

JOINT COMMITTEE ON COMMERCE - SENATE & ASSEMBLYMINUTES - PUBLIC HEARINGS.B. 39

Date: Monday, February 10, 1969

Committee Members Present: Senator White, Chairman
Senator Hecht
Senator Swobe

Mr. Wood	
Mr. K. Hafen,	Part-time
Mr. Torvinen,	"
Mr. Torvinen,	"
Mr. Capurro,	"
Mr. Mello,	"
Mr. Bowler,	"
Mr. Espinoza,	"

Committee Members Absent: Senator Bunker
Senator Titlow

Others Present: Mr. Douglas Erickson, Chief Deputy Commissioner of Insurance, and interested parties of the insurance industry.

Meeting called to order at 9:55 A.M.

Chairman White stated the purpose of these public hearings was to afford all interested people, representatives of the insurance industry, et cetera, an opportunity to comment on or ask questions concerning the proposed insurance legislation. To accomplish this purpose most satisfactorily, the new bill will be examined chapter by chapter.

CHAPTER 1 - SCOPE AND DEFINITIONS

Senator White mentioned that this first part of the code is pretty well what the code has been; there are but a few minor changes. No comments and all present were in agreement to accept chapter as written.

CHAPTER 2 - COMMISSIONER OF INSURANCE

Senator Hecht said that in reading over this chapter it seemed to him the commissioner had tremendous powers and asked if under the present law he enjoys these same powers. Mr. Erickson said there were no substantial changes in the new code.

Mr. William D. Parish, Legislative Representative of the Northern Nevada Insurance Agents Association, said he would like provision made for the employment of a Rate Analyst in the Insurance Department to review property and casualty filings. While the code gives the commissioner authority to hire personnel, the authority is not spelled out and it is vital that provision be made specifically for a Rate Analyst at this time, since the rating filing system is being changed. Following Mr. Torvinen's question as to the need

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for a Rate Analyst, Mr. Parish said the Rate Analyst should be a technician, a highly qualified person to review rates filed by the various companies. His function would operate to the benefit of the public through examination of the ratings filed and determination as to whether or not they were justified. Mr. Parish maintained it was essential to have a Rate Analyst to review ratings filed, else the public and the industry would suffer.

No additional comments.

CHAPTER 3 - AUTHORIZATION OF INSURERS AND GENERAL REQUIREMENTS

Chairman White asked if the capital fund requirements were in line with the requirements of other states. Mr. Erickson said that the new requirements were in line with the requirements of the majority of the other states which have also raised their requirements.

No other questions or comments.

CHAPTER 4 - FEES AND TAXES

Chairman White asked Mr. Erickson for comments on changes provided in this chapter.

Page 35, Line 47. Provides charge of \$5 to agent for application for original resident agent's license and issuing of license, if issued. This is the only charge to the agent and is a new provision.

Page 35, Line 45. Fee for acceptance of service of process raised from \$2 to \$5. Cost of process service is high and the increase in fee is justified.

Page 36, Line 9. Fees established for licensing of nonresident agents are justified.

Page 36, Line 17. Fee for application and issuance of original broker's license increased from \$10 to \$25.

Page 36, Line 23. License for nonresident broker increased from \$25 to \$75; annual continuation also increased from \$25 to \$75. This is in line with action being taken by a number of other states. Serves to protect the resident broker. Mr. Erickson said he believed this increase in fee was recommended by the resident agents' association.

Page 36, Line 46. This is a new type of licensing and the fees are entirely new.

Page 37, Line 1. No change in the \$10 fee for filing of application for examination.

Page 37, Line 4. This is a new licensing for life insurance analysts. In answer to Chairman White's question, Mr. Erickson said an examination was required. Mr. Torvinen asked the definition of a life insurance analyst.

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Mr. Erickson said a life insurance analyst acts only in a consulting capacity; he does not sell insurance - and under the present law he is not required to have a license.

Page 37, Line 14. The \$100 fee for a securities solicitation permit - \$50 for extension - is fair and in order because of the work entailed. This is a new fee.

Page 37, Line 22. Copy of insurance laws is presently selling for \$2.50. Because of continuing rise in costs of printing, etc., it is felt actual cost should be recovered. (Mr. Erickson said he thought present cost was running about \$4.)

Page 37, Lines 28 and 29. Fees have been raised from \$1 to \$2, which is about cost or a little less.

Section 93, Tax Credit If Regional Home Office In Nevada

Purpose would seem to be to entice companies to maintain home office or regional offices in Nevada by allowing them a tax credit. This would help state economy. Hartford, employing about 200 people, is now located in the state. To qualify, a company must own and occupy real property. Florida has similar legislation.

No comments.

Section 95 - Insurance Regulatory Revolving Fund

Mr. Erickson said this is new. It provides for the establishment of an insurance regulatory revolving fund which, in essence, creates a fund from fees, not taxes, to be used for regulation of insurance. It would be subject to budgetary controls. Senator White said he thought industry would support, in that it would allow for more people in the Insurance Department. Last year, of \$2.2 million in premium tax collections, only about \$179,000 was assigned to the Insurance Department.

Section 96 - NAIC General Expense Assessment

Senator White said that as all present knew, the insurance industry is the only inter-state industry still regulated by various states. NAIC studies and passes on to other states insurance legislative actions in the various states. This section provides for support of that organization, with funds being provided by the companies. For Nevada, assessment would run about \$8,000 annually. Payment of travel expenses for Insurance Commissioner, who is an officer of this organization, would come from this fund. Mr. Wood asked if this would be an annual levy and if there was provision made for disbursement of unused funds. Yes, it is an annual levy and unused monies would revert to the general fund. Mr. Hanna said he had had no comments from the companies on this section.

CHAPTER 5 - KINDS OF INSURANCE; LIMITS OF RISK; REINSURANCE

Chairman White asked if any changes are represented here. Comments follow.

Page 45, Line 45. Mr. Erickson said like provisions are included in present law, but definitions are new and have been added to clarify and differentiate between "ocean marine" and "inland marine."

Page 47, Line 16. Classifications of insurance have been changed from 1, 2, and 3, to the kind and name of insurance defined. This has been done for simplification, better understanding by the people, and ease of handling.

CHAPTER 6 - ASSETS AND LIABILITIES

Mr. Erickson said this chapter covers only normal insurance accounting practices and there is nothing radical provided in the changes. It serves to protect against companies misrepresenting assets.

CHAPTER 7 - INVESTMENTS

No questions. Mr. Erickson said there are no radical changes here. The legislation follows pretty well present statutes.

CHAPTER 8 - ADMINISTRATION OF DEPOSITS; TRUSTEED ASSETS OF ALIEN INSURERS

Page 79, Section 188 . Makes provision for alien insurers to establish U.S. offices in Nevada. This section has particular application to Mexico, which presently does not recognize insurance purchased through an American agent. For coverage in Mexico, motorists must purchase Mexican insurance, which can be purchased at the border. An attempt is presently being made on a national level to solve this problem and if an agreement is reached between the U.S. and Mexico, Nevada would be a logical site for Mexico to establish offices.

CHAPTER 9 - AGENTS, BROKERS AND SOLICITORS

Mr. Erickson commented that this was a very important chapter. It requires the licensing of all people selling insurance; it also requires they pass a written examination.

Lines 42, 43, and 45 make specific reference to surplus line brokers, motor club agents, and professional bondsmen, respectively. (Page 79.)

Page 80, Line 31. Surety insurance as separate identification is new. Will aid in the licensing of only bail bond business, which was previously included under casualty insurance.

Page 80, Line 41. With reference to "Managing General Agent," Mr. Erickson said nonresidents have been included. This will pick up the gap in present laws and it is felt they should be under state jurisdiction.

Senator White asked if there were any changes in licensing requirements. Mr. Erickson said qualifications have been changed merely for clarification and there is nothing radically different.

Section 197 - "Service Representative" Defined

Mr. William D. Parish, Nevada Independent Insurance Agents, said this section is now confusing and makes it difficult to determine what a "service representative" is and what his position is. He favors deleting all language after paragraph (a). Mr. Erickson said paragraph (b) was added to cover type of group merchandising which is now in the picture. Mr. Hanna, American Reciprocal Insurance Association, commented that this has to do with people serving reciprocals and it is necessary to define them separately from agents because they work in a specialized type of insurance and do not work through a normal insurance agent.

Mr. Hanna said he would check, but believes this section as now written conforms with the recommendations of the association for reciprocals.

Senator White asked specifically why this was added to the code. Mr. Erickson cited a case of an unlicensed out-of-state representative approaching the State Employees Association with a plan to supply home owners and automobile insurance to members of the association, with payment to be made by payroll deductions. Under present statutes such a representative is not required to have a license. This legislation rectifies that situation.

Section 208 - Examination for Nonresident License

Senator White commented that if we have a reciprocal agreement with his domicile state (and we have reciprocal agreements with most states), a man who has taken a written examination and been licensed in his domicile state would be recognized and licensed in Nevada. However, if his domicile state required no written examination, Nevada would require such a person to pass the Nevada examination before being issued a Nevada license.

Section 219 - Temporary License as Agent or Broker

In case of emergency, temporary license may be issued for a 90-day period (can be extended at discretion of Insurance Commissioner) to designated representative of licensee. Temporary certificates will no longer be issued; experience has shown too much abuse attendant to the issuance of these certificates.

Section 222 - Broker Must Place Business With Agent

Mr. Parish said wording has been changed since original hearings and it is now not very clear. He believes this should terminate with the words "authorized insurer," on Line 47. Mr. Erickson said he did not know why the change had been made from the original proposal. Mr. Hanna said he had no comments to make at this time, but might possibly have something to say at a later date after talking with Mr. Houston.

After announcing Chapters 10 through 14 would be studied at the next hearing on Tuesday, February 11, Chairman White adjourned the meeting at 10:55 A.M.

Approved:

Marvin L. White