

MEMBERS PRESENT: Mr. Bennett (Late)
Mr. Brady
Mr. Chaney (Late)
Mr. Dini
Mr. DuBois
Mr. Jeffrey (Late)
Mr. Kovacs
Mr. Prengaman
Mr. Robinson

MEMBERS ABSENT: Mr. Bremner (Excused)
Mr. Rusk (Excused)

GUESTS PRESENT: See Attached Guest List

Chairman Robinson called the meeting to order at 2:05 p.m. in Room 200 of the Legislative Building. Dr. Robinson mentioned that a request had come from Assemblyman Jane Ham to change the law that did away with surplus lines association in the last session. He asked Mr. Kovacs and Mr. Bremner to look into the matter prior to a Committee introduction.

The first bill on the agenda for the day was A.B. 206.

A.B. 206: Clarifies definition of "adjuster" of insurance.

Mr. Banner, as sponsor of the bill, introduced Patsy Redmond, Deputy Commissioner of the Insurance Division, who gave the background information on A.B. 206. She noted, "This bill basically clarifies language that is under the adjusters' section of our code." Ms. Redmond stated that there was a legal interpretation which indicated that medical adjusters might mistakenly fall under the code that is intended for property and casualty adjusters only.

Mr. Fred Daniele, a Reno resident and an independent insurance adjuster, came forward to inform the Committee that there was no provision in Nevada for an insurance adjuster's examination. He said that he was required to take an insurance agent's exam for an adjuster's license. Mr. Daniele also indicated that he could take the exam for adjusters in California, acquire a license there, and have all the rights to adjust in Nevada while being a resident of the state of California. However, once residency was changed to Nevada, the California license would no longer be honored.

Dr. Robinson requested Ms. Redmond to provide the Commission with a synopsis of the type of problem Mr. Daniele brought out. There was no further testimony on A.B. 206, so Chairman Robinson moved the hearing to A.J.R. 25

A.J.R. 25: Proposes to amend Nevada constitution to allow deposit of public money in any

bank or savings and loan association.

Mr. Robert Faiss, appearing as counsel for First Federal Savings of Nevada, and Marvin Wholey, president of First Federal Savings, testified as proponents of A.J.R. 25. Mr. Faiss' remarks and speech, in their entirety, are attached and marked as EXHIBIT A.

The Committee had no questions for either Mr. Faiss or Mr. Wholey.

Mr. James Joyce, lobbyist for the Savings and Loan League of Nevada, remarked, "Because of a quirk in the constitution, one savings and loan in Nevada right now, First Federal, is prohibited from competing." He added that the Savings and Loan League of Nevada "vigorously supports the position of First Federal."

Dr. Robinson questioned if it would not be simpler to change the charter of First Federal than to try to change the constitution.

Mr. Wholey responded that it would be extremely complicated to change the charter, and that the alternative, to convert to a capital stock structure, would not be as advantageous to the company's customers.

There being no further testimony on A.J.R. 25, Dr. Robinson concluded the hearing on that bill and moved to A.B. 191.

A.B. 191: Requires insurers to offer coverage for full replacement value of mobile homes.

Mr. Jeffrey, sponsor of A.B. 191, explained the purpose of the bill to the Committee noting that there is only one insurer in Nevada that offers "full replacement value" coverage for a mobile home. He said, "All this bill would do is to require that the insurer would have to offer an option either for full replacement value or full cash value." Mr. Jeffrey indicated that he had some problems with the terminology of the bill and would like to get some clarification from Mr. Daykin, Legislative Counsel.

Mr. Jeffrey remarked that the only concern he had about the bill was that it had been ascertained through conversations with some individuals in the insurance industry that the language might open up the possibility of fraud.

Pat Redmond, representing the Insurance Division, read a memo prepared for Commissioner Donald Heath's signature, which expressed the concern of the Division with respect to A.B. 191. The memo is attached and marked EXHIBIT B.

Mr. Jeffrey noted that the intent of A.B. 191 was to give the owners of mobile homes the same options for obtaining insurance for their dwellings as were now extended to owners of site-built homes.

Mr. Knaus, of the Insurance Division, responded that with the kind

of clarification that Mr. Jeffrey had mentioned, most of the problems that the Insurance Division had with the bill, "kind of evaporate."

Mr. Richard Garrod, Legislative Field Representative for the Farmers Insurance Group, indicated that the insurance industry was concerned with the wording of line 6, page 1 of A.B. 191. He added that he felt he and Mr. Jeffrey could easily work out adequate language by adapting the wording from the standard fire policy for Nevada.

Dr. Robinson requested Mr. Jeffrey and the co-sponsors of the bill to get together and work out appropriate language to remove the potential for fraud.

Chairman Robinson concluded the hearing on A.B. 191 and opened the hearing on A.B. 150.

A.B. 150: Adds mobile home parks and mobile homes to types of residential housing financed under Nevada Housing Finance Law.

Mr. Al McNitt, Administrator of the Nevada Housing Division, presented A.B. 150 to the Committee. He noted that the Division had already submitted some amendment language "in lieu of the language in A.B. 150 that would accomplish the same thing." He added, "Upon advice of bond counsel, the passage of this amendment to the statute would not necessarily enhance or detract from our ability to finance such mobile home sites with tax exempt financing. As mobile home parks for site rentals, we may very well have to do them as an industrial revenue development bond ourselves." The amendments Mr. McNitt referred to are attached and marked EXHIBIT C.

The hearing was concluded on A.B. 150 and moved to A.J.R. 19.

A.J.R. 19: Memorializes Congress to remove distinctions relative to eligibility for loans for certain types of housing.

Mr. McNitt went on to present A.J.R. 19. He indicated that the Division had suggested the bill as a result of the hearings on "mobile home difficulties." He noted that the problem stemmed from the fact that Congress continues to recognize mobile homes as personal property in some cases, which has resulted in some inconsistencies in law. Mr. McNitt stated that the purpose of the resolution was "to encourage Congress to look at this in a little more of a collective manner."

There being no further testimony on A.J.R. 19, Chairman Robinson closed the hearing on the resolution commenting, "This is a very straight forward resolution."

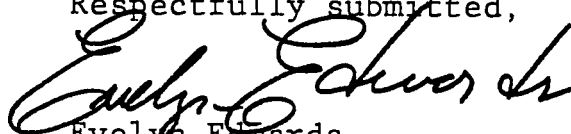
A motion was made by Mr. Bennett to DO PASS A.J.R. 19. The motion

was seconded by Mr. Prengaman and passed with a unanimous vote of the members present with Mr. Bremner and Mr. Rusk recorded as absent. (SEE ATTACHED LEGISLATIVE ACTION FORM.) Dr. Robinson requested that Mr. Brady handle the floor work on A.J.R. 19.

Mr. Kovacs announced that there would be a subcommittee hearing on A.B. 30 and A.B. 31 on Friday, March 6th and invited the members of the Committee to attend.

There ensued some extensive discussion on A.B. 192 among the members of the Committee after which the meeting was adjourned.

Respectfully submitted,



Evelyn Edwards
Committee Secretary

61st SESSION NEVADA LEGISLATURE

ASSEMBLY COMMERCE COMMITTEE

LEGISLATION ACTION

DATE MARCH 5, 1981

SUBJECT A.J.R. 19: Memorializes Congress to remove distinctions relative to eligibility for loans for certain types of housing.

MOTION:

Do Pass X Amend Indefinitely Postpone Reconsider

Moved By Mr. Bennett Seconded By Mr. Prengaman

AMENDMENT:

Moved By Seconded By

AMENDMENT:

Moved By Seconded By

Table with columns: VOTE, MOTION (Yes/No), AMEND (Yes/No), AMEND (Yes/No). Rows include names like BENNETT, BRADY, BREMNER, etc., and a TALLY row showing 9 and 0.

ORIGINAL MOTION: Passed X Defeated Withdrawn

AMENDED & PASSED AMENDED & DEFEATED

AMENDED & PASSED AMENDED & DEFEATED

Attached to Minutes March 5, 1981

EXHIBIT A

Remarks of Robert D. Faiss
Assembly Committee on Commerce
Hearing on A.J.R. 25
March 5, 1981

I appear as counsel for First Federal Savings of Nevada, a savings and loan association chartered under the laws of the United States and the oldest financial institution of any type in Nevada. Appearing also is Marvin Wholey, president of First Federal Savings.

We urge your support of A.J.R. 25, which would clarify that mutual savings and loan associations are not relegated to second-class status under the Nevada Constitution.

Allow me to provide some background.

Sections 8 and 9 of the Constitution, according to the record of the debates of the Nevada Constitutional Convention, were drafted to provide assurance to the voters that government solvency would not be risked in private business ventures.

In 1975, the Nevada legislature moved to increase interest return for state and local governments by allowing savings and loan associations to compete for public fund deposits. The legislation received wide support. However, there was fear of a constitutional conflict where mutual savings and loan associations were concerned. Unlike stock

ownership savings and loan companies, which are owned by persons who have specifically bought stock in the company, mutual savings and loan associations are owned by the depositors. Anyone who opens a savings account in a mutual savings and loan association becomes a part-owner, entitled to vote on affairs of the association.

(I should note that, while it is not presently true in Nevada, mutual savings and loan associations are the rule rather than the exception. Out of 4,100 savings and loan institutions in 1980, over 75% were mutual associations chartered by the federal government or a state.)

There was apprehension in 1975 public fund deposits in such a mutual association might conflict with the prohibition of Sections 8 and 9 against government being interested in the stock of an association.

Therefore, the 1975 bill was changed to provide that the savings and loan institutions receiving public fund deposits had to be stock companies and not mutual associations. This eliminated any federal savings and loan associations as depositories.

In 1979, this committee sought to correct this injustice by making all savings and loan associations eligible for public fund deposits (A.B. 814). It was thought at that

Page 3

time any conflict with the Nevada Constitution would be avoided by adding the following language to NRS 356.005:

"Deposits made by the state in an insured savings and loan association which is a mutual association must be evidenced by an instrument which acknowledges that the state is not a member of the association by virtue of the deposit."

However, First Federal Savings of Nevada subsequently determined it could not legally issue a non-membership acknowledgment to the state. Under law, a depositor becomes a member of a mutual association and no legal means of refusing membership has been discovered.

As statutory attempts to correct the problem have been unsuccessful, it seems that direct amendment of the constitution is the appropriate step. The proposed amendment would allow First Federal Savings and any future mutual association equal treatment under the law. We hope it will meet with your favor.

EXHIBIT B

STATE OF NEVADA
DEPARTMENT OF COMMERCE
INSURANCE DIVISION
201 SOUTH FALL STREET
CARSON CITY, NEVADA 89710

DONALD W. HEATH, CLU
COMMISSIONER OF INSURANCE


ROBERT LIST
GOVERNOR

(702) 885-4270

JAMES L. WADHAMS
DIRECTOR

March 5, 1981

Assembly Committee on Commerce
Legislative Building
Capitol Complex
Carson City, NV 89710

Dear Assemblyman,

In making your decision on AB 191, it might be helpful for you to be familiar with current wording in insurance contracts.

It is currently an insurance company option to pay for, repair, or replace the damaged property with like kind and quality. Such options are generally necessary to allow the insurer some control over loss payments and to at least influence people not to intentionally destroy their own property for profit. AB 191 appears to allow an insured to demand a cash payment. Thus, the insurer's options are eliminated.

The committee may find it of specific interest to know that one major insurance company operating in Nevada offered a replacement cost endorsement for mobile homes at a cost of \$5.00. Their experience was so unsatisfactory and there's at least an inference that fire for profit was a partial cause of the poor results that they no longer offer the replacement cost endorsement. Also, as an additional deterrent to the possibility of arson for profit, replacement cost wording in standard dwelling homeowner's insurance contracts requires expenditure of the money to actually repair or replace the damaged building or payment will be on an actual cost value basis.

With respect to the requirement of AB 191 that each owner of a mobile home must be given the choice of insuring his mobile home to it's replacement cost or it's full cash value, such choice is not generally available to the owner's of standard one family dwellings. The primary insurance contract is a replacement cost form with the requirement that a certain percentage of insurance relative to the replacement cost of the dwelling to be carried or else the policy reverts to an actual cash value form. Some insurers will not allow a standard one family dwelling to be under insured based on this percentage of replacement cost.

ASSEMBLY COMMITTEE ON COMMERCE

Page Two

March 5, 1981

Based on the above factors, I would expect the passage AB 191 in it's current form has the possibility of causing some property insurance companies to reevaluate their mobile home programs and decide whether or not they would consider the Nevada enviroment attractive. Again, I would note that at least one major insurer has experimented with the replacement cost form and found it to be unprofitable.

Very truly yours,

DONALD W. HEATH
Commissioner of Insurance

DWH:CK:cf

EXHIBIT C

STATE OF NEVADA
DEPARTMENT OF COMMERCE
HOUSING DIVISION

201 SOUTH FALL STREET, ROOM 300
CARSON CITY, NEVADA 89710

(702) 885-4258

A. L. MCNITT, JR.
ADMINISTRATOR
DOUGLASS R. MORRA
DEPUTY ADMINISTRATOR



ROBERT LIST
GOVERNOR
JAMES L. WADHAMS
DIRECTOR

A.B. 23

Amendments recommended

Section 1. 319.140.4. Lines 13-18 (page 1) and lines 1-14 (page 2).
Delete all the proposed changes.

Section 2. Lines 19-22 (page 2). Delete.

Add new amendment (to make more clear the statutory authority of the
Housing Division to finance mobile home parks for site rental purposes):

NRS 319.130 " . . . residential development units
or real property to be used for rental sites for
mobile homes (regardless of the fact that the mobile
homes are not financed pursuant to this chapter)
financed"

(Note: The underlined verbage is the proposed amendment language).