

MINUTES

ASSEMBLY COMMERCE COMMITTEE

March 11, 1977

Members Present:

Chairman Harmon
Vice Chairman Mello
Mr. Demers
Mr. Barengo
Mrs. Hayes
Mr. Moody
Mr. Weise

Members Excused:

Mr. Price
Mr. Sena

Guests Present:

Milos Terzich, Health Insurance Assoc. of America
Dick L. Rottman, State Insurance Division
James L. Wadhams, State Insurance Division
Erma Edwards, State Insurance Division
Gene Leverty, State Insurance Division

The meeting was called to order at 1:00 p.m. by Chairman Harmon.

Assembly Bill 352

Mr. Jim Wadhams of the State Insurance Division explained this bill was prepared at their request and requires the licensing of administrators. Administrators are people who handle funds for groups for health and life insurance purposes. At the present there is no control over these individuals since in some instances they are neither licensed as insurance agents or insurance companies. This bill will require that they hold a license with the commissioner.

Mr. Wadhams presented amendments to the bill, a copy of which is attached as Exhibit 1, and explained them to the committee.

Assembly Commerce Committee Minutes
March 11, 1977

Mr. Demers asked if the fine would be an administrative fine. Mr. Wadhams replied that it would and that it would be payable to the general fund.

In response to question by Mr. Barengo, Mr. Wadhams said these people were currently in business quite extensively and were not licensed, registered or supervised by any state agency. They hold funds for groups. Mr. Barengo further questioned why it was necessary to have administrators at all. Mr. Wadhams said it was common to set up this type of funds and the employee group feels that it is less expensive for them to hire their own administrator.

Assembly Bill 376

Mr. Wadhams explained that the basic thrust of this bill is to allow persons who buy life insurance to have a period of time for examination. This is currently in the statutes in regard to health insurance. There are 26 or 27 states that have enacted this. The other section of the bill empowers the commissioner under his general regulatory powers to inspect policies as they are sold.

Mr. Weise felt that under this bill he would be liable for a misdemeanor fine if he refused to let the insurance division examine one of his policies. This is supposed to be a consumer law and Mr. Weise does not see the need for a law which would require the consumer to produce or be penalized. Mr. Wadhams said that often the only way they can tell if an insured has been overcharged is to check his policy. Chairman Harmon said this bill applied to the large risk policies furnished by out of state insurers who do not comply with Nevada laws.

Milos Terzich, representing the American Life Insurance Association, stated that he had an amendment to the bill which had been approved by the insurance commissioner. A copy of the suggested amendment is attached as Exhibit 2. Mr. Terzich said they do support the bill and think it is a good consumer measure.

Mrs. Hayes asked why the bill was to take effect on October 1. Mr. Terzich explained that they needed lead time in order to change policy provisions, printing and submitting the form to the insurance commissioner for his approval.

The discussion returned to A.B. 352. Mr. Terzich stated that they had no objection to the amendments submitted by the

Assembly Commerce Committee Minutes
March 11, 1977

Insurance Division. They do have two additional provisions to be put into the law. A copy of these provisions is attached as Exhibit 3. The second provision has been suggested by industry and provides for a bond to be supplied by the administrator to the insured. This would cover disreputable administrators and companies.

Mr. Barengo asked why a law couldn't be written to abolish administrators altogether. Mr. Terzich didn't know what industry's position on that aspect would be. This model bill has been worked out by the National Association of Insurance Commissioners with industry.

Mr. Demers moved that the bill be amended to do away with administrators. Mr. Dave Byington, State Association of Life Underwriters' Association, expressed concern that if this was done it might be depleting a market that is badly needed for the small business man that wants to buy group insurance.

Mr. Demers said he would amend his motion and move that the chairman select a representative to get together with the Insurance Commissioner, a representative of industry and review amendments to the bill. Mr. Barengo said he would volunteer. The motion was seconded by Mr. Weise and carried unanimously.

Chairman Harmon selected Mr. Barengo and Mr. Weise to work with the parties involved and come back to the committee with a recommendation on A. B. 352. The Chairman further stated that the committee would hold A.B. 376 and take action later.

The meeting was adjourned at 1:45 p.m.

Respectfully submitted,

Jane Dunne
Assembly Attache

AMENDMENT ASSEMBLY BILL #352
ADMINISTRATIVE STATUTE

Page 2 line 32: self, (and) the insurer and the insured person.

Page 2 line 37,
38, 39: (Any confidential...the administrator)

Page 2 line 37: Any trade secret contained therein, including but not limited to the identity and addresses of policyholders and certificateholders shall be confidential, except that the Commissioner may use such information in any proceedings instituted against the administrator.

Page 2 line 44,
45, 46: (Sec. 6 an administrator.....business involved)

Page 2 line 44,
45, 46: Sec. 6 An Administrator may use only such advertising pertaining to the business underwritten by an insurer as has been approved by such insurer in advance of its use.

Page 2 line 48: (may) shall make provision...(for) with respect to

Page 3 line 14: from (his) the fiduciary account.

Page 3 line 15: withdrawals (may) shall

Page 3 line 35: 'tionship among....(insured) policyholder

Page 3 line 42: Commissioner(;) of this state;

Page 3 line 44: for which he is....(administrator) adjuster.

Page 3 line 44: Failure to hold a certificate of registration shall subject the administrator to a fine of not less than \$300 or more than \$2,000.

Page 4 line 8, 9:any requirement (which he has promulgated)

Page 4 line 8, 9:any requirement of Sec. 12 of this Act.

3-9-77 2:00 PM

Dictated by: Russ Eukalono

A.B. 376 - Delete Lines 9 thru 16 and substitute the following language:

1. No policy of life insurance, other than an industrial life insurance policy, may be delivered or issued for delivery in this state unless it contains a provision, or a notice attached to the policy, which, in substance, states that during a period of 10 days from the date the policy is delivered to the policy owner, it may be surrendered to the insurer together with a written request for cancellation of the policy and in such event, the insurer will refund any premium paid therefor, including any policy fees or other charges.

2. This act shall take effect October 1, 1977.

Delete subsection 2 of section 2

AMENDMENTS TO A.B. 352

Add 2 new sections to Chapter 683A of N.R.S. which shall read as follows:

Sec. _____:

Any policies, certificates, booklets, termination notices or other written communications delivered by the insurer to the administrator for delivery to its policyholders shall be delivered by the administrator promptly after receipt of instructions from the insurer to do so.

Sec. _____:

Every administrator shall be bonded. The amount of the bond shall be not less than 10 per centum of the amount of total funds handled. In no case shall such bond be less than \$1,000 nor more than \$500,000 unless a larger amount has been agreed to between the insurer and the administrator. For purposes of fixing the amount of such bond, the amount of funds handled shall be determined by the total funds handled by the administrator during the preceding year, or if no funds were handled during the preceding year, the amount of funds reasonably estimated to be handled during the current calendar year by the administrator. Such bond shall provide protection to the insurer or insurers against loss by reason of acts of fraud or dishonesty and may include individual bonds or schedule or blanket forms of bonds. Only one such bond shall be required of the administrator for all insureds which utilize the services of the administrator, unless provided otherwise in the written agreement between the insurer and the administrator.

Exhibit 3 - Minutes of 3-11-77