

SENATE TRANSPORTATION COMMITTEE

MINUTES OF MEETING

Tuesday, March 1, 1977

The meeting was called to order in Room #323, Legislative Building at 1:30 p.m. on Tuesday, March 1, 1977

Senator Richard Blakemore was in the chair.

PRESENT: Senator Richard Blakemore, Chairman
Senator Keith Ashworth, Vice Chairman
Senator Margie Foote
Senator Wilbur Faiss
Senator William Hernstadt

ABSENT: Senator Joe Neal
Senator Cliff Young

OTHERS

PRESENT: Senator Norman Ty Hilbrecht
Richard Rottman, Insurance Commissioner
Frank Shesler, Private Citizen, Carson City
Robert Guinn)
Daryl E. Capurro) Nevada Motor Transport Assn.
Virgil Anderson, AAA & Cal. State Auto Assn.
Richard Garrod, Farmers Insurance Group
George Ciapusci, State Farm Insurance
George Vargas, American Insurance Assn.
Howard Hill)
John Ciardella)
Walter Forgens)
Verl Fletcher) DEPARTMENT OF MOTOR VEHICLES
E. J. Silva)
Hale Bennett)
John Ciardella)

Hearing was then held on the following bills:

SB 218 REQUIRES PROOF OF FINANCIAL SECURITY FOR VEHICLE
REGISTRATION.

Senator Hernstadt, the sponsor of SB 218 stated that the purpose of this bill was to enforce the so called "mandatory" car insurance. He has had many complaints from Nevada people who have been in car accidents and have found that the other driver had no insurance. According to Senator Hernstadt 40% of Nevada's drivers are not carrying any car insurance.

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Senator Hernstadt said that this was one solution. This bill would require any driver, at the time of registering his vehicle, would get a certificate from the insurance company stating the existence of insurance. If at any time during the year for which the policy is issued for, the policy lapses, the insurer would be required to notify the Motor Vehicle Department, who, in turn, will cancel the registration and in addition the license of an individual diliberatly driving a car without insurance. This bill is similar to a New York State law.

Implementation of this bill would be expensive but Senator Hernstadt felt that it was worth while because then our mandatory car insurance would be mandatory. He added that this might not be the ideal solution to the problem and two other solutions are as follows:

1. Return to the old tort system and repeal the no fault insurance law.
2. Modifying the threshold at which suits can take place.

He felt that SB 218 was the most valid way of approaching the problem, and he said that he would appreciate everyone's consideration.

Mr. Richard R. Garrod of Farmer's Insurance Group was the next to testify. He said that his company has some real problems with the measure. He then made the following comments.

1. He referred the Committee members to Section 6 on pages 3 and 4. He stated that if the bill were amended to just contain that language his company would be in support. If a person violates the provisions of this section he can be convicted by a court and his license suspended by the Department of Motor Vehicles for a period of not less than 30 days and not more than 1 year.

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2. As an insurance organization that insures commercial and private passenger cars, using a policy which is issued until cancelled, it would require us to set up a separate billing system. We have no idea how much this would cost us. According to this bill, we would have to send out the billing; wait until we received payment; then, send out conformation that the client was covered by insurance to the Department of Motor Vehicles and to the client.
3. Another problem is with trucking or industrial type insurance. We issue a 60 day policy to these clients because they are always adding and deleting vehicles and there is probably not 90 days out of the year where they have the same number of vehicles in their fleet.
4. On an audit, or our reporting type policy, how can we notify the Department of Motor Vehicles when we do not know whether or not someone is insured. If a vehicle is not covered at the time of the audit, we know and can report this to DMV; otherwise, we don't know until claims picks up an accident report on that vehicle.
5. This bill would cause real problems with leasing companies because sometimes they provide the insurance and sometimes they require the lessees to provide their own insurance.

Senator Hernstadt then asked Mr. Garrod, "How many states does Farmer's Group operate in?" Mr. Gerrod answered that they are basically a Western United States operation covering most Western states and only two east of the Mississippi.

Senator Hernstadt asked if Farmer's Insurance operates in any states that have insurance provisions similar to those provided in SB 218? Mr. Gerrod said no, not to his knowledge.

Mr. George Ciapusci, representing State Farm Insurance Companies was the next to testify. He made the following statements:

1. State Farm is the largest automobile insurance writer in the State of Nevada, carrying approximately 92,000 automobiles as of the end of 1976.

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Which represents about 20% of the registered vehicles in Nevada.

2. We agree with Senator Hernstadt that the law as it currently reads is not producing the desired results. However, they do not believe that SB 218 is the solution because it generates reams of paper work by:
 - a. Notification by the insurance carrier at the time of any cancellation or nonrenewal and again at the time of renewal. State Farm issues policies which are renewable each 6 months. With 92,000 policies in the State, we would have to send out verifications of these policies every 6 months.
3. For this reason, they appeared today in opposition to SB 218.

Senator Hernstadt asked what states State Farm operates in? Mr. Ciapusci said that State Farm operates in every state in the Union except Massachusetts.

Senator Hernstadt asked if State Farm has the internal capability of implementing the law as it is written in New York? Mr. Ciapusci answered yes, however, he didn't have any statistics on how it was done and would get this information for the Committee.

Senator Hernstadt asked if Mr. Ciapusci if he knew of another way to get people to carry automobile insurance? Mr. Ciapusci stated that the only way is by under penalty of perjury by signing their name to the statement that they do carry insurance when they register their automobiles. He added that there will always be a certain number of citizens who will not carry automobile insurance.

George L. Vargas of American Insurance Association then testified before the Committee. He stated that personally he liked Senator Hernstadt's idea as then he and his clients would sell more insurance. He then made the following statements:

1. If 40% of Nevada's drivers are not carrying insurance, this bill will not affect them

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because through this reporting system, only those who carry insurance and then have it cancelled are the ones who will have to comply.

2. Not only would the insurance companies have monumental paper work, but so would the Department of Motor Vehicles.
3. It was his belief that the present law does have "teeth" in that it provides specifically for anyone who registers a vehicle, either a new or renewal registration to sign their name to a statement that they do carry required insurance as follows:

NRS 482.545 CERTAIN ACTS UNLAWFUL. It is unlawful for any person to commit any of the following acts:

Paragraph 6. "To use a false or fictitious name or address in any application for the registration of any vehicle or for any renewal or duplicate thereof, or knowingly to make a false statement or knowingly to conceal a material fact or otherwise commit a fraud in any such application. A violation of this subsection is a gross misdemeanor." Which means a year in jail and up to \$1000 fine.

Mr. Vargas continued by saying that the problem as he sees it, is that there is no enforcement of the present law.

4. When someone is in an accident, and it is found he has no insurance, those in authority should follow up and have him prosecuted.

Senator Hernstadt remarked that the purpose of SB 118 was not to put people in jail, but to make sure that Nevada's drivers are financially responsible.

Mr. Vargas stated that if a few people were prosecuted for not carrying insurance, a lot more people would be making sure that they were covered. At this time, they know they won't be prosecuted, even if they are caught, so they go bare.

Senator Blakemore remarked that when the original bill was heard in the 1975 Session, there was some

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question constitutionally whether you could require someone to buy insurance.

Senator Hernstadt asked Mr. Vargas if he thought it would help if an additional penalty were added to the statute which provided that those who were found not carrying insurance would have their driver's license suspended for 30 to 60 days. Mr. Vargas replied that this would certainly be an additional deterrent.

Mr. Frank Shesler, a citizen from Carson City was the next to testify. He said that he was retired, on a fixed income, has always been insured, however, he has two cars and can only drive one because the costs of insurance have raised so much he can't afford the insurance on both cars. He felt that if the State is going to make it mandatory for citizens to carry so much automobile insurance then the State should be obligated to underwrite a certain percent of that insurance. He understood that British Columbia has such a system and he thought it might be worthwhile for the Committee to investigate this solution.

Daryl E. Capurro, representing the Nevada Motor Transport Association was the next witness to testify. He stated that his Association has some technical problems with the application of the bill particularly with respect to the certificate. It does create a problem when your are dealing with a blanket policy and vehicles are being added and taken off continuously. Nearly 100% of our Association members are covered and it affects our policies when we are in accidents with drivers who are uninsured, but this is an extremely difficult problem to solve and he felt that at this point there was no way to improve the law.

Senator Hernstadt asked Mr. Capurro if the motor transport industry were excluded, since they have to carry insurance by requirement of the Public Service Commission, would they have any objections to the bill? Mr. Capurro said yes because of two reasons:

1. An individual is required to register a vehicle within 10 days after acquirement; the bill provides that a certificate must be issued

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within 15 days after the execution of the renewal binder policy. He was not sure that the insurance industry would be able to provide the necessary certification in time for a person to register his vehicle; and

2. There are serious implications with respect to the mailing renewal situation regarding both time and the amount of money it will take to administer these provisions by the Department of Motor Vehicles.

Senator Hernstadt asked if this act were in effect did Mr. Capurro believe their insurance premiums would go down.

Mr. Capurro replied that if only a small portion of the bills that have been introduced in this Session of the Legislature, insurance rates might go up, he was not sure; but part of the problem is that many of the 40% that are uninsured may also be a part of the population that are the greatest risk drivers.

There being no further testimony on SB 218, Chairman Blakemore asked if there was any one present who wished to testify on SB 217.

SB 217

REDUCES REQUIRED NUMBER OF REGISTERED MOTOR VEHICLES TO QUALIFY AS SELF-INSURER.

Senator Norman Ty Hilbrecht testified before the Committee regarding SB 217. He stated that the purpose of SB 217 was that it amends the self-insurance provisions of the Safety Responsibility Act, which permits the Department of Motor Vehicles, in the case of persons registering 25 or more vehicles, the privilege of examining the individuals financial situation and making a determination as to whether they can become a self-insurer, by posting a bond, taking out a time certificate or taking whatever measures which may be imposed by the Department. If they comply, then they are granted a certificate of self-insurance. SB 217 would reduce the threshold from 25 units down to 10 units, so that many of the small motor carrier companies in Nevada would also have this option instead of the high insurance rates they are now confronted with.

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Dr. Richard Rottman, Insurance Commissioner, Department of Commerce testified in favor of the passage of SB 217. He said that he believed it would provide people with fleets of motor carriers within the 10 to 25 range the alternative to become self-insured, rather than having to purchase insurance. It would give the small motor carrier company "a break" so to speak. This is particularly important at this time, because we not only have high rates, but an extremely tight market situation. In his judgment this would not cause any real problems for the public.

Senator Hernstadt interceded and asked Dr. Rottman some questions regarding SB 218 as follows:

More on
SB 218

- Q. I testified previously that there were approximately 40% of our drivers who are uninsured. If, through SB 218 or some other mechanism, we could lower that percentage to 5, 10, or 15%, would this not lower insurance rates because of the increase in insurance business:
- A. I am not sure, because as Mr. Capurro indicated, there is some question as to whether or not those uninsured drivers do not constitute many who are greater insurance risks and thereby actually adding to the total cost of protection.
- Q. Are you aware of any prosecutions under NRS 482.545?
- A. No, Sir.
- Q. Do you have any figures on the correlation between habitual offenders and uninsured motorists?
- A. I don't think anyone has any way of knowing what percentage of high risk drivers constitutes the total percentage of uninsured.

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- Q. Do you think that using the term "Mandatory No Fault Insurance" is kind of a fraud on the public when 40% are not in compliance?
- A. I would like to see, on this particular bill, the Committee attempting to distinguish between mandatory liability, mandatory no fault and mandatory liability insurance.

Howard Hill, Director of the Department of Motor Vehicles was the next to testify. He stated that the Department had no stand on SB 218; however, the Department would be required under the bill to set up a separate file on the computer which they do not have at this time just to keep track of the paper work.

Senator Hernstadt asked if the Department has any file which shows the correlation between habitual offenders and uninsured motorist who are involved in motor vehicle accidents? Mr. Hill said no.

Senator Hernstadt then asked if the Department was aware of any prosecution under NRS 482.545, Paragraph 6. John Ciardella, Chief of Registration, Department of Motor Vehicles answered that there were two prosecuted last year; one in Washoe County and one in Elko County.

Chairman Blakemore asked Mr. Hill what, in his opinion, would be the best solution in keeping the uninsured driver off of the roads in Nevada?

Mr. Hill answered that you could require individuals to carry a card which would be produced if they were stopped by a patrolman. If they did not have a card then there would be a stiff penalty, unless they could prove they did have insurance.

Senator Hernstadt asked Mr. Hill, if he was aware of any other systems (other than SB 218) which would give us higher compliance of insured drivers?

Mr. Ciardella replied that the State of Idaho has a very similar law to Nevada's. However, 2 years ago, they required that a certificate of insurance be supplied at the time of registration. They found

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that people would come in with their certificate and 30 days afterwards they would cancel that insurance. Idaho then amended the law and are going back to self certification similar to ours. They did provide, however, for follow up enforcement, whereby, if they found someone operating a vehicle without insurance, there is a \$300 fine or six months in jail or both. Idaho is now looking at only 17% of its drivers operating an uninsured vehicle. Idaho did not indicate whether or not their insurance rates had decreased or increased.

There being no further testimony on SB 218, Chairman Blakemore referred the Committee to SB 228.

SB 228 ENLARGES GROUP OF SECURITY DEPOSITS WHICH MAY BE ACCEPTED BY THE DEPARTMENT OF MOTOR VEHICLES.

Mr. Ciardella introduced Mr. E. J. Silva, Registration Division, Department of Motor Vehicles, who supervises the dealer licensing and regulates all automobile dealers throughout the State of Nevada.

Mr. Silva said that he was primarily responsible for the licensing and controlling the records of the vehicle dealers, rebuilders and lessors.

Chairman Blakemore asked Mr. Silva what mechanically could be done regarding the allowance of a dealer to use a deposit made at a credit union instead of having to buy a bond.

Mr. Silva replied that presently 41 states have some type of licensing structure pertaining to dealers. Many of the states have what they call the "Wisconsin Bonding" which uses a surety bond. No state uses a "cash deposit" except California. We realized that possibly there could be some other solution when bond premiums have become so costly. There are problems with SB 228 in the language, in that guidelines are not established and they drafted a proposed amendment (See attachment A), which would allow us to cover the problem of how the Department would attach the monies put up by the dealer. Another problem area is if a deposit is made, when a dealer goes out of business (voluntarily or involuntarily) under the existing surety bond format, any business the dealer had with a consumer (fraud, misrepresentation, selling a stolen vehicle, selling a double floored

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vehicle) the surety bond is still in force and affect. Even after the dealer goes out of business. SB 228 does not allow any provisions for this protection of the consumer if the dealer held a time certificate or cash deposit. There would have to be some provision that these monies were kept on deposit with the State Treasurer for a certain length of time after a dealer goes out of business, to allow for any misdeeds that occurred while he was in business.

Senator Blakemore asked if the consumer has that protection under the law in Nevada at this time. Mr. Silva answered that yes, because the consumer is protected by all dealers having to purchase a surety bond.

Senator Ashworth asked Mr. Silva what happens when someone goes out of business, no longer pays the premiums on the surety bond, the bond is cancelled, and a consumer files a suit against the dealer? Mr. Silva said the bonding company still covers that complaint, if the dealer was bonded during the time of the misdeed.

Senator Ashworth asked if other forms of monies were allowed to dealers, how would the consumer be protected after the dealer goes out of business. Mr. Silva stated that in the proposed amendment they have covered this situation by providing that any deposit with the State Treasurer would be held for 3 years after a dealer goes out of business or until the director is satisfied that there are no outstanding claims against any such deposit.

Chairman Blakemore asked if this would be possible if a credit union deposit was used instead of a time certificate or surety bond? Mr. Ciardella intervened, stating that as a member of the Board of Directors of the Nevada State Federal Credit Union, they do not issue a pass book, so they, at this time, would not have anything tangible to deposit at the State Treasurer's office such as a bond or time certificate.

Senator Ashworth asked Mr. Ciardella if he thought the Credit Union would be interested in this type of business? Mr. Ciardella replied that he did not believe they would because their business is based on fast turnover.

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Senator Blakemore asked Mr. Silva what the aggregate dollar bonding amount is deposited with the State at this time? Mr. Silva said that it was approximately \$9,300,000. Senator Blakemore then asked what is the approximate amount of the claims against that \$9,300,000? Mr. Silva said that he has no idea because unless we get feedback from the case when it goes to court, we would have no knowledge. After 9 years in this particular field, I would say that \$30,000 to \$50,000 have been paid by the various bonding companies.

ACTION
SB 217

Senator Foote moved DO PASS on SB 217.
Senator Ashworth seconded the motion.
Motion carried unanimously.

SB 288

Chairman Blakemore asked Senator Ashworth if he would discuss this bill further with Senator Dodge, the introducer, and meet with the Department of Motor Vehicles regarding its proposed amendment before the Committee takes any action on the bill. Senator Ashworth said that he would do so.

There being no further business, the meeting was adjourned.

Respectfully submitted:


Molly M. Torvik
Secretary

APPROVED BY:


Senator Richard Blakemore, Chairman

7. A deposit made with the State Treasurer pursuant to subsection 6 of this section, may be attached under the following conditions:
 - (a) A court order requiring the director and the State Treasurer to release specific funds; or
 - (b) A signed notarized affidavit executed by the person or persons under whose name the deposit is made, requesting a release of certain funds and the purpose for such release from the director and State Treasurer.
8. When a deposit is made pursuant to subsection 6, liability under any such deposit shall remain at the amount prescribed by the department. If the amount of liability under the deposit is decreased or there is an outstanding final court judgment for which the licensee is liable, the dealer, rebuilder or lessor's license shall be automatically suspended. In order to reinstate the license, the licensee shall either file an additional bond pursuant to subsection 1 of this section or restore the deposit with the state treasurer to the original amount required under this section, or he shall terminate the outstanding judgment for which he is liable.
9. The director may order a refund of a deposit with the State Treasurer office under conditions pursuant to subsection 6 of this section. At the expiration of three years from the date a licensee ceases to be licensed by the department, if the director is satisfied that there are no outstanding claims against any such deposit, a judge of any court of competent jurisdiction may order the return of any deposit prior to the expiration of the three (3) years upon evidence satisfactory to the court that there are no outstanding claims against the deposit as deposited by the licensee.

S. B. 217

SENATE BILL NO. 217—COMMITTEE ON TRANSPORTATION

FEBRUARY 11, 1977

Referred to Committee on Transportation

SUMMARY—Reduces required number of registered motor vehicles to qualify as self-insurer. (BDR 43-711)

FISCAL NOTE: Local Government Impact: No.
State or Industrial Insurance Impact: No.



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

AN ACT relating to motor vehicle insurance; reducing the number of motor vehicles a person must have registered in his name to qualify as a self-insurer; 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. NRS 485.380 is hereby amended to read as follows:
2 485.380 1. Any person in whose name more than [25] 10 motor
3 vehicles are registered in the State of Nevada may qualify as a self-insurer
4 by obtaining a certificate of self-insurance issued by the division as pro-
5 vided in subsection 2 of this section.
6 2. The division may, upon the application of such a person, issue a
7 certificate of self-insurance when it is satisfied that [such person is pos-
8 sessed] *he possesses* and will continue to [be possessed of] *possess the*
9 ability to pay judgments obtained against [such person] *him* and claims
10 for basic reparation benefits as provided in chapter 698 of NRS.
11 3. Upon not less than 5 days' notice and a hearing pursuant to such
12 notice, the division may, upon reasonable grounds, cancel a certificate of
13 self-insurance. Failure to pay any judgment within 30 days after [such
14 judgment shall have become] *it becomes* final [shall constitute] *consti-*
15 *tutes* a reasonable ground for the cancellation of a certificate of self-
16 insurance.

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Original bill is on file at
the Research Library.