

Senate

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COMMERCE AND LABOR COMMITTEE

May 16, 1975

The meeting was called to order in Room #213, on Friday, May 16, 1975, at 2:40 p.m., with Senator Gene Echols in the chair.

PRESENT: Senator Gene Echols
Senator William Raggio
Senator Gary Sheerin
Senator Richard Blakemore
Senator Warren Monroe
Senator Margie Foote

OTHERS PRESENT: See Exhibit A.

A.B. 594: Makes certain administrative and technical changes in provisions relating to insurance trade practices and frauds.

Jim Thompson, Attorney General's office, testified. Mr. Thompson spoke about Section 7, which seeks to remove the Attorney General from the role of a legal advisor to the Commissioner. He said they generally agreed in the Assembly to take that section out, but it was not done because of some misunderstanding in bill drafting. Senator Sheerin asked if Lines 37 through 39 took care of it. Mr. Thompson said no because 679B.090 authorizes the Insurance Commission to employ assistants. Mr. Thompson said the Senate Finance Company and Ways and Means are studying them employing assistants. Further discussion of this point followed between committee members and Mr. Thompson.

Mike Melner, Director Department of Commerce, testified. Mr. Melner said they testified in the Assembly Commerce Committee that they did not want to exclude the Attorney General's office from any role in the Department of Commerce or particularly in the Insurance Division. Mr. Melner said he read the amendments differently than the Attorney General's office. Mr. Melner said he thought the Attorney General is the sole and exclusive attorney for the Department. He said they wouldn't hire an attorney outside of the role of the Attorney General. He said they do not intend to hire other attorneys. Mr. Melner said he would provide a letter of intent, which he did. It is attached and will be labeled EXHIBIT B. He is in favor of the bill.

Dick Rottman, Insurance Commissioner for the State, testified. Mr. Rottman said this bill basically updates the model Unfair Trade Practices Act developed by the National Association of Insurance Commissioners. He said they had no intention of bypassing the Attorney General's office, as Mr. Melner stated earlier.

The bill gives the Division a better method of treating unfair trade practices. The bill makes more clearly what unfair trade practices are. It also addresses the problem of unfair claims handling practices that was not addressed in the old bill.

Senator Blakemore asked where the administrative fine money goes. Mr. Rottman said into the general fund.

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Milos Terzich, American Life Insurance and Health Insurance of America, testified. Mr. Terzich helped to develop the bill and it is the result of one month's hard work and they are in total agreement with the bill. He said the general purpose of the bill is to provide more adequate protection to the Nevada consumer by defining specifically what an unfair trade practice is and providing better enforcement procedures in the interest of the Nevada consumer.

This is a bill that the insurance companies can live with. Mr. Terzich stated it was a good bill, in his opinion. He also commented briefly on the attorney general's points. He stated he disagreed with the Attorney General's opinion and agreed with Mr. Melner. Further discussion of this opinion followed.

Mr. George Vargas spoke from the audience briefly about the bill. Mr. Vargas said the original penalty was a felony. He discussed this with the committee.

Senator Blakemore moved do pass.

Senator Monroe seconded the motion.

The vote was Senators Echols, Blakemore, Sheerin, Monroe and Raggio aye. Senator Foote did not vote and Senator Bryan was absent.

A.B. 656: Provides financial protection to certain persons involved in construction work.

Discussion of the previous amendments to this bill was carried on. The committee also discussed further amendments to be introduced on the floor regarding the payment bonds.

There being no further business, the meeting was adjourned at 3:00 p.m.

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Respectfully submitted:

Kristine Zohner
Kristine Zohner, Committee Secretary

APPROVED BY:

Gene Echols (Kz)
Senator Gene Echols, Committee Chairman

Commerce and Labor

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NAME

Allan Bruce Associated General Contractors

Robert P. Carter State Contractors Board

Robert B. Dolan P. Sotani & Sons

George T. Vargas Energy Oil Co

Virgil P. Cuffenow AIA

George Krasnowski State Farm Ins.

~~XXXXXXXXXX~~

Milos Terlich HIAA
ALIA

Commerce

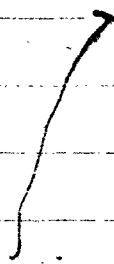


Exhibit B



MIKE O'CALLAGHAN
GOVERNOR
MICHAEL L. MELNER
DIRECTOR

STATE OF NEVADA
DEPARTMENT OF COMMERCE

NYE BUILDING, ROOM 321
201 SOUTH FALL STREET
CARSON CITY, NEVADA 89701
(702) 835-4250

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DIVISIONS OF
BANKING
CONSUMER AFFAIRS
FIRE MARSHAL
INSURANCE
REAL ESTATE
SAVINGS AND LOAN

May 16, 1975

Senator Eugene V. Echols
Chairman
Senate Commerce and Labor
Committee
Legislative Building
Carson City, Nevada 89701

Dear Senator Echols:

During the testimony on A.B. 594, the Attorney General's Office interposed some opposition to the language contained in Section 7 of the bill. It is their opinion that the bill, when read in conjunction with Title 57 of the Nevada Revised Statutes, would authorize the Insurance Division to hire counsel independent of the Attorney General's Office.

While our department does not read the language to authorize such hiring, we wish to assure you and your committee that it is not the intention of the Department of Commerce to hire counsel to prosecute cases in any court in the State of Nevada. This is strictly the Attorney General's function. We had no intention and we have no intention to circumvent the Attorney General's statutory authority as counsel for the executive agencies.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Melner".

Michael L. Melner
Director

MLM/jk

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

A. B. 594

ASSEMBLY BILL NO. 594—COMMITTEE ON COMMERCE

APRIL 10, 1975

Referred to Committee on Commerce

SUMMARY—Makes certain administrative and technical changes in provisions relating to insurance trade practices and frauds. Fiscal Note: No. (BDR 57-1611)

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to the Nevada Insurance Code; making certain administrative and technical changes in the law affecting trade practices and frauds; providing penalties; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 SECTION 1. Chapter 686A of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 6, inclusive, of this act.
- 3 SEC. 2. *Notwithstanding any other provision of law, the commissioner*
4 *has exclusive jurisdiction in regulating the subject of trade practices in*
5 *the business of insurance in this state.*
- 6 SEC. 3. 1. *After the hearing provided for in NRS 686A.160, the*
7 *commissioner shall issue his order on hearing pursuant to NRS 679B.360.*
8 *If the commissioner determines that the person charged has engaged in*
9 *an unfair method of competition or an unfair or deceptive act or practice,*
10 *he shall order such person to cease and desist from engaging in such*
11 *method of competition, act or practice, and if the method of competition,*
12 *act or practice is a violation of NRS 686A.030 to 686A.150, inclusive,*
13 *NRS 686A.190 to 686A.290, inclusive, or section 6 of this act, the com-*
14 *missioner may, in his discretion, order one or both of the following:*
- 15 (a) *If the person knew or reasonably should have known that he was in*
16 *violation of this chapter, payment of an administrative fine of not more*
17 *than \$1,000 for each act or violation, but not to exceed an aggregate pen-*
18 *alty of \$10,000, except that as to licensed agents, brokers, solicitors and*
19 *adjusters, the administrative fine shall not exceed \$500 for each act or*
20 *violation.*
- 21 (b) *Suspension or revocation of the person's license if he knew or*
22 *reasonably should have known that he was in violation of this chapter.*
- 23 2. *Until the expiration of the time allowed for taking an appeal, pur-*
24 *suant to NRS 679B.370, if no petition for review has been duly filed*