

MINUTES

COMMITTEE: COMMERCE

DATE: Monday, April 2, 1973

MEMBERS PRESENT: Messrs Prince, Bickerstaff, Capurro, Witten - berg; Hafen, Robinson; Dini; Demers; and Torvinen;

MEMBERS ABSENT: None

Chairman Prince called the meeting to order at 4:00 p.m. Assemblyman Jacobsen introduced Mr. Charlie Bramstetter, of Standard Resources, a stock company in Carson City, to speak on AB 684, a bill permitting temporary licensing of securities agents pending action upon application for registration. Mr. Bramstetter stated that this license would be for 90 days and could be extended or rescinded; that the issuer is responsible for the licensee. Mr. Wittenberg stated his desire to have the temporary license co-signed so that someone was responsible for sales made under the temporary license; that having the company co-sign the temporary license was not sufficient. Mr. Wittenberg questioned Mr. Bramstetter about his company formerly being cited for illegal practices. Mr. Bramstetter stated that the purpose of these licenses is to train new men. He also stated that these licenses would be issued by the Secretary of State.

Assemblyman Vergiels presented his amendments to the Committee to AB 826, which would require a standard form of contract or lease for apartments: 1) delete the word "standard" wherever it appears in the bill allowing apartment managers to use their own forms as long as they comply with the provisions of Section 4, paragraph 2, (a) through (k); 2) that more than one form can be used by the apartment owner when the agreement is made out; 3) add "written" contract; 4) remove the director of commerce as the authority to set up the standard form of the contract if the Committee agrees that any form may be used. Mr. Vergiels asked Chairman Prince to appoint a subcommittee including himself and Mr. Nick Psarras to work with the bill drafter in making these changes in the bill. He stated that many of the conflicts involved in the tenant-landlord relationship can be resolved with the use of a written agreement which would also curtail additional cost involved with law suits.

Mr. Milos Terzich representing the American Life Insurance Company discussed AB 625, a bill increasing certain interest rates for annuity contracts and life insurance policies and providing for use of modern mortality tables. Mr. Terzich's testimony is attached hereto as Exhibit "A". Mr. Rottman, Insurance Commissioner, agreed with Mr. Terzich's testimony and urged the Committee to give the bill favorable consideration.

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Mr. Getto discussed AB 602 which would amend authorized investments for certain state agencies ; that this bill would conform with the Farm Credit Act of 1971 and would allow counties or local government agencies to purchase Federal Land Bank bonds.

Assemblyman McNeel discussed AB 664 which would bring self-insurers within the jurisdiction of the State Insurance Commissioner. He stated that this was very necessary because many self-insured union funds would run out of funds and be unable to pay benefits to their members or reduce the benefits expected by their members; that there is no agency for members to appeal to and no control over these practices.

Mr. Rottman, Insurance Commissioner, stated that funds have depleted because of the fund's financial inability to pay claims; that where an individual is unhappy with his payment of his claim, the Insurance Commission has no authority to do anything about it; that an individual should have some assurance that when he has benefits with an established fund, his benefits will be paid. He feels that the Committee should give this bill considerable attention. He stated that the 2% premium tax would be lifted for these companies

Mr. McNeel stated that this administration would only cover employee benefit plans and would exclude such companies as Sears, Penneys, Montgomery-Ward, etc. which have outside insurance companies; that these benefits are an important part of negotiating new union contracts. Mr. Rottman felt that the insurance plans should be spelled out, i.e., health, life, hospitalization, and possibly pensionary funds.

Mr. Lou Paley representing the Nevada State AFL-CIO, stated his opposition to the 2% premium tax, if the Committee decides that it must be paid; that these plans are usually sponsored by labor themselves; that the union trustees usually make the decisions as to the amount of the premiums and the investments they make; that the Federal "disclosure" act controls these funds and that there is no reason for the State to become involved. "Take a good look at this; be very cautious," he stated. "After getting into trouble one time, they'll (misuse of union trust funds) never get back into it again". 500 times the number of union members is the amount usually kept in reserve; that union members are able to buy more benefits through self-insured programs than they would be able to otherwise. Mr. McNeel stated that rates increase and benefits are reduced when the fund runs out of money; that this bill would not be taking the matter away from self-insurance, but would give the individual a chance to go to the State if he has any complaints. Dr. Robinson suggested

that the Insurance Commissioner acculate complaints. Mr. Capurro suggested an annual statement being filed with the State as to the solvency of the fund and asked if this check is made by the Federal authorities. He felt that this was a responsibility the Legislature has to the people of Nevada. Mr. Paley stated that management retains the funds and administrates them; that the employer makes reports to the administrator which are very detailed and these reports also go to the Federal authorities.

Mr. Capurro stated that he feels the State should look at the fund's investment procedures to see that the funds are being properly handled. Dr. Robinson asked Mr. Rottman is he has received many complaints. Mr. Rottman stated that he really could not answer as since they have had no jurisdiction, they have kept no records, but he would guess that maybe 200 complaints have been received; that 98% of the funds are properly paying claims and that just a very small percentage is where there are really problems.

Mr. Paley stated that because of Federal regulations, these funds are handled as carefully as those of private insurance companies. Mr. McNeel felt that 200 complaints are a problem and that "some action should be taken on it, some way or another."

Mr. Maurice Coyle representing Montgomery-Ward, stated his opposition to the bill. See Exhibit "B" for Mr. Coyle's remarks. He stated that this bill would place a hardship on Montgomery-Ward and that it would be a duplication of reports; that Federal authorities closely scrutinize these funds because of complaints that have arisen from mismanagement of them; that their company handles their own retirement plan, but their health and accident insurance is underwritten by another insurance company; that their employees are represented on the Board which invests their retirement funds.

Mr. Stan Warren of Nevada Bell stated that they have had no major problems over the years. "I really don't know where you are going with this bill;" that they are subject to PRS regulations; that he has an amendment to the bill which Mr. McNeel approves: page 1, line 6, add: "This section shall not apply to organizations under jurisdiction of the Nevada Public Service Commission".

Mr. Bob Lusk representing Trans-World Airlines felt that the bill was too broad and administrative costs would be duplicated as their company and other airlines report to the CAB as well as other Federal agencies; that the bill should exempt airlines as well as companies covered by the PSC as suggested by Mr. Warren.

Regarding AB 670, a bill allowing nonprofit groups to buy automobile insurance covering members, Mr. Ray Sebas, representing the Retired Senior Volunteers, stated that they have had a big problem recruiting volunteers to drive senior citizens because they are afraid of being subject to suits arising from any accidents they may have under the "guest statute". Mr. Torvinen stated that they are covered, but that this bill would help them get more volunteers as well as AB 722, a bill prohibiting cancellation of automobile liability insurance on ground of negligence unless established by court. Mrs. Joan Bajoney, representing the Red Cross, was also in favor of the bill because more programs could be developed. Now people are afraid to drive other people; that they feel they are not covered by insurance.

Regarding AB 865, Assemblyman Bremner stated that this bill would establish equity in loans, allowing government entities to deposit funds in savings and loans. See Exhibit "C" for Mr. Bremner's remarks. Mr. Bremner introduced Mr. Clark Guild who represented the savings and loan companies in Nevada and who stated that the savings and loan companies want the same opportunity of taking public funds and in the same fashion as banks do at the present time. He presented several amendments: 1) page 3, line 4, delete "fully"; add: by the "Federal Savings and Loan Insurance Corporation"; that this should be used in the same context as the Federal Deposit Insurance Corporation is used by banks; 2) page 5, line 10, Section 8, eliminate words after "funds". He stated that Section 10 are protective and security provisions. He further stated that Mr. Tarkington, the Savings and Loan Commissioner, felt this would be a fairly simple matter to administer; that there is no obligation on the part of public bodies to deposit their funds with savings and loan; that it is completely discretionary with them. Also provided in the bill is that the savings and loan companies must secure any public deposits with security of the same amount.

Mr. Tarkington stated that he favored the bill; that it should have become law a long time ago; that this would be under the same conditions as deposits made in banks; savings and loans pay higher interest rates and that this interest will accrue back to the consumer. To Mr. Hafen's question of no savings and loan company being situated in a small area in Nevada, Mr. Tarkington suggested amending the bill to allow funds to be deposited anywhere in the State. Mr. Guild agreed to add this amendment.

Dr. Robinson took the chair in Chairman Prince's absence. He asked for testimony on AB 745* allowing real estate as security on loans, representing the small finance companies, felt that the loan amount should be reduced from \$15,000, as suggested in the bill, to \$10,000; that twenty-seven states have unlimited loan ceilings; that it is \$10,000 in California. This would allow

*see exhibit "D"

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loan companies to take second mortgages, as all other lenders do; that both the Commerce Department and Superintendent of Banks is in favor of this action; that this will help cut down on the number of "loan sharks" and that there would be more supervision; that there would be no increase in small loan interest rates.

The meeting was recessed for ten minutes. Chairman Prince resumed the chair.

Regarding AB 202, Assemblyman Getto stated that in the past the realtors have run the Real Estate Commission but that the last appointment made by the Governor was not a realtor, as the bill proposes the Nevada Association of Realtors present a list of nominees from their membership for the Governor to consider. Mr. Hafen stated that he doesn't like one member to be appointed from the public at large with only a general knowledge of real estate and that experience is important before a broker goes into business for himself. Mr. Hafen also felt that the exams should be given every other month at the same time in both ends of the State; that this would improve the conditions under which the exams are given. Mr. Getto questioned Section 8 which repeals NRS 645.343 which would defeat the intent of some of the new provisions in this bill. Mr. Getto replied that he would be in favor of Mr. Hafen's suggestion that Section 4, (3) be changed to say that if an applicant went to school, passed the broker's examination and then worked for a year before he was given a license to go into business for himself. NRS 645.620 states that applicants must be notified within thirty (30) days from the date of the examination of the results of their examination.

Anna Matson, representing herself as a broker-salesman, stated that she agrees with most of the, but suggests deleting "Nevada Association of Realtors" and add "from the real estate industry". On page 3, section 3, she suggested an effective date be added considering the prospective applicants now preparing for the examination in September. She also suggested adding in Section 8 the word "original" in reference to the date of application so that the required education would not be lost if an applicant does not take the exam within a year.

Mr. Gaylord who owns a real estate school in Reno stated that an effective date should be put in Section 3, on line 9 because applicants do not always take the exam after completing the educational requirement within a year. He suggested holding off any action on this bill pending action on AB 908 which could solve many problems.

Mr. Gene Milligan of the Nevada Realtors Association stated that the Real Estate Board mainly served as a body to hear complaints; that they have no power over examinations; that it takes about three years to revoke a license. Placing consumers on the Board was placing them in a complex area of business; that they probably wouldn't have any expertise in the field and would place a burden on the four other members; that the Code of Ethics originally proposed by the Realtors Association and adopted by the State, is one of the best in the United States.

Mr. Wittenberg suggested waiting for AB 908 before doing anything with AB 202.

Mr. Milligan thinks two years of experience should be required instead of one. And suggests removing the word "realtors" from the law. Mr. Getto stated that he was agreeable to amending AB 202 into AB 908 but warned the Committee that there wasn't very much time left for action on bills.

Regarding AB 634, Mr. Milligan felt that taking out the "qualifying part" of requirements for application such as personal references as to an applicant's honesty, truthfulness, etc., is beneficial; that these letters of reference were useless; that the fund created by \$10 from each licensee up to \$40,000 is used to pay judgments against licensees if he is unable to pay them himself and are repayable at 4% interest. He also recommended combining both AB 202 and AB 908.

Mary Frazzini spoke in favor of consumers on the Board since most State boards exist to protect the consumer. She feels, however, that there should still be a majority of real estate people on the Board. Mr. Wittenberg suggested including "salesmen" in Section 2, page 1, which only makes reference to brokers. Mr. Milligan pointed out that a salesman would only have to wait 30 days before establishing residence to qualify for application for a license. AB 908 does not refer to increasing the recovery fund and should be added as well as the residency requirements.

Regarding AB 889 regulating escrow agents, the Commissioner of Insurance will regulate these people instead of the Real Estate Division of the Commerce Department. Mr. Hafen suggested exempting title insurance businesses and lowering the bond requirement from \$50,000, however, he felt the industry should consider the bill before any action is taken as some of the provisions of the bill might be too restrictive.

Chairman Prince stated that no action would be taken on these bills today and that the Senate was hearing SB 330 tomorrow and suggested that any members available upon adjournment were invited. The meeting adjourned at 7:00 p.m.

Respectfully submitted,

PHYLLIS BERKSON, Attache

AGENDA FOR COMMITTEE ON COMMERCE

Date April 2, Monday Time 4:00 p.m. Room 222

Bills or Resolutions
to be considered

Subject

Counsel
requested*

AB 826

4:00 pm - Vergleichs-rental forms ✓

AB 625

Increases certain interest rates for annuity contracts and life insurance policies and provides for use of modern mortality tables; ✓

AB 638

Institutes doctrine of comparative negligence in tort actions; ✓

AB 664

Brings self-insurers within jurisdiction of State Insurance Commissioner; ✓

AB 670

Allows nonprofit groups to buy automobile insurance covering members. ✓

*Please do not ask for counsel unless necessary.

Date ^{Mon} April 2, 1973 Time 7:00 p.m. Room 222

Bills or Resolutions to be considered	Subject	Counsel requested*
AB 202	Amends real estate licensing provisions. ✓	
AB 289	Progressively increases education re- quirements to obtain real estate broker's license. ✓	
AB 634	Modifies residency and application re- quirements for real estate brokers and salesmen.	
AB 745	Provides real estate as security on loans and raises loan ceiling under Nevada In- stallment Loan and Finance Act.	
AB 587	Prohibits use of aluminum wire in electrical systems of factory-built housing, mobile homes and travel trailers.	
AB 811	Requires counties and cities to adopt standards for electrical construction and licensing procedures.	

*Please do not ask for counsel unless necessary.

AB 625

310 Ex "A"

MEMORANDUM IN SUPPORT OF

---BILL NO---

TO AMEND THE STANDARD VALUATION AND NONFORFEITURE LAWS

THE PURPOSE OF THIS BILL IS TO AMEND THE STANDARD VALUATION AND NONFORFEITURE LAWS TO PRESCRIBE HIGHER INTEREST RATES FOR CALCULATING MINIMUM RESERVES FOR LIFE INSURANCE POLICIES AND ANNUITY CONTRACTS, TO INTRODUCE NEW UP-DATED MORTALITY TABLES FOR CALCULATING SUCH RESERVES FOR GROUP AND INDIVIDUAL ANNUITIES, AND TO INCREASE THE INTEREST RATE FOR CALCULATING MINIMUM NON-FORFEITURE BENEFITS FOR LIFE INSURANCE POLICIES.

THE STANDARD VALUATION LAW SETS FORTH THE STANDARDS ESTABLISHING THE MINIMUM AMOUNT OF RESERVES REQUIRED TO BE MAINTAINED ON LIFE INSURANCE POLICIES AND ANNUITY CONTRACTS, INCLUDING DISABILITY AND ACCIDENTAL DEATH BENEFITS SUPPLEMENTAL THERETO. THESE STANDARDS SPECIFY THE MAXIMUM INTEREST RATE, THE MORTALITY OR MORBIDITY TABLES, AND THE METHOD OF VALUATION TO BE USED FOR SUCH PURPOSE. THE STANDARD NONFORFEITURE LAW PRESCRIBES THE INTEREST RATE, THE MORTALITY TABLES AND CERTAIN NONFORFEITURE FACTORS TO BE USED TO ESTABLISH THE MINIMUM NONFORFEITURE BENEFITS TO BE PROVIDED UNDER ORDINARY AND INDUSTRIAL LIFE INSURANCE POLICIES. IF THE OTHER STANDARDS REMAIN CONSTANT, INCREASING THE INTEREST RATE ALLOWS INSURERS TO USE LOWER PREMIUM RATES AND RESERVES.

THE STANDARD LAWS PRESENTLY USE A MAXIMUM INTEREST RATE OF $3\frac{1}{2}\%$ TO ESTABLISH BOTH MINIMUM RESERVES AND MINIMUM NONFORFEITURE BENEFITS. SUCH $3\frac{1}{2}\%$ INTEREST RATE IS UNREALISTIC IN THE LIGHT OF CURRENT AND ANTICIPATED FUTURE INVESTMENT RETURNS.

CURRENT RETURNS FROM NEW INVESTMENTS - WHICH CONTROL THE PURCHASE PRICE FOR SINGLE PREMIUM IMMEDIATE ANNUITIES AND FOR ANNUITIES PURCHASED UNDER GROUP ANNUITY CONTRACTS - ARE IN THE NEIGHBORHOOD OF 8%. CONSEQUENTLY, AS NEW ANNUITIES ARE SOLD BY THE COMPANIES AT PURCHASE PRICES BASED ON CURRENT HIGH RATES OF INTEREST, THE STATUTORY $3\frac{1}{2}\%$ RESERVE VALUATION INTEREST RATE REQUIRES INSURANCE COMPANIES TO ESTABLISH ARTIFICIALLY HIGH RESERVES AND THEREBY PRODUCES EXTREME DRAINS ON SURPLUS. TO REDUCE THIS EXCESSIVE DRAIN ON SURPLUS, THE RESERVE VALUATION INTEREST RATE IN THE CASE OF SINGLE PREMIUM IMMEDIATE ANNUITIES AND ANNUITIES PURCHASED UNDER GROUP CONTRACTS ISSUED AFTER THE OPERATIVE DATE OF THE BILL SHOULD BE INCREASED FROM $3\frac{1}{2}\%$ TO 6%.

SIMILARLY, THE INTEREST RATE USED IN CALCULATING RESERVES AND NONFORFEITURE BENEFITS FOR INDIVIDUAL DEFERRED ANNUITIES, LIFE INSURANCE AND DISABILITY AND ACCIDENTAL DEATH BENEFITS SUPPLEMENTAL THERETO SHOULD BE INCREASED FROM $3\frac{1}{2}\%$ TO 4% TO OVERCOME A LESSER, BUT STILL SERIOUS, DRAIN ON SURPLUS IN THESE LINES WHERE PRICES REFLECT NOT ONLY CURRENT RETURNS FROM NEW INVESTMENT, BUT ALSO RETURNS FROM THE COMPANY'S ENTIRE PORTFOLIO OF INVESTMENTS, BOTH PAST AND FUTURE. SUCH A CHANGE WOULD PERMIT PREMIUMS, RESERVES AND NONFORFEITURE BENEFITS TO BE CALCULATED ON A BASIS WHICH MORE NEARLY REFLECTS CURRENT ECONOMIC CONDITIONS AND ANTICIPATED FUTURE CONDITIONS.

IN ADDITION TO INCREASING THE MAXIMUM STATUTORY INTEREST RATES FOR VALUING ANNUITY CONTRACT RESERVES, THE BILL WOULD UPDATE THE MORTALITY TABLES BY SUBSTITUTING THE NEW 1971 INDIVIDUAL AND GROUP ANNUITY MORTALITY TABLES FOR THE OLDER TABLES CONTAINED IN THE CURRENT LAW.

WITH REGARD TO THE INTEREST RATE AND MORTALITY TABLE CHANGES IN THE RESERVE VALUATION STANDARDS FOR ANNUITIES, COMPANIES WOULD BE REQUIRED TO COMPLY WITH THE NEW STANDARDS AFTER DECEMBER 31, 1978, BUT WOULD BE ALLOWED TO ELECT AN EARLIER OPERATIVE DATE. THIS DELAYED OPERATIVE DATE IS NECESSARY BECAUSE THE STANDARD VALUATION LAW APPLIES TO AN INSURER'S ENTIRE BUSINESS WHEREVER WRITTEN AND, SINCE MANY COMPANIES DO BUSINESS IN MOST OR ALL STATES, SUFFICIENT TIME MUST BE ALLOWED TO OBTAIN SIMILAR AMENDMENTS TO THE STANDARD VALUATION LAW IN ALL OF THE OTHER STATES.

THESE PROPOSED CHANGES IN THE STANDARD LAWS HAVE BEEN APPROVED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS AT ITS DECEMBER, 1972, MEETING. EFFORTS ARE BEING MADE TO OBTAIN SIMILAR STATUTORY CHANGES IN ALL STATES HOLDING LEGISLATIVE SESSIONS IN 1973.

April 2, 1973

I am Maurice Coyle, manager of the Montgomery Ward store in Reno. Montgomery Ward opposes enactment of A.B. 664.

We think it makes little sense to impose an entire system of regulation, including reserve requirements, taxes and penalties, upon what is, in essence, not a contract of insurance. A contract of insurance involves two parties, not one. There is no public interest to protect unless it can be said that one should be protected against itself.

A corporation does not solicit itself, negotiate with itself or enter into a contract of insurance with itself. Nonetheless, AB 664 would require self-insured corporations such as Montgomery Ward and many others to obtain a "certificate of authority" in order to "act" as an "insurer."

We think it unnecessary to exact such regulation upon an activity that cannot in any respect be interpreted as transacting insurance business.

April 2, 1973

Mr. Chairman, as the principal sponsor of A.B. 865, I would like to speak briefly in its behalf before turning to Mr. Clark Guild and our Commissioner of Savings and Loans, Mr. Wendle Tarkington.

Before that, however, I would like to present to you and the Committee, Representatives of Savings and Loan Associations in Nevada. All Savings and Loans represented:

Maj. Gen. R. G. Taylor, of First Western Savings:

Mr. R. Julian Moore of Frontier Fidelity Savings:

Mr. Sherman Miller of Nevada Savings:

Mr. Bill McKee of Home Savings:

Mr. Chairman, A.B. 865, in my view, is a bill to establish equity for Savings and Loan Institutions in Nevada. The bill permits deposit of public funds in Savings and Loan Associations, provided that those public funds are insured. There is no provision in the bill that public funds must be so deposited...There is only the provision that such funds may be deposited in savings and loan associations, as well as banks, by various Governmental units within the State. And, I believe that it is a bill to provide equity and I urge its passage by the committee.

AMENDMENTS TO A.B. 745

1. Change \$15,000 to \$10,000 in following sections:
 - a) Section 1 - 675.030 Subsection 3 and 4 (PAGE 1, LINES 13 AND 15)
 - b) Section 2 - 675.060 Subsection 1 and 2 (PAGE 2, LINES 1, 10 AND 14)
 - c) Section 3 - 675.280 (PAGE 2, LINE 19)
 - d) Section 4 - 675.290 Subsection 2 and 2(c), 2(d) (PAGE 2, LINES 25, 4
PAGE 3, LINE 9)
 - e) Section 5 - 675.295 Subsection 6 (PAGE 5, LINE 22)
 - f) Section 7 - 675.320 Subsection 1 (PAGE 6, LINES 23 AND 26)
 - g) Section 8 - 675.330 Subsection 1 (PAGE 6, LINE 38)
 - h) Section 10- 675.380 Subsection 3 (PAGE 7, LINE 34)

2. Delete Subsection 2(d) of Section 4 - 675.290 (PAGE 2, LINES 47-49)

3. Reletter the following Subsections of Section 4 - 675.290
 - (a) from (e) back to (d) (PAGE 3, LINE 1)
 - (h) from (f) back to (e) (PAGE 3, LINE 18)
 - (c) from (g) back to (f) (PAGE 3, LINE 28)

4. Change Subsection 6 of Section 5 - 675.295
From "ninety-six months" to "eighty-four months" (PAGE 5, LINE 21)