

ASSEMBLY LABOR & MANAGEMENT COMMITTEE MEETING

April 8, 1975 (9:30 Session)

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MEMBERS PRESENT: Chairman Banner  
Vice-Chairman Moody  
Assemblyman Benkovich  
Assemblyman Getto  
Assemblyman Schofield

MEMBERS EXCUSED: Assemblyman Barengo  
Assemblyman Hayes

Chairman Banner called the meeting to order at 9:37 A.M. for the purpose of discussing A.B. 427-428-440-404 & 554, with the statement that any bills not covered would be discussed at a special meeting after the Legislature adjourned in the P.M., about 2:30.

A.B. 427

John Reiser, N.I.C. Commission Chairman, was the first speaker in favor of A.B. 427. He stated that the intent of the bill was to permit the N.I.C. to pay a partial "lump sum" on "permanent partial disability" awards. The 12% figure is consistent with the "second injury" account, which was passed by the 1973 Legislature. That this bill had been requested by a number of workers so that they might have an option to receive either a monthly benefit for the balance of their working lifetime, or a smaller "lump sum" award.

Chairman Banner asked if the N.I.C. had a "cost estimate" on the bill.

Mr. Reiser replied that they did not anticipate that there would be any additional cost. If this bill is passed, the individual would have the option of receiving a monthly or annual benefit until they reach age 65, or for 5 years, whichever is greater, or of taking a partial lump sum. As an illustration, they estimate about \$1140.00 as the average monthly wage. This would be approximately \$5,700.00 for "permanent partial disability" if they elected to take the lump sum, or approximately \$640.00 a month for the balance of their working lifetime. Since there would be some individuals who would select the "lump sum" even though it was a lower dollar figure, there was no estimated cost impact.

Chairman Banner asked if, since the lump sum would be equal to 100 months payment, did they feel that they would save money?

Mr. Reiser replied that they really have no way to tell since the option has never been available before, but that they intend to explain fully to everyone, so that they will be fully aware that the lump sum would be of lesser dollar value.

Roland Oakes, representing Associated General Contractors, was the next speaker in favor of A.B. 427. He stated that the Labor and Management Advisory Board had reviewed this bill over the past two years, and felt that it was desirable and necessary.

A.B. 427

James Arnold, representing the Building Trades Council, was next speaker in favor of A.B. 427. He stated that they had done considerable research, and were in support of the bill.

George Hawes, representing the A.F. of L and the C.I.O, stated that they were also in support of the bill.

Since there was no one else who wished to speak on A.B. 427, Assemblyman Getto moved that it be given a "do pass" recommendation. Assemblyman Moody seconded the motion. Motion carried unanimously.

A.B. 428

John Reiser, representing the N.I.C. was the first speaker in favor of A.B. 428. He stated that this was one of the bills that had been considered during the last two years by the Governor's Labor and Management Advisory Board. That the intent was to change the state average monthly wage so that it would be approximately \$760.00 a month, as a maximum benefit. So that the 662/3 benefit would be extended to a greater number of workers, and that a worker who earned \$1140.00 a month would be entitled to 2/3 of that, or \$760.00 for "permanent total disability", "temporary total disability", or death or survivor's benefits. There would also be a corresponding change in "permanent partial disability". He stated that this one change would revise the entire benefits structure, and that there was an estimated 10.9% fiscal impact on A.B. 428.

Chairman Banner asked him what the estimated average monthly wage would be, as of July, 1975? Mr. Reiser replied that they have estimated it to be approximately \$760.00 a month.

Roland Oakes, representing the Labor and Management Board, stated that they had reviewed the bill, and that they realized that a 11% increase was a substantial one, but that the employers on the board had decided that this was an increase they would reluctantly accept, due to the fact that the injured workman was in a different category than anyone else who must receive benefits, and that there was a responsibility on the part of the employer, to make the worker whole again, so they were supporting A.B. 428.

Bob Alkire, representing Kennecott Copper and the Nevada Mining Associates was the next speaker on A.B. 428, and he made the following statements.

1--He chose to talk on the basis of A.B. 428, simply because it would be the most costly bill for Kennecott Copper, in the entire N.I.C. package, and rather than refer specifically to A.B. 428, he would like to speak about all the N.I.C. legislation that was before the Committee

2--Nevada needs to suffer no embarrassment because of it's present N.I.C. program. He

A.B. 428

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2--(Cont.)

He submitted a survey conducted by the American Mutual Insurance Alliance, and quoted the following facts from it. (Attachment 4) That survey is attached, and hereby made a part of this record. This survey was done a year ago.

3--While N.I.C. comparisons between the States are not necessarily comparable on a direct line basis, generally speaking, out of 6 western states; Nevada, California, Washington, Wyoming, Utah, and Colorado, Nevada ranks a very close third in N.I.C. benefits paid. For example, an average "permanent total disability" maximum weekly benefit paid in January, 1974 went as follows: \$105.63 paid in Nevada; \$119.00 in California; and \$121.38 in Washington. Any economist would agree that, in view of the cost of living in the three states, Nevada was comparable to California and Washington.

4--In the mining industry, Nevada does not compete with California and Washington. They compete instead with Arizona, New Mexico, Colorado, Utah, Wyoming and Idaho.

5--In the 4 western states where Kennecott operates: Nevada, Utah, Wyoming and Arizona, their N.I.C. costs are the highest in Nevada.

6--Kennecott Copper does not not oppose all of the bills in the N.I.C. package, but they do feel that going outside of the package would be extremely detrimental to the copper industry in Nevada. If any appreciably costly bill is adopted outside the package, it would be extremely difficult for them to live with A.B. 428, if it also becomes law. It would mean an 18% increase, or about \$100,000.00 increase in their premiums.

7--Two years ago they swallowed a projected 14% increase, which turned into a 114% increase. Their premiums went from \$240,000.00 a year to over \$500,000.00 a year. He noted that these premiums were just for the compensation portion of the N.I.C. since they paid their own medical. If he included medical costs, their payments would be well over \$1,000,000.00 a year.

8--He also asked the Committee to keep the following in mind: In his experience, dealing with Kennecott's own in-house N.I.C. compensation, which they call weekly indemnity, the closer you get the weekly indemnity figure to the take-home pay figure, the more the number of claims and their duration increase, and it becomes ever more difficult to get people back to work. That a person getting \$760.00 a month in benefits, considering tax discounts, is not too far from genuine take-home pay, although the mining industry does pay more than the state average annual wage. Although they are forecasting an 18% increase, they would be lucky to be able to hold it to 20% or more, because of the increase in claims, and their duration.

R.W. McCoy, representing the Gibbens Company spoke next in opposition to A.B. 428. He also was representing the Northern Nevada

A.B. 428 (Cont.)

Personnel Association, and read from a prepared statement, a of which is attached, and hereby made a part of this record. (Attachment 1) 205

Chairman Banner noted that Mr. McCoy had mentioned Kennecott and Anaconda Copper Corporations. He asked him if he could go back 20 years and get the statistics on premiums versus claims, and present them to the Committee? He also asked him if he might be in a position to recommend that the Nevada Industrial Compensation Act itself, be repealed? Mr. McCoy replied that he would attempt to get the figures, but in answer to the second question, he would reply with an emphatic "no". They believed that the N.I.C. Act was basic legislation, and he would not recommend repeal of N.R.S. 616, 617 and 618.

Chairman Banner asked him if, from an employer's standpoint, he did not believe that the "exclusive remedy" clause was the most salient feature of the Act?

Mr. McCoy replied that they do support that feature in the Act.

Chairman Banner asked if, from a human standpoint or a personal or civil rights standpoint, if he did not think that the "exclusive remedy" clause took away the rights of the employees? That, although under O.S.H.A. the employer was supposed to provide a safe place to work, if he did not do so, did he not think that the employee should have the right to go to court? Mr. McCoy said he believed that this would violate the principles of insurance, which, in employment compensation matters, do not allow for punitive damages.

Assemblyman Benkovich asked if Mr. McCoy would also attempt to get the figures, in going back 20 years, on number of employees and total payroll. Mr. McCoy replied that he would, and a second question, "How much would A.B. 428 cost the Gibbens Company. Mr. McCoy replied that their rate was clerical, and he assumed that it would cost approximately 11%, as an increase.

Assemblyman Getto asked Mr. McCoy if he had totalled up what the impact would be if the Legislature passed the bills in the N.I.C. package, including the bills already passed, and the ones that were still before the Committee. Mr. McCoy estimated an 18 to 20% increase in premiums.

Chairman Banner reminded Mr. McCoy that what he was estimating was not based on fact, since he had no way to know how many of the bills would pass the Senate. Mr. McCoy replied that there would be an increase in July 1, in any case. That there was a built-in trigger, due to the average monthly wage going up, and the increased cost of medical care. That he felt that the N.I.C. getting into rehabilitation care more in the future, would probably help reduce costs in the long run, but not in the near future.

A.B. 428 (Cont.)

Assemblyman Getto asked if the premiums would increase 4 to 5% even if no legislation had been passed? Mr. McCoy replied in the affirmative.

Chairman Banner asked Mr. McCoy what he thought the costs would be to the employer if the N.I.C. Act was repealed in its entirety? Mr. McCoy replied that he thought a repeal would cause utter chaos in the state; possibly 10,000 lawsuits a year, and 1/3 of the claims would end up in court, with the employees suing their employers. That there is certain protection for the employer afforded by workmen's compensation legislation, which included protection against a suit by an injured worker.

Assemblyman Getto asked Mr. McCoy if he didn't think that a repeal of the Act would also be a boon to the legal profession? Mr. McCoy replied in the affirmative, because so many cases would go to court.

Assemblyman Getto said he felt that the repeal of the Act would have an adverse affect since they were taken care of me-ically at once now, and if there were no N.I.C, they would have to pay their own medical expenses, and then take their employer to court to recover.

Chairman Banner noted that where employees were covered by group medical insurance, they were taken care of immediately, and still did not give up the right to sue the employer.

Assemblyman Getto noted that Mr. McCoy had not included the costs of A.B. 2 & 5 in estimating the increase in premiums. Mr. McCoy said that with those bills, the increase would probably be in the neighborhood of 30%, but that he was only guessing, as Chairman Banner had pointed out.

Raymond Bohart, representing Federated Employers of Nevada, Greater Las Vegas Chamber of Commerce, and Southern Nevada Home Builders was the next speaker in opposition to A.B. 428. He stated that they opposed the bills specifically for the following reasons:

1--In section 616.027, sub-section 2, line 11 which would increase the state average monthly wage benefits paid from 66 2/3% to 150%, which would result in an 83% increase on this factor alone, To develop the \$5,200,000.00 estimated cost of this modification would result in an estimated 10.9% increase in premiums.

2--He estimated that A.B. 2 which had passed the Committee on April 3 would result in a 13% increase, and A.B. 5 would also result in a 14% increase in premiums. That he was afraid that the N.I.C. package and the employment security package would have a disastrous effect on many small employers.

Chairman Banner stated that in his many years of experience, representing both labor and management, including one term as an

A.B. 428 (Cont.)

N.I.C. Commissioner, he had many times heard these projected "guesstimates", and had repeatedly seen them fail to materialize.

Mr. Bohart stated that there was a federal Health Maintenance Organization Act in effect, and if they could figure out how to apply the Act according to the interpretive bulletins, it would require an employer who hired more than 25 employees to offer, as an option, a health maintenance program.

Roland Oakes, representing the Governor's Advisory Labor and Management Board, stated that he would like to correct some "red herrings" that had been dragged before the Committee, as follows:

- 1--The employers on the Board were not influenced by federal standards, as such; the package they approved was what they felt was necessary to keep the N.I.C. in line with what it being done elsewhere in this field.
- 2--Someone had made a statement that their premium rate had been increased 100%. If that was so, it was because that employer had experienced a lot of accidents, and had nothing to do with the premiums around the state. 14% going to 114% was ridiculous.

Chairman Banner noted that, as he had previously stated, insurance rates were based on "frequency and severity", which made some of the estimated increase figures meaningless, as applied to employers in general.

Mr. Oakes submitted a letter from the Reno Chamber of Commerce, supporting the bills in the N.I.C. package, including A.B. 428. It is attached, and hereby made a part of this record. (Attachment 3)

George Hawes, representing A.F. of L. and C.I.O., stated that they supported A.B. 428 fully, and asked the Committee to give it a "do pass" recommendation.

Assemblyman Schofield asked Mr. Oakes what he estimated the premium increase would run on the entire N.I.C. package? Mr. Oakes replied that it would probably increase premiums 15%, and A.B. 2-4 & 5 might raise that increase to 30%.

Chairman Banner noted that when the sheet came out, calling A.B. 2-4 & 5 the "Banner bills", that was an indication to him that it was a red flag, and he knew, without a doubt, that the figures on those bills were inflated, and they were probably inflated because for the past 2 years, he had been a principal thorn in the N.I.C.'s side. Therefore, when someone was quoting premium increase figures that would be caused by those bills, he would very much appreciate it if they would talk "fact" Mr. Oakes replied that he had no difference with the Chairman, and appreciated his position.

A.B. 428 (Cont.)

Jim Arnold, representing the Building and Trades Council, stated that they supported A.B. 428, in its entirety. That he was amazed at the calloused attitude that many people had against human beings. That they were discussing people who, in many instances, lose their lives, and for people to quote figures on increases, based on just "wild guesses" was beyond his comprehension.

Chairman Banner noted that he had understood that there had been an understanding on the entire N.I.C. package. Mr. Arnold stated that this was so; there had been many months spent on the entire package, under the direction of John Reiser, and that he had not thought there was any discord between labor and management on it.

Assemblyman Getto noted that there were thousands of employers in the State, who were also human beings, and were on the verge of bankruptcy, and what did Mr. Arnold think about them?

Mr. Arnold replied that his remarks had not been directed at the Committee; they were directed at the people who were counting the cost increase on the buck, when a man was laid up, injured, unable to do anything to protect himself or his family.

Assemblyman Getto stated that he thought everyone was concerned with the injured worker, but that it was still a matter of economics. That better care could be provided for everyone, if the money was present, but, in a period where things were rough for everyone, he thought the Legislators should strive to meet a happy ground.

In answer to Assemblyman Getto and Mr. Arnold's remarks, Bob Alkire, representing Kennecott Copper made the following points:

- 1--The copper industry has furnished benefits almost identical to auto, steel, aluminum, and other major industries, that they are by far the best benefit programs in industry today, and he did not apologize for them.
- 2--That because people are not working, some of the programs were not what they were a year ago. That the reason people were not working was because the cost of producing the product got so high, it was prohibitive
- 3--That if you cannot afford to produce your product, you can not employ people, and pay for N.I.C. and other benefit programs.
- 4--That an N.I.C. increase in premiums, in the metal industry, was not put on the cost of selling a pound of copper, it is put on the cost of producing a pound of copper, and it cannot be passed on to the consumer

Assemblyman Schofield noted, that in his earlier testimony, Mr. Alkire had estimated the impact of A.B. 428 would be an 18% increase, and didn't he mean the cost of the entire package would be 18%?

A.B. 428 (Cont.)

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Mr. Alkire replied in the affirmative.

Assemblyman Getto asked Mr. Alkire how many people would be unemployed if Kennecott Copper were to close its doors?

Mr. Alkire said it would be approximately 1,150 people. That they had already laid off about 200.

Assemblyman Getto asked what effect that action would have on Ely, Nevada?

Mr. Alkire replied that it would destroy Ely, and have an adverse effect on ~~eight to nine~~ thousand people.

Since no one else wished to speak on A.B. 428, Chairman Banner moved on to A.B. 404.

A.B. 404

The first speaker in favor of the bill was John Reiser, N.I.C. Commissioner. He said that the intent of the bill was to bring the statutes into consistency. It would allow the N.I.C. to invest in office buildings, which is presently restricted, and allow them to have rehabilitation facilities, laboratories, etc.

Chairman Banner asked him if that meant that the N.I.C. could invest in office buildings, and rent the offices to attorneys?

Mr. Reiser replied that the bill would just allow them to build laboratories, rehabilitation centers, etc.

Chairman Banner noted that the bill did not say that. It just said "office buildings".

Mr. Reiser said that, although the bill didn't state it, they would only be allowed to rent to other state agencies.

Chairman Banner noted that he just wanted that explanation on the record, as he was already personally aware of it.

Raymond Bohart had the following question regarding A.B. 404. On the concept of the State owning facilities, as opposed to leasing facilities, what would be the comparative costs? In essence, the bill would put the state in competition to private enterprise, and he thought that should be of concern to the Committee.

Chairman Banner explained to Mr. Bohart that the N.I.C. had so much money they didn't know how to hide it, so they had to build some buildings, and lease them back to themselves. That the money would come out of their "reserves".

Mr. Oakes said that he understood that the purpose of the bill was to build a rehabilitation center in Las Vegas, so some of the employers Mr. Bohart represented would have some work.



A.B. 404 (Cont.)

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Assemblyman Getto moved that A.B. 404 be given a "do pass" recommendation. Assemblyman Moody seconded the motion. The "aye" vote was unanimous. Motion carried.

Assemblyman Getto moved to adjourn the meeting. Assemblyman Moody seconded the motion.

Meeting adjourned at 10:40 A.M.

Chairman Banner reminded everyone that there would be a special meeting at the close of P.M. adjournment, to hear testimony on A.B. 440 and 554.

Respectfully submitted,

Betty Clugston  
Acting Secretary

Date April 8, 1975 Time 9:30 A.M. Room 336

Bills or Resolutions  
to be considered

THIS AGENDA SUPERSEDES PREVIOUS AGENDA  
Subject

Counsel  
requested\*

A.B. 427

Allow certain injured employees to elect lump sum payment of industrial compensation benefits.

A.B. 428

Revises definition of average monthly wage and extends use of other definitions.

A.B. 440

Permits sole proprietors to elect coverage under Nevada Industrial Insurance Act and Nevada Occupational Diseases Act and extends compulsory coverage under such Acts to employers with only one employee.

A.B. 404

Removes office building restriction from type of buildings that Nevada Industrial Commission may purchase.

A.B. 554

Makes various changes in Nevada Industrial Insurance Act and Nevada Occupational Diseases Act.

AB 364

AB 368

AB 419

AB 425

AB 403

\*Please do not ask for counsel unless necessary.