

SENATE JUDICIARY COMMITTEE

MINUTES

Meeting was called to order April 17, 1969 at 9:30 a. m. by Chairman Monroe.

Committee members present: Senator Monroe, Chairman
Senator Swobe
Senator Hug
Senator Bunker
Senator Christensen
Senator Young
Senator Dodge

Guests: Mr. Thomas M. Kean, Assemblyman

Mr. Julian Moore, B.M.I., Henderson, Nevada
Mr. Glen C. Taylor, B.M.I., Henderson, Nevada
Mr. James F. Orr, Stauffer Chemical Company, Henderson.
Mr. Herb Jones, B.M.I., Henderson
Mr. E. V. Francy, Titanium Metals Corporation of
America, Henderson, Nevada.
Mr. Robert Hampton, Mayor, Henderson, Nevada
Mr. Paul T. Marshall, Councilman, Henderson, Nevada
Mr. Bud Franklin, Councilman, Henderson, Nevada
George W. Charchalis, City Manager, Henderson, Nevada

AB 606 - Authorizes formation of limited reciprocal insurers for medical malpractice.

Mr. Tom Keane stated AB 606 was a simple bill but the implications were extensive. It covers two parts, reciprocal insurer for medical malpractice and personal property coverage. It would not cover liability insurance except the malpractice.

Many business men have been considering the possibility of putting money in the bank rather than take out a regular insurance policy to cover their losses. Some people would rather do this instead of pay the high insurance premiums. Insurance premiums for a business are deductible but it is not allowed to deduct the money set aside in a bank for losses. Mr. Keane discussed the possibility of reciprocal insurance with Mr. Mastos and Mr. Mastos felt it would be simple to handle.

Mr. Robert Williams and Mr. Mastos got together and drafted the bill.

The surplus that has been put aside involves holding of the individual names of the subscribers. Each participant may carry an account in which his particular share of surplus funds will always

appear and upon termination of participation, that is the amount which that particular subscriber may withdraw. No withdrawal can be made until it is determined that any unsatisfied obligation of the withdrawing subscriber is satisfied. You do not have to incorporate, but get several together and elect a manager or attorney in fact to handle the books.

The profits made would not be taxable. The money you originally put into it is deductible. It does not say you have to pay for a claim out of the funds. The repairs can be made by the individual and that amount for the repairs is deductible.

Each group formed must be the same "mercantile family". The original idea was made by a group of business men, however Mr. McKissick knew of the need of something similar for medical malpractice as the rates for that insurance are almost prohibitive. The malpractice rates for Nevada are based on the loss experience for Nevada and California together and the California rate is very high. There were questionnaires sent to doctors, most of which were returned in a few days and it showed the high premium paid for malpractice insurance.

Senator Swobe asked Mr. Kean if malpractice insurance was included in the new insurance code and if there would be a conflict if AB 606 was passed.

Mr. Kean advised if there was a conflict the malpractice portion could be taken out of the insurance code. There were many doctors in the Reno area in favor of this.

Senator Dodge asked what would happen if there was a particularly bad year and the amount of malpractice claims exceeded the amount on deposit.

Each group formed would have to make their own rules and regulations, Mr. Kean stated. They could have umbrella coverage and go to Lloyd of Londons for this protection. It is the only kind of insurance written without a profit and purchased at cost.

Senator Dodge asked if Mr. Kean was not basically saying this was actually a tax setup and not actually for the insurance protection.

Mr. Kean agreed.

Senator Monroe thanked Mr. Kean for being present.

AB 641 - Allows state to appeal court orders suppressing evidence in in criminal cases.

Senator Dodge felt this could be a technical procedural bill and thought Frank Daykin should be asked about it.

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AB 767- Provides special limitations on annexation of certain land to City of Henderson.

Chairman Monroe acknowledge the presence of the representatives from Henderson interested in this legislation.

Mr. Julian Moore gave a brief outline of himself stating he went to work for the industrial complex in Henderson in 1946 and has been connected with industry in some capacity since that time. He had been manager of a plant in Henderson when it was under the jurisdiction of the Government, and also when it was state owned and then for private ownership. The private owners retained him as an advisor. He served three terms as President of the Southern Nevada Industrial Association and had traveled to various states to promote industry in Nevada. He has been the Clark County representative to the Department of Economic Development for six years. With this background he felt he knew the industrial picture in Nevada.

Mr. Moore stated if AB 767 passed it would deal a death blow to Nevada. Industry will not move into an area where the legislature passes discriminatory legislation against industry. The Department of Economic Development will be ineffective as no plant will be built where laws, rules and regulations can be changed at will. The city of Henderson think this will take care of their financial worries but it would not.

Mr. Glen Taylor read a telegram from Mr. McGee of American Potash and Chemical Corporation who was not able to be present. He felt passage of this would be detrimental to the State of Nevada.

Senator Dodge asked who was in favor of the bill besides the city representatives.

Mr. Moore stated evidently the members of the Assembly were as it passed that house.

Mr. James Orr representative of Stauffer Chemical Company stated industry was afraid of expanding in Nevada, especially in the Henderson area with legislation like this. Stauffer Chemical had expansion plans a year ago but the plant was put in the Los Angeles area. A new expansion plan is under way, however that was to be put in Seattle. They are afraid of expanding in Henderson.

Mr. Francy of TIMET stated if this was passed it would do great harm to their plant. There had been plans of expansion but until 1972 they were not going to do anything about expanding. They employ approximately 878 people and at least 50% of them live in Henderson and most of them are taxpayers and spend their paychecks in that area. It would mean an increase in employment which would help Henderson but until this problem was settled they were not considering a change.

TIMET was in favor of AB 792 calling for a study of local government problems in Clark County.

Mr. Robert Hampton, Mayor of the City of Henderson, acknowledged that the City of Henderson recognizes the value of the plants in their community and the city exists because they are in the community but they are not situated within the boundaries of Henderson. They understand the problems of the plants and the plants understand the problems of the city, however many of the problems in Henderson are due to the people employed in the plants. He felt this bill would serve as a tool to weigh the plus against the minus. Some time ago the plants and the city were in agreement about annexing to the city, however something changed their mind. The plants have their own water system, fire department, inspectors, and the city feels they would be better equipped to serve the plants for the fire protection than they can do themselves. This would be a limited annexation as the fire department would be the only service extended to them.

Mr. Moore stated the plants purchased their water system and now sold the water to the city for a nominal fee.

Mr. George Charchalis, City Manager of Henderson stated the city of Henderson exists because the plants are there and they have to give the employees the services of the city. He quoted figures estimated by the City as to the amount of revenue that would be paid to the city if the four plants in the BMI complex were annexed. It was estimated to be approximately \$213,000 annually and that cost would be divided between the four plants. Part of this tax would be deductible on their Federal Income Tax.

The city would be more than happy to provide the fire service to them even tho they would have to hire an additional 156 firemen and purchase approximately \$235,000 worth of new equipment, however payment of the equipment could be made over a period of years. He felt the city could provide a better fire service with a larger fire department than their own system now used.

Senator Monroe asked Mr. Charchalis if he was aware that AB 792 had been introduced. Mr. Charchalis was aware of it but felt the annexation of the plants was long overdue. This study would take at least two years and he felt that length of time was unreasonable.

Senator Monroe asked if the plant owned by Senator Gibson was one in question. Mr. Charchalis advised it was.

Senator Dodge asked if they felt the legislature should mandate for individual problems for a city? There were annexation laws set for this type problem.

Mr. Charchalis stated this provided more than the regular annexation laws. The annexation laws provided for all normal services

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be extended. This would include police protection, building inspectors, etc. If they extended all the services they would have to hire specialized building inspectors for plant buildings. This was a limited annexation.

Mr. Paul Marshall, Councilman felt the people of Henderson want the plants annexed. It should have been done a long time ago. He would rather see it handled at a county level rather than come to the legislature but it hasn't been successful.

Mr. Herb Jones, B.M.I. representative felt there was a lot of cooperation between the plants and the city. There was several hundred acres of BLM land available in that area that would have been an asset to the plants however there was no interfering when the city purchased the acreage from the BLM.

This annexation started some years ago and there had been many meetings between plant representatives and the city representatives. The "higher echelon" of the plants do not think it is economically feasible to allow this annexation. This is forced upon them because they feel the fire protection revenue will take care of their debts.

He was in favor of the intensive study of Clark County governments and felt their advice should be taken as they will be experts. He did not feel they should create a precedent and ask for a special piece of legislation.

Senator Monroe thanked all for their testimony.

The meeting adjourned at 10:30 a. m.