (3) years.

Whichever is less, but in no event may the deposit be less than \$250,000.

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## SELF-INSURED REQUIREMENTS (NRS AND NAC Citations)

**NRS 485.028 “Certificate of financial responsibility” defined.** “Certificate of financial responsibility” means the certificate issued by an insurance carrier pursuant to [NRS 485.308](#) certifying that there is a motor vehicle liability policy in effect for a person who is required to furnish proof of financial responsibility.

(Added to NRS by 1995, 2734)

**NRS 485.037 “Insurance” defined.** “Insurance” means:

1. A motor vehicle liability policy; or
2. The security provided by a self-insurer pursuant to [NRS 485.380](#).

(Added to NRS by 1995, 2734)

**NRS 485.380 Self-insurers.**

1. Any person in whose name more than 10 motor vehicles are registered in the State of Nevada may qualify as a self-insurer by obtaining a certificate of self-insurance issued by the Department as provided in subsection 2.

2. The Department may, upon the application of such a person, issue a certificate of self-insurance when:

(a) It is satisfied that he possesses and will continue to possess the ability to pay judgments obtained against him; and

(b) The person provides security to satisfy judgments against him in an amount prescribed by regulation of the Department.

3. The certificate of self-insurance must include:

- (a) The name and address of the self-insurer;
- (b) The expiration date of the self-insurance; and
- (c) The statements:

(1) “Self-insured”; and

(2) “This certificate of self-insurance or a photocopy thereof must be carried in the motor vehicle which is self-insured for production on demand.”

4. Upon not less than 5 days’ notice and a hearing pursuant to the notice, the Department may, upon reasonable grounds, cancel a certificate of self-insurance. Failure to pay any judgment within 30 days after it becomes final constitutes a reasonable ground for the cancellation of a certificate of self-insurance.

5. The Department shall adopt regulations which set forth the amount of security which must be provided by a self-insurer pursuant to subsection 2.

[15:127:1949; 1943 NCL § 4439.15]—(NRS A 1961, 149; 1965, 263; 1973, 839; 1977, 657; 1979, 1517; 1993, 2487; 1995, 2743; [1999, 3588](#))

**NRS 686A.310 Unfair practices in settling claims; liability of insurer for damages.**

1. Engaging in any of the following activities is considered to be an unfair practice:

(a) Misrepresenting to insureds or claimants pertinent facts or insurance policy provisions relating to any coverage at issue.

(b) Failing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies.

(c) Failing to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.

(d) Failing to affirm or deny coverage of claims within a reasonable time after proof of loss requirements have been completed and submitted by the insured.

(e) Failing to effectuate prompt, fair and equitable settlements of claims in which liability of the insurer has become reasonably clear.

(f) Compelling insureds to institute litigation to recover amounts due under an insurance policy by offering substantially less than the amounts ultimately recovered in actions brought by such insureds, when the insureds have made claims for amounts reasonably similar to the amounts ultimately recovered.

(g) Attempting to settle a claim by an insured for less than the amount to which a reasonable person would have believed he was entitled by reference to written or printed advertising material accompanying or made part of an application.

(h) Attempting to settle claims on the basis of an application which was altered without notice to, or knowledge or consent of, the insured, his representative, agent or broker.

(i) Failing, upon payment of a claim, to inform insureds or beneficiaries of the coverage under which payment is made.

(j) Making known to insureds or claimants a practice of the insurer of appealing from arbitration awards in favor of insureds or claimants for the purpose of compelling them to accept settlements or compromises less than the amount awarded in arbitration.

(k) Delaying the investigation or payment of claims by requiring an insured or a claimant, or the physician of either, to submit a preliminary claim report, and then requiring the subsequent submission of formal proof of loss forms, both of which submissions contain substantially the same information.

(l) Failing to settle claims promptly, where liability has become reasonably clear, under one portion of the insurance policy coverage in order to influence settlements under other portions of the insurance policy coverage.

(m) Failing to comply with the provisions of [NRS 687B.310](#) to [687B.390](#), inclusive, or [687B.410](#).

(n) Failing to provide promptly to an insured a reasonable explanation of the basis in the insurance policy, with respect to the facts of the insured's claim and the applicable law, for the denial of his claim or for an offer to settle or compromise his claim.

(o) Advising an insured or claimant not to seek legal counsel.

(p) Misleading an insured or claimant concerning any applicable statute of limitations.

2. In addition to any rights or remedies available to the Commissioner, an insurer is liable to its insured for any damages sustained by the insured as a result of the commission of any act set forth in subsection 1 as an unfair practice.

(Added to NRS by 1975, 1285; A 1987, 1067; 1991, 2202)

### **NRS 706.3056 Operator of taxicab may deposit security with Department in lieu of insurance.**

1. In lieu of the insurance against liability required by the regulations adopted pursuant to [NRS 706.305](#), an operator of a taxicab may deposit with the Department:

(a) Any security in the amount of \$500,000; or

(b) An amount equal to 110 percent of the average annual costs of claims incurred by the operator for crashes involving motor vehicles during the immediately preceding 3 years, whichever is less, but in no event may the deposit be less than \$250,000. The security deposited may be in any form authorized by [NRS 706.3058](#). The Department shall not accept a deposit unless it is accompanied by evidence that there are no unsatisfied judgments of any character against the depositor in the county where the depositor resides.

2. An operator of a taxicab depositing money with the Department pursuant to subsection 1, shall authorize payments from the deposit in the amounts and under the same circumstances as would be required in a contract of insurance against liability which is in compliance with the regulations adopted pursuant to [NRS 706.305](#).

3. Any security deposited must be used to satisfy any judgment obtained against the depositor which is final and has not been paid within 30 days after the date of the judgment, unless otherwise ordered by the court issuing the judgment. A depositor, within 24 hours after receiving notice that the security has been used to satisfy a judgment obtained against him, shall deposit with the Department an amount which is necessary to maintain with the Department the amount required by subsection 1. The failure to maintain the full amount required by subsection 1 is a ground for the cancellation of the depositor's certificate of self-insurance.

4. Any money collected by the Department pursuant to subsection 1 must be deposited with the State Treasurer for credit to a separate account in the State General Fund and used for payments authorized pursuant to subsection 2 or to refund money paid by an operator of a taxicab who is no longer participating in a program of self-insurance.

(Added to NRS by 1989, 1785, A 2015, 1702)

**NAC 485.050 Office of Department; communications relating to self-insurance; information. ([NRS 485.130](#))**

1. The principal office of the Department is the Department of Motor Vehicles, Central Services and Records Division, 555 Wright Way, Carson City, Nevada 89711.

2. All written communications to the Department or securities or documents relating to self-insurance must be addressed to the principal office of the Department.

3. A person may obtain clarification of this chapter, information about the application of this chapter or information about other dealings with reference to this chapter from the principal office of the Department.

[Dep't of Motor Veh., Self-insurance Reg. § III, eff. 4-29-82]—(NAC A by R162-01, 2-12-2002)

## CERTIFICATE OF SELF-INSURANCE

### **NAC 485.060 Application for certificate; duties of applicant. ([NRS 485.130](#), [485.380](#))**

1. Before applying for a certificate of self-insurance, an applicant must submit a complete list of his motor vehicles to the Department. The list must contain the vehicle identification number, the license plate number and the name of the make and model of each vehicle.

2. After the list is submitted, the number of vehicles actively registered in this State in the name of the applicant must not drop below 11.

3. An application for a certificate of self-insurance must be made on a form provided by the Department. The application must contain a statement by the applicant that he realizes that, in self-insuring, he is performing an insurance function and expressly agrees, as a condition to the granting of a certificate of self-insurance, to abide by the statutes of this State concerning unfair practices in settling claims and any regulations adopted thereunder by the Commissioner of Insurance.

4. Except as otherwise provided in this subsection, each applicant for a certificate of self-insurance must submit, for the confidential use of the Department, an affidavit from a certified public accountant licensed in this State attesting that the financial statements of the applicant have been audited and setting forth the current ratio of the applicant at the time of the audit.

5. An applicant for self-insurance may be required by the Department to submit evidence of excess insurance or reinsurance written by an insurer authorized to do business in this State to provide protection against large or numerous judgments. This insurance may be in excess of the amount of security deposited with the Department. To determine if excess insurance or reinsurance will be required, the Director or the authorized representative will consider the number of vehicles actively registered in this State in the name of the applicant, the manner in which they are being used and the applicant's financial ability to pay claims.

[Dep't of Motor Veh., Self-insurance Reg. § IV, eff. 4-29-82]—(NAC A by Dep't of Motor Veh. & Pub. Safety, 7-29-86; A by Dep't of Motor Veh. by R162-01, 2-12-2002; R164-03, 10-31-2005)

### **NAC 485.070 Approval or denial of application; expiration and transfer of certificate. ([NRS 485.130](#), [485.380](#))**

1. No application will be approved unless:

(a) The Department receives a true, complete and correct application;

(b) The applicant provides appropriate security of a type set forth in [NAC 485.090](#) in the amount determined by the Department pursuant to [NAC 485.080](#);

(c) The Department is satisfied that the applicant can pay any judgment for which it may become liable;

(d) The Department determines that the loss record of the applicant, if any, is reasonable and not excessive; and

(e) All vehicles that the applicant wishes to self-insure are registered in this State.

2. No certificate of self-insurance may be issued or approved for an applicant whose previous certificate of self-insurance was cancelled within 1 year after the date of the application for any of the reasons stated in paragraphs (d) to (g), inclusive, of subsection 1 of [NAC 485.120](#).

3. The Director or the authorized representative will review and approve or disapprove an application for a certificate of self-insurance. If the application is approved, the Director or authorized representative will issue a certificate to the applicant. The certificate is valid for 1 year after the date the application is approved, and the day and month of the expiration of the certificate must, to the extent practicable, remain the day and month of expiration of each renewal of the certificate.

4. The Department will notify the applicant by certified mail if his application is denied. The notice will include the reason for the denial.

5. A certificate of self-insurance is not transferable.

[Dep't of Motor Veh., Self-insurance Reg. § V, eff. 4-29-82]—(NAC A by R162-01, 2-12-2002; R164-03, 10-31-2005)

**NAC 485.075 Guarantee of indemnification. (NRS 485.130, 485.380)**

1. The Department may, before issuing a certificate of self-insurance to an applicant, require a guarantee of indemnification:

- (a) From the parent corporation, if the applicant is a subsidiary or affiliate of a corporation;
- (b) From any partner, if the applicant is a partnership; or
- (c) From the owner, if the applicant is a sole proprietorship.

2. Entities making a joint application for a certificate of self-insurance pursuant to [NAC 485.060](#) must enter into an indemnity agreement jointly and severally binding each entity for all liability arising from the operation of each motor vehicle that is self-insured pursuant to the certificate.

(Added to NAC by Dep't of Motor Veh. by R164-03, eff. 10-31-2005)

**NAC 485.080 Security: Deposit; required amount; use and replenishment; change of amount. (NRS 485.130, 485.380)**

1. A self-insurer shall deposit with the Department security in an amount determined by the Department pursuant to this section.

2. The amount of security required will be based on the greater of 130 percent of the average annual claims paid by the self-insurer during the immediately preceding 3-year period or the amount determined in accordance with the following scale for vehicles actively registered in this State in the name of the self-insurer:

Number of Vehicles	Amount of Security
11 to 50	\$55,000
51 to 100	80,000
101 to 250	130,000
251 to 500	205,000
501 to 750	280,000
751 or more	355,000

3. The security deposit must be used to satisfy judgments which have become final and remain unsatisfied after 30 days unless a court order mandates otherwise. Upon notification to the self-insurer that the security has been used to satisfy damages, the self-insurer must replenish the security to the required amount within 24 hours. Failure to maintain the amount of required security is grounds for the cancellation of the certificate of self-insurance.

4. The Department may increase or decrease the amount of required security and specify the form of any additional required security. If the Department increases or decreases the amount of required security, the Department will send written notice of the required increase or decrease to the self-insurer. The self-insurer shall, within 30 days after receiving the notice, increase or decrease the security deposited with the Department in accordance with the amount specified in the notice.

5. The self-insurer may submit a written request to the Department to decrease the amount of required security if the number of vehicles actively registered in this State in the name of the self-insurer decreases and the self-insurer does not wish to maintain the larger fleet size on file with the Department.

[Dep't of Motor Veh., Self-insurance Reg. § VI, eff. 4-29-82]—(NAC A by R162-01, 2-12-2002; R164-03, 10-31-2005)

**NAC 485.090 Security: Acceptable forms. (NRS 485.130, 485.380)** The Department may accept as security:

1. A time certificate of deposit with a bank chartered by this State or a bank that is a member of the United States Federal Reserve System which is made payable to the self-insurer and the Department.

2. A surety bond which is issued by a company authorized and licensed to transact the business of surety insurance in this State and which is countersigned by a resident agent licensed in this State.

3. Cash.

4. A letter of credit that:

(a) Includes a clause stating that no document other than a demand for payment under the terms of the letter is necessary for payment;

(b) Is irrevocable;

(c) Does not expire unless written notice is given by the issuer to the Department not less than 30 days before the date of expiration;

(d) Is issued by a bank that:

(1) Is chartered by this State or is a member of the United States Federal Reserve System; and

(2) Has been approved by the Department;

(e) Includes a clause stating that the letter of credit is not subject to any condition or qualification that is not specified in the letter of credit;

(f) Although it may be the individual obligation of the issuer, is not contingent on the ability of the issuer to perfect any lien or security interest;

(g) Does not contain any reference to another agreement, agency, document or person;

(h) Includes a clause stating that the obligation of the issuer under the letter of credit is not contingent on reimbursement; and

(i) If the letter of credit includes a boxed section in the heading that sets forth the name of the applicant and other appropriate notations, is clearly marked in the boxed section to indicate that the information set forth therein is for internal identification only and does not affect the terms of the letter of credit or the obligations of the issuer.

5. Other forms of security which are acceptable to the Department.

[Dep't of Motor Veh., Self-insurance Reg. §§ VII-X, eff. 4-29-82]—(NAC A by R162-01, 2-12-2002; R164-03, 10-31-2005)

**NAC 485.100 Duration of security; affidavit and administration of claims. ([NRS 485.130, 485.380](#))**

1. The security deposited under [NAC 485.090](#) must be maintained for as long as the self-insurer holds or desires to hold a certificate of self-insurance in this State.

2. At the time of the relinquishment of the certificate of self-insurance, the self-insurer shall submit a properly executed affidavit to the Department indicating all outstanding claims against the self-insurer by listing all claimants and the amount of each claim. The self-insurer shall administer all such claims.

3. The security must remain on file for a period of 3 1/2 years after the self-insurer no longer desires to hold a certificate of self-insurance or the number of vehicles actively registered in this State in the name of the self-insurer drops below 11, or until the Director is satisfied that all outstanding claims have been adjudicated and paid.

[Dep't of Motor Veh., Self-insurance Reg. § XI, eff. 4-29-82]—(NAC A by R162-01, 2-12-2002; R164-03, 10-31-2005)

**NAC 485.110 Annual submission of certain information; settlement of claims. ([NRS 485.130, 485.380](#))**

1. Each self-insurer shall annually submit to the Department:

(a) An affidavit from a certified public accountant licensed in this State attesting that the financial statements of the self-insurer have been audited and setting forth the current ratio of the self-insurer at the time of the audit;

(b) A report on a form provided by the Department indicating the number of accidents, the number of claims submitted to be paid by the self-insurer, the amount of each claim, the amount paid to a claimant if the claim has been adjudicated and the adjusting companies which have settled claims on behalf of the self-insurer; and

(c) A complete listing of vehicles actively registered in this State in the name of the self-insurer on a form approved by the Department.

□ Each self-insurer shall submit these reports no earlier than 60 days before and no later than 15 days before the date of expiration of its certificate of self-insurance.

2. A self-insurer may settle its own claims or use the services of an adjusting company licensed in accordance with [chapter 684A](#) of NRS to settle claims on its behalf. If the self-insurer uses an adjusting company to settle claims, an affidavit must be included with the reports submitted pursuant to subsection 1 which lists all companies that settled claims during the reporting period.

[Dep't of Motor Veh., Self-insurance Reg. § XII, eff. 4-29-82]—(NAC A by R162-01, 2-12-2002; R164-03, 10-31-2005)

**NAC 485.115 Change in ownership or control of self-insurer. ([NRS 485.130](#), [485.380](#))**

1. A self-insurer shall notify the Department not less than 60 days before any change in ownership or control. The Department will maintain the confidentiality of the notification and all related documents that it receives, unless otherwise required by a specific statute or a court of competent jurisdiction.

2. If the Department receives notification from a self-insurer of a change in ownership or control, the Department may require the self-insurer to file a new application for self-insurance.

(Added to NAC by Dep't of Motor Veh. by R164-03, eff. 10-31-2005)

**NAC 485.120 Cancellation of certificate. ([NRS 485.130](#), [485.380](#))**

1. The Department may cancel the certificate of self-insurance of a self-insurer if:

(a) The self-insurer no longer has security in a form acceptable pursuant to [NAC 485.090](#);

(b) The self-insurer no longer has security in the amount determined by the Department pursuant to [NAC 485.080](#);

(c) The self-insurer fails to increase the amount of security to the required amount within 30 days after receiving notice from the Department of a required increase;

(d) The self-insurer fails to pay a judgment within 30 days after it becomes final;

(e) The self-insurer submits false information in the application for self-insurance;

(f) The self-insurer fails to submit or falsifies any report required pursuant to [NAC 485.110](#);

(g) The self-insurer fails to comply with any provision of [NRS 686A.310](#) or [NAC 686A.600](#) to [686A.680](#), inclusive, an order of the Commissioner of Insurance in any informal or administrative hearing or an order of any court;

(h) The number of vehicles actively registered in this State in the name of the self-insurer drops below 11; or

(i) The self-insurer fails to comply with any provision of this chapter or [NRS 485.380](#).

2. If the Department cancels the certificate of self-insurance of a self-insurer:

(a) The Department will send notice of the cancellation, including the reason for the cancellation, to the self-insurer by certified mail; and

(b) The self-insurer shall comply with the requirements concerning liability insurance set forth in [NRS 485.185](#).

[Dep't of Motor Veh., Self-insurance Reg. § XIII, eff. 4-29-82]—(NAC A by R164-03, 10-31-2005)

## UNFAIR PRACTICES

### General Provisions

#### **NAC 686A.600 Scope and applicability.** ([NRS 679B.130](#), [686A.015](#))

1. [NAC 686A.600](#) to [686A.680](#), inclusive, define certain minimum standards, violations of which, with a frequency which indicates a general business practice, will be deemed to constitute unfair claims settlement practices.

2. [NAC 686A.600](#) to [686A.690](#), inclusive, apply to all persons and to all insurance contracts or policies except policies of surety insurance.

3. Acts not specified in [NAC 686A.600](#) to [686A.690](#), inclusive, may also be deemed to be violations of [NRS 686A.310](#).

[Comm'r of Insurance, M-9 § 3, eff. 2-21-80]—(NAC A by Div. of Insurance by R089-98, 9-25-98)

**NAC 686A.610 Definitions.** ([NRS 679B.130](#), [686A.015](#)) As used in [NAC 686A.600](#) to [686A.680](#), inclusive, unless the context otherwise requires, the words and terms defined in [NAC 686A.615](#) to [686A.650](#), inclusive, have the meanings ascribed to them in those sections.

[Comm'r of Insurance, M-9 § 4, eff. 2-21-80]

**NAC 686A.615 “Agent” defined.** ([NRS 679B.130](#), [686A.015](#)) “Agent” means any person, corporation, association, partnership, or other legal entity authorized by the insurer to represent it with respect to a claim.

[Comm'r of Insurance, M-9 § 4a, eff. 2-21-80]

**NAC 686A.620 “Claimant” defined.** ([NRS 679B.130](#), [686A.015](#)) “Claimant” includes a first-party claimant, a third-party claimant, or both, and designated legal representatives and members of the claimant’s immediate family designated by the claimant.

[Comm'r of Insurance, M-9 § 4b, eff. 2-21-80]

**NAC 686A.625 “First-party claimant” defined.** ([NRS 679B.130](#), [686A.015](#)) “First-party claimant” means a person, corporation, association, partnership or other legal entity asserting a right to payment under an insurance contract or policy arising out of the occurrence of the contingency or loss covered by the contract or policy. “First-party claimant” does not include a person who provides service to an injured party.

[Comm'r of Insurance, M-9 § 4c, eff. 2-21-80]

**NAC 686A.627 “Insurance policy or contract” defined.** ([NRS 679B.130](#), [686A.015](#)) “Insurance policy or contract” means any insurance policy, plan or written agreement for or affecting insurance by whatever name called and includes all clauses, riders or endorsements offered by any person or entity engaged in the business of insurance in this State.

[Comm'r of Insurance, M-9 § 4e, eff. 2-21-80]—(Substituted in revision for NAC 686A.635)

**NAC 686A.630 “Insurer” defined.** ([NRS 679B.130](#), [686A.015](#)) “Insurer” means a person licensed to issue, or who issues, any insurance contract or policy in this State.

[Comm'r of Insurance, M-9 § 4d, eff. 2-21-80]

**NAC 686A.640 “Investigation” defined.** ([NRS 679B.130](#), [686A.015](#)) “Investigation” means all activities of an insurer directly or indirectly related to the determination of liabilities under coverage afforded by an insurance contract or policy.

[Comm'r of Insurance, M-9 § 4f, eff. 2-21-80]

**NAC 686A.645 “Notice of claim” defined.** ([NRS 679B.130](#), [686A.015](#)) “Notice of claim” means any notice, whether in writing or otherwise, to an insurer or its agent, by a claimant, which reasonably apprises the insurer of the facts pertinent to a claim.

[Comm’r of Insurance, M-9 § 4g, eff. 2-21-80]

**NAC 686A.650 “Third-party claimant” defined.** ([NRS 679B.130](#), [686A.015](#)) “Third-party claimant” means any person, corporation, association, partnership or other legal entity asserting a claim against any person, corporation, association, partnership or other legal entity insured under an insurance contract or policy. “Third-party claimant” does not include a person who provides service to an injured party.

[Comm’r of Insurance, M-9 § 4h, eff. 2-21-80]

## Standards Concerning Claims

**NAC 686A.660 Misrepresentation of provisions of a policy.** ([NRS 679B.130](#), [686A.015](#), [686A.310](#))

1. Each insurer shall fully disclose to first-party claimants all pertinent benefits, coverages or other provisions of an insurance contract or policy under which a claim is presented.

2. No agent may conceal from a first-party claimant any of the benefits, coverages or other provisions of any insurance contract or policy when pertinent to a claim.

3. No insurer may deny a claim for failure to exhibit the property without proof of demand and unfounded refusal by a claimant.

4. No insurer may, except where there is a time limit specified in the insurance contract or policy, require a claimant to give written notice of loss or proof of loss within a specified time or seek to relieve the insurer of the obligations if the requirement is not complied with, unless the failure to comply prejudices the insurer’s rights.

5. No insurer may request a first-party claimant to sign a release which extends beyond the condition or occurrence which gave rise to the claim payment.

6. No insurer may issue a check or draft in partial settlement of a loss or claim under a specific coverage if the check or draft contains language which releases the insurer or its insured from its total liability.

[Comm’r of Insurance, M-9 § 5, eff. 2-21-80]

**NAC 686A.665 Insurer to acknowledge receipt of claim notice within certain period; insurer, agent or administrator to respond adequately and within certain period to inquiry from Division respecting claim filed with Division; reply required within certain period to certain communications from claimants.** ([NRS 679B.130](#), [686A.015](#), [686A.310](#))

1. Every insurer shall acknowledge the receipt of a claim notice within 20 working days after receipt of the claim notice unless payment of the claim is made within that time. If acknowledgment is made by means other than writing, an appropriate dated notation of the acknowledgment must be made in the claim file of the insurer. Notice given to an agent of an insurer is notice to the insurer.

2. Each insurer, agent or administrator, upon receipt of any inquiry from the Division respecting a claim filed with the Division shall, within 10 working days after receipt of the inquiry, furnish the Division with an adequate response to the inquiry. The Division will not consider an acknowledgment of the receipt of an inquiry to be an adequate response to the inquiry. An insurer, agent or administrator who has received such an inquiry may request an extension of time, not to exceed 20 working days, to submit an adequate response. The request for an extension must be furnished to the Division within 10 working days after the insurer, agent or administrator received the inquiry.

3. An appropriate reply must be made within 20 working days after receipt of any other pertinent communication from a claimant if the communication reasonably suggests that a response is expected.

4. Each insurer, upon receiving notification of claim, shall promptly provide necessary claim forms, instructions and reasonable assistance so that first-party claimants can comply with the policy conditions

and the insurer's reasonable requirements. Compliance with this subsection within 20 working days after receipt of notification of a claim constitutes compliance with subsection 1.

5. As used in this section, "administrator" has the meaning ascribed to it in [NRS 683A.025](#).

[Comm'r of Insurance, M-9 § 6, eff. 2-21-80]—(NAC A 5-27-92; A by Div. of Insurance by R089-98, 9-25-98)

**NAC 686A.670 Investigation of claims. ([NRS 679B.130](#), [686A.015](#), [686A.310](#))**

1. Each insurer shall establish procedures to begin an investigation of any claim within 20 working days of receipt of notice of the claim. Each insurer shall mail or otherwise provide to each claimant, a notice of all items, statements and forms, if any, which the insurer reasonably believes will be required of the claimant, within 20 working days after receiving notice of the claim.

2. Each insurer shall complete an investigation of each claim within 30 days after receiving notice of the claim, unless the investigation cannot reasonably be completed within that time.

[Comm'r of Insurance, M-9 § 7, eff. 2-21-80]

**NAC 686A.675 Standards applicable to all insurers. ([NRS 679B.130](#), [686A.015](#), [686A.310](#))**

1. Within 30 working days after receipt by the insurer of properly executed proofs of loss, the first-party claimant must be advised of the acceptance or denial of the claim by the insurer. No insurer may deny a claim on the grounds of a specific policy provision, condition or exclusion unless reference to that provision, condition or exclusion is included in the denial. The denial must be given to the claimant in writing and filed and retained in the insurer's claim file. If the claim of the first-party claimant is accepted, the insurer shall pay the claim within 30 days after it is accepted. If the accepted claim is not paid within that period, the insurer shall pay interest on the claim at the rate of interest established pursuant to [NRS 99.040](#). The interest must be calculated from the date on which the payment is due until the claim is paid.

2. If a claim is denied for reasons other than those described in subsection 1, and is made by any means other than writing, an appropriate notation must be made in the claim file of the insurer.

3. If the insurer needs more time to determine whether a claim of a first-party claimant should be accepted or denied, it must so notify the claimant within 30 working days after receipt of the proof of loss giving reasons that more time is needed. If the investigation remains incomplete, the insurer shall, 30 days after the date of the initial notification and every 30 days thereafter, send to the claimant a letter setting forth the reasons that additional time is needed for investigation.

4. Insurers may not fail to settle first-party claims on the basis that responsibility for payment should be assumed by others except as provided by policy provisions.

5. Insurers may not delay settlement of a claim directly with a claimant who is not an attorney or represented by an attorney by extending negotiations until the claimant's rights may be affected by a statute of limitations or a time limit which is part of an insurance contract or policy, without giving the claimant written notice that the time limit may be expiring and may affect the claimant's rights. Notice must be given 60 days before the date on which a time limit may expire.

6. No insurer may make statements which indicate that the rights of a third-party claimant may be impaired if a form or release is not completed within a given time, unless the statement is given for the purpose of notifying the third-party claimant of the provision of a statute of limitations.

7. Except for a claim involving health insurance, any case involving a claim in which there is a dispute over any portion of the insurance policy coverage, payment for the portion or portions not in dispute must be made notwithstanding the existence of the dispute where payment can be made without prejudice to any interested party.

[Comm'r of Insurance, M-9 § 8, eff. 2-21-80]—(NAC A by Div. of Insurance by R089-98, 9-25-98)

**NAC 686A.680 Standards applicable to insurers under automobile policies. ([NRS 679B.130](#), [686A.015](#))**

1. An insurer that adjusts and settles a claim for an automobile total loss shall use the method set forth in paragraph (a) or (b).

(a) The insurer may elect to offer a replacement automobile which is a specific comparison automobile available to the claimant, with all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the automobile paid, at no cost other than any deductible provided in the applicable policy. The insurer may prorate license fees and limit payment to the unused period of the fees. The offer and any rejection of the offer must be documented in the claim file.

(b) The insurer may elect to make a cash settlement based upon the cost, less any deductible provided in the applicable policy, to purchase a comparable automobile including all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of a comparable automobile. The cost must be determined using one of the following valuation methods:

(1) The average of the cost of two or more comparable automobiles which:

(I) Are currently available or were available within the most previous 90 days in the local market area; or

(II) If not currently available or available within the most previous 90 days in the local market area, are currently or were available within any extended period or in any expanded market area, so long as the extension or expansion is no greater than necessary to identify two or more such automobiles.

(2) The average of two or more price quotations for a comparable automobile obtained by the insurer from two or more licensed dealers located within the local market area; or

(3) The value of a comparable automobile as determined by any source of statistically valid fair market values for automobiles if the method used by the source to determine the value:

(I) Gives primary consideration to the value of automobiles in a claimant's local market area and considers data for automobiles outside that area only if relevant data for a claimant's local market area is not available or is insufficient to produce a statistically valid fair market value.

(II) Uses a database or other data resource that is capable of producing statistically valid fair market values for at least 85 percent of all makes and models of automobiles for the most recent 15 model years, taking into account the value of all major options for such automobiles; and

(III) Produces a statistically valid fair market value for an automobile that is based on current data available from the area surrounding the location in which a claimant's automobile was principally garaged or on any adjustment to those parameters that is necessary to ensure statistical validity.

Except as otherwise provided in subsection 2, the amount of a cash settlement must not be less than the lowest valuation obtained using a valuation method set forth in subparagraph (1), (2) or (3), as adjusted by any deductible, taxes, license fees and other fees.

2. Any deviation in the amount of a cash settlement from a valuation obtained pursuant to paragraph (b) of subsection 1 must be supported by documents giving particulars of the condition of the automobile. Any deductions from the cost, including a deduction for salvage, must be measurable, discernible, itemized and specified as to the amount and must be appropriate in amount. When determining the deduction for salvage, the insurer shall take into account any decrease in value caused by an inspection of the vehicle if the vehicle was in a drivable condition before the inspection and the person that performs the inspection is unable to restore the vehicle to the same drivable condition as before the inspection. The basis for the settlement must be documented in the claim file and fully disclosed to the claimant in writing.

3. Where liability and damages are reasonably clear, an insurer may not recommend that a third-party claimant make a claim under his own policies solely to avoid paying claims under the insurer's insurance contract or policy.

4. An insurer may not require a claimant to travel unreasonably to inspect a replacement automobile, to obtain a repair estimate or to have the automobile repaired at a specific repair shop.

5. An insurer shall, upon the claimant's request, include the first-party claimant's deductible, if any, in subrogation demands. A subrogation recovery must be shared on a proportionate basis with the first-party claimant, unless the deductible amount has been otherwise recovered. No deduction for expenses may be made from the deductible recovery unless an outside attorney is retained to collect the recovery. The deduction may then be for no more than a pro rata share of the allocated loss adjustment expense.

6. If an insurer prepares an estimate of the cost of automobile repairs, the estimate must be in an amount for which it may be reasonably expected the damage can be satisfactorily repaired. The insurer

shall give a copy of the estimate to the claimant and may furnish to the claimant the names of one or more conveniently located repair shops. Any such repair shop must be operated by a person having a license issued by the Department of Motor Vehicles, if such a license is required by [NRS 487.610](#).

7. When the amount claimed is reduced because of betterment or depreciation, all information supporting the reduction must be contained in the claim file. The deductions must be itemized and specified as to amount, and must be appropriate in amount.

8. When the insurer elects to repair a damaged automobile, the insurer shall cause the damaged automobile to be restored to its condition before the loss at no additional cost to the claimant, other than as stated in the applicable policy, within a reasonable time.

9. The insurer may not use, as a basis for cash settlement with a claimant, an amount which is less than the amount which the insurer would pay if repairs were made, other than in total loss situations, unless the amount is agreed to by the claimant.

[Comm'r of Insurance, M-9 § 9, eff. 2-21-80]—(NAC A 12-15-88; 3-28-96; R031-17, 5-16-2018)