

Chairman Robinson called the meeting to order at 2:14 p.m. in Room 200.

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

MEMBERS ABSENT: Mr. Bremner (Excused)

GUESTS PRESENT: See Attached Guest List

Chairman Robinson opened the hearing on A.B. 633.

A.B. 633: ALLOWS COORDINATING ORGANIZATION OF SURPLUS LINES INSURANCE TO CHARGE FEES.

Testifying on behalf of the bill was Joe LaRue, Assistant Vice-president of Marsh & McLennan, Inc. Mr. LaRue stated that the Surplus Lines Association had handled all of the stamping of all of the surplus lines policies in Nevada for 23 years until the law was changed in the last Legislative Session. He indicated that he wanted to give the Commissioner of Insurance the right to reappoint the Association, and that A.B. 633 would grant this authority.

Mr. LaRue read a brief letter encouraging the reestablishment of the Surplus Lines Association. He then explained to the Committee how the Association had operated when it was in existence. He added that when the Insurance Division assumed the responsibilities of the Association, the paperwork had become cumbersome for the insurance agents, and consequently, some of them had discontinued writing surplus lines business.

Mr. LaRue explained that the Association would collect the premium tax from the agencies that were writing surplus lines coverage. The money was held in a trust fund by the Association until it was due; at which time the Association paid the funds to the State of Nevada. He stressed, that under the present system, the funds are held by the agent, who pays the State once a year. The annual payment of all such premiums to the State run somewhere between \$100,000 and \$200,000.

Mr. LaRue indicated that the Association had actually helped the agencies understand how to write surplus lines coverage through seminars and direct assistance. In response to questions from the Committee, Mr. LaRue said that there had never been any serious problems with the Association's being able to collect the premium

taxes from the agencies.

Patsy Redmond, Insurance Commissioner, remarked that the Insurance Division now performed all of the same duties and provided all of the services previously provided by the Surplines Lines Association.

Next to testify on the bill from a "neutral" position was Patsy Redmond, Insurance Commissioner. Ms. Redmond provided the Committee members with a statement concerning A.B. 633, which she read for the record. That statement is attached as EXHIBIT A.

Mr. DuBois asked if there were now agencies that no longer were willing to write surplus lines coverage because the paperwork involved was too cumbersome.

In response to Mr. DuBois, Ms. Redmond read a portion of a statement from Alice Graham, an examiner for the Insurance Division, which indicated that there were complaints about the paperwork, but that recent applications had shown an "increased awareness" on the part of the brokers. It was also noted that no agencies had returned their surplus lines licenses since the Insurance Division had assumed the duties of the Surplus Lines Association, nor had there been any complaints from insureds that they were unable to obtain coverage under surplus lines policies.

Mr. Kovacs then asked how a situation could have happened where the Insurance Division had been able to collect an additional \$20,000 in unreported premiums due.

Mr. Chuck Knaus, of the Insurance Division, responded that the additional taxes had been collected because of data processing reports received from the National Association of Insurance Commissioners. It was also noted that one of the prime reasons that the Insurance Division was now doing the job formerly performed by the Surplus Lines Association was because the Division had had difficulties "verifying numbers from these people." Mr. Carbon, from the Insurance Division, added that the Surplus Lines Association could only report to the Insurance Division what the agents reported to it, and the additional \$20,000 that was collected by the Division resulted from information that had not been available to the Association.

Ms. Redmond then stated that even when the Surplus Lines Association was in existence, some brokers were reporting directly to the Insurance Division.

Mr. Jim Wadhams, Director of the Department of Commerce, remarked that it appeared that there was a dispute between the Insurance Division and the Surplus Lines Association when, in fact, there was not. He added that it was the ultimate responsibility of the Legislature to decide whether the Insurance Division or a voluntary association would be collecting the premiums.

Ms. Redmond commented that the Insurance Division had attempted to revise the forms it used for reporting of surplus lines coverage to make them more "streamlined" and that she would not be opposed to further revisions to make the forms less cumbersome. She also stressed that the Division was not in disagreement with the Surplus Lines Association but simply wanted all the facts to be available to the Committee.

There was no further testimony on the bill, so the Chairman opened the hearing on S.B. 462.

S.B. 462: INCREASES VARIOUS FEES PERTAINING TO COLLECTION AGENCIES, BANKS AND RELATED ORGANIZATIONS.

Testifying for the bill was Joseph Sevigny, Superintendent of Banks. He testified that S.B. 462 was a fee bill that had passed the Senate and would have no opposition from the industry. Mr. Sevigny explained what the increases would be and that the fees would be paid into the General Fund of the State of Nevada.

MR. RUSK MOVED A DO PASS ON S.B. 462. THE MOTION WAS SECONDED BY MR. KOVACS AND CARRIED UNANIMOUSLY OF THE MEMBERS PRESENT.

Joe Midmore, representing the small loan companies, stated that he was not opposed to the increase in fees. He added, "It really doesn't matter, apparently, what the fee is for the small loan companies because under Nevada law they're being effectively driven to close their offices so fast that there will be very little, if any, revenue from them." Mr. Midmore added that he would also like to go on record as being in favor S.B. 464, another reporting bill.

Mr. Sevigny commented that he hoped the Committee was aware that the small loan companies were not closing because of the increase in fees.

Mr. Midmore supported Mr. Sevigny's statement.

Chairman Robinson then opened the hearing on S.B. 463.

S.B. 463: AUTHORIZES SUPERINTENDENT OF BANKS TO ESTABLISH LIMITATIONS ON LOANS MADE BY BANK TO ITS EMPLOYEES.

Mr. Sevigny indicated that the bill addressed "unsecured" loans and not "secured" loans. He said that current laws limited loans that could be made to \$250 in the first year and after three years, the limit was raised to \$1,000. He said these amounts were totally insufficient.

He added that Federal Regulation "O" regulates directors. He read a pertinent section of that Regulation and a definition of what an "insider transaction" is. He added that any loan over \$25,000, either secured or unsecured, required the vote of the full Board of Directors,

with the interested party abstaining.

Mr. Sevigny said that he felt those requirements were "good enough to allow the elimination of the present Nevada Law." He added that management should be able to determine whether or not an employee should have an unsecured line of credit. He stressed that national banks were not limited by state law and that state banks should be able to make their own determinations regarding employee loans.

Mr. Sevigny then proposed that the Superintendent of Banks be given the parameters to set the tenure of how a state bank should make loans to its executive officers. He explained what the State Comptroller does in this area and said, "It's reasonable, it's workable, and these are the parameters that I would set, and will set prior to my leaving the Banking Division on June 10th." He added that by limiting executive officers to loans of \$250, the Legislature was forcing the officers to go to other banks to make loans, and the Banking Division had to keep track of those loans.

MR. RUSK MOVED TO DO PASS S.B. 463. MR. KOVACS SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY OF THE MEMBERS PRESENT.

The hearing was opened on S.B. 464.

S.B. 464: SIMPLIFIES ANNUAL REPORTS MADE TO SUPERINTENDENT OF BANKS BY SMALL LOAN COMPANIES.

Mr. Sevigny stated that S.B. 464 was a clean-up bill to eliminate the unnecessary reports that the Banking Division does not use. He added that the bill would also authorize the Banking Division to make a biennial report rather than an annual report on the small loan companies.

MR. KOVACS MOVED TO DO PASS S.B. 464. MR. BENNETT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY OF THE MEMBERS PRESENT.

The hearing was then opened on S.B. 469.

S.B. 469: AUTHORIZES SUPERINTENDENT OF BANKS TO ENTER INTO A DIVIDED PROGRAM OF EXAMINATION OF BANKS WITH FEDERAL AGENCIES.

Mr. Sevigny testified that the bill would cut the work and cost of the Division's auditing program in half by allowing a divided examination program between the state Banking Division and the Federal Deposit Insurance Corporation. He explained that the program would allow the Banking Division to examine the number 1 and 2 banks in the state one examination period, and the next period the FDIC would do the examination. He said, "We accept their examination as ours; they accept our examinations as theirs."

Mr. Sevigny stated that he had worked very hard to bring this program about and that he was very proud that Nevada is the first state to enter into this type of agreement with FDIC. He added that the



agreement had been negotiated with the condition that it was contingent on the Legislature's passage of S.B. 469.

MR. KOVACS MOVED FOR A DO PASS ON S.B. 469. THE MOTION WAS SECONDED BY MR. BENNETT AND CARRIED UNANIMOUSLY OF THE MEMBERS PRESENT.

Mr. Sevigny also stated that the passage of the bill would save the state from \$100,000 to \$200,000.

Chairman Robinson then opened the hearing on S.B. 471.

S.B. 471:                    SIMPLIFIES RENEWAL OF LICENSE FOR BUSINESS DEALING IN MONEY ORDERS.

Mr. Sevigny stated that S.B. 471 was another "clean-up" bill. He said that the bill would permit the renewal of all money order licenses to occur on the same annual date. This, he added, would reduce the time that is now required for handling the paperwork for licenses that are renewed at different dates.

Mr. Sevigny also noted that the bill would eliminate the need for the money order companies to file supplemental reports that are "absolutely useless" to the Banking Division.

MR. KOVACS MOVED TO DO PASS S.B. 471. THE MOTION WAS SECONDED BY MR. DUBOIS AND CARRIED UNANIMOUSLY OF THE MEMBERS PRESENT.

Mr. Sevigny then introduced his wife and infant son in the audience and thanked the Committee for having allowed him the opportunity to have served.

Chairman Robinson then opened public testimony on S.B. 513.

S.B. 513:                    AUTHORIZES DEPOSIT OF STATE MONEY IN INSURED CREDIT UNIONS.

Testifying on behalf of the bill was Norman O'Kada, Savings and Loan Commissioner. Mr. O'Kada indicated that he had reviewed the bill and that he was in total agreement with the form and content of the bill. He stated that the bill would allow community charters to accept deposits from local public agencies as well as the State Treasurer's office. He added that the conditions under which the insured credit unions are to be allowed to accept these funds are the same conditions that the insured banks and savings and loans are currently restricted to. He said that the State was not being disadvantaged in any form with the modifications in S.B. 513.

MR. BENNETT MOVED TO DO PASS S.B. 513. MR. RUSK SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY OF THE MEMBERS PRESENT.

Dr. Robinson then indicated that he would entertain a motion on A.B. 633, the first bill on today's agenda. After some discussion among the Committee members, it was determined that voting on the bill would be postponed until a later meeting.

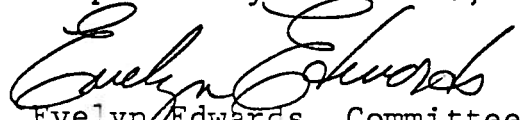
Chairman Robinson then assigned S.B. 462, 463, 464 and 469 to Mr. Rusk for handling on the floor.

He assigned S.B. 471 and 513 to Mr. Kovacs for handling on the floor.

There was discussion about the Committee Meeting/Work Session on Saturday at 2:00 p.m. Since several of the members had to attend other meetings on Saturday, it was suggested that a subcommittee hold hearings on bills where testimony had not yet been heard.

There being no further business, the meeting was adjourned.

Respectfully submitted,

  
Evelyn Edwards, Committee  
Secretary

61st SESSION NEVADA LEGISLATURE

ASSEMBLY COMMERCE COMMITTEE

LEGISLATION ACTION

DATE May 20, 1981

SUBJECT S.B. 462: INCREASES VARIOUS FEES PERTAINING TO COLLECTION  
AGENCIES, BANKS AND RELATED ORGANIZATIONS.

MOTION:

Do Pass X Amend \_\_\_\_\_ Indefinitely Postpone \_\_\_\_\_ Reconsider \_\_\_\_\_

Moved By MR. RUSK Seconded By MR. KOVACS

AMENDMENT: \_\_\_\_\_

Moved By \_\_\_\_\_ Seconded By \_\_\_\_\_

AMENDMENT: \_\_\_\_\_

Moved By \_\_\_\_\_ Seconded By \_\_\_\_\_

VOTE:	MOTION		AMEND		AMEND	
	Yes	No	Yes	No	Yes	No
BENNETT	Absent	_____	_____	_____	_____	_____
BRADY	<u>X</u>	_____	_____	_____	_____	_____
BREMNER	Absent	_____	_____	_____	_____	_____
CHANEY	<u>X</u>	_____	_____	_____	_____	_____
DINI	<u>X</u>	_____	_____	_____	_____	_____
DUBOIS	<u>X</u>	_____	_____	_____	_____	_____
JEFFREY	Absent	_____	_____	_____	_____	_____
KOVACS	<u>X</u>	_____	_____	_____	_____	_____
PRENGAMAN	<u>X</u>	_____	_____	_____	_____	_____
RUSK	<u>X</u>	_____	_____	_____	_____	_____
ROBINSON	<u>X</u>	_____	_____	_____	_____	_____
TALLY:	<u>8</u>	<u>0</u>	_____	_____	_____	_____

ORIGINAL MOTION: Passed X Defeated \_\_\_\_\_ Withdrawn \_\_\_\_\_

AMENDED & PASSED \_\_\_\_\_ AMENDED & DEFEATED \_\_\_\_\_

AMENDED & PASSED \_\_\_\_\_ AMENDED & DEFEATED \_\_\_\_\_

Attached to Minutes May 20, 1981

61st SESSION NEVADA LEGISLATURE

ASSEMBLY COMMERCE COMMITTEE

LEGISLATION ACTION

DATE May 20, 1981

SUBJECT S. B. 463. AUTHORIZES SUPERINTENDENT OF BANKS TO ESTABLISH LIMITATIONS ON LOANS MADE BY BANK TO ITS EMPLOYEES.

MOTION:

Do Pass X Amend Indefinitely Postpone Reconsider

Moved By MR. RUSK Seconded By MR. KOVACS

AMENDMENT:

Moved By Seconded By

AMENDMENT:

Moved By Seconded By

Table with columns: MOTION (Yes, No), AMEND (Yes, No), AMEND (Yes, No). Rows include VOTE: BENNETT, BRADY, BREMNER, CHANEY, DINI, DUBOIS, JEFFREY, KOVACS, PRENGAMAN, RUSK, ROBINSON, and TALLY: 8, 0.

ORIGINAL MOTION: Passed X Defeated Withdrawn

ENDED & PASSED AMENDED & DEFEATED

AMENDED & PASSED AMENDED & DEFEATED

Attached to Minutes May 20, 1981



61st SESSION NEVADA LEGISLATURE

ASSEMBLY COMMERCE COMMITTEE

LEGISLATION ACTION

DATE May 20, 1981

SUBJECT S.B. 464: SIMPLIFIES ANNUAL REPORTS MADE TO SUPERINTENDENT OF BANKS BY SMALL LOAN COMPANIES.

MOTION:

Do Pass X Amend \_\_\_\_\_ Indefinitely Postpone \_\_\_\_\_ Reconsider \_\_\_\_\_

Moved By MR. KOVACS Seconded By MR. BENNETT

AMENDMENT:

Moved By \_\_\_\_\_ Seconded By \_\_\_\_\_

AMENDMENT:

Moved By \_\_\_\_\_ Seconded By \_\_\_\_\_

VOTE:	MOTION		AMEND		AMEND	
	Yes	No	Yes	No	Yes	No
BENNETT	X	_____	_____	_____	_____	_____
BRADY	X	_____	_____	_____	_____	_____
BREMNER	Absent	_____	_____	_____	_____	_____
CHANEY	Absent	_____	_____	_____	_____	_____
DINI	X	_____	_____	_____	_____	_____
DUBOIS	X	_____	_____	_____	_____	_____
JEFFREY	Absent	_____	_____	_____	_____	_____
KOVACS	X	_____	_____	_____	_____	_____
PRENGAMAN	X	_____	_____	_____	_____	_____
RUSK	X	_____	_____	_____	_____	_____
ROBINSON	Absent	_____	_____	_____	_____	_____
TALLY:	<u>7</u>	<u>0</u>	_____	_____	_____	_____

ORIGINAL MOTION: Passed X Defeated \_\_\_\_\_ Withdrawn \_\_\_\_\_

AMENDED & PASSED \_\_\_\_\_ AMENDED & DEFEATED \_\_\_\_\_

AMENDED & PASSED \_\_\_\_\_ AMENDED & DEFEATED \_\_\_\_\_

Attached to Minutes May 20, 1981

61st SESSION NEVADA LEGISLATURE

ASSEMBLY COMMERCE COMMITTEE

LEGISLATION ACTION

DATE May 20, 1981

SUBJECT S.B. 471: SIMPLIFIES RENEWAL OF LICENSE FOR BUSINESS DEALING IN MONEY ORDERS.

MOTION:

Do Pass X Amend Indefinitely Postpone Reconsider

Moved By MR.KOVACS Seconded By MR. DUBOIS

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, CHANEY, DINI, DUBOIS, JEFFREY, KOVACS, PRENGAMAN, RUSK, ROBINSON and a TALLY row showing 8 Yes and 0 No votes.

ORIGINAL MOTION: Passed X Defeated Withdrawn

AMENDED & PASSED AMENDED & DEFEATED

Attached to Minutes May 20, 1981

61st SESSION NEVADA LEGISLATURE

ASSEMBLY COMMERCE COMMITTEE

LEGISLATION ACTION

DATE May 20, 1981

SUBJECT S.B. 469: AUTHORIZES SUPERINTENDENT OF BANKS TO ENTER INTO A DIVIDED PROGRAM OF EXAMINATION OF BANKS WITH FEDERAL AGENCIES.

MOTION:

Do Pass X Amend Indefinitely Postpone Reconsider

Moved By MR. KOVACS Seconded By MR. BENNETT

AMENDMENT:

Moved By Seconded By

AMENDMENT:

Moved By Seconded By

Table with columns: MOTION (Yes, No), AMEND (Yes, No), AMEND (Yes, No) and rows for VOTE: BENNETT, BRADY, BREMNER, CHANEY, DINI, DUBOIS, JEFFREY, KOVACS, PRENGAMAN, RUSK, ROBINSON, TALLY: 8, 0

ORIGINAL MOTION: Passed X Defeated Withdrawn

ENDED & PASSED AMENDED & DEFEATED

AMENDED & PASSED AMENDED & DEFEATED

Attached to Minutes May 20, 1981

61st SESSION NEVADA LEGISLATURE

ASSEMBLY COMMERCE COMMITTEE

LEGISLATION ACTION

DATE May 20, 1981

SUBJECT S.B. 513: AUTHORIZES DEPOSIT OF STATE MONEY IN INSURED CREDIT UNIONS.

MOTION:

Do Pass X Amend Indefinitely Postpone Reconsider

Moved By MR. BENNETT Seconded By MR. RUSK

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 of legislators like BENNETT, BRADY, BREMNER, etc., and a TALLY row showing 7 Yes and 0 No votes.

ORIGINAL MOTION: Passed Defeated Withdrawn

AMENDED & PASSED AMENDED & DEFEATED

AMENDED & PASSED AMENDED & DEFEATED

Attached to Minutes





STATE OF NEVADA  
DEPARTMENT OF COMMERCE  
INSURANCE DIVISION  
201 SOUTH FALL STREET  
CARSON CITY, NEVADA 89710  
(702) 885-4270

EXHIBIT A

DONALD W. HEATH, CLU  
COMMISSIONER OF INSURANCE

ROBERT LIST  
GOVERNOR

JAMES L. WADHAMS  
DIRECTOR

May 20, 1981

TO: COMMITTEE ON COMMERCE  
FROM: PATSY REDMOND,  
COMMISSIONER OF INSURANCE.  
RE: ASSEMBLY BILL 633

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This bill provides for the establishment of a voluntary organization of surplus lines brokers designed to assist brokers to comply with the surplus lines law and for the organization's collection on behalf of the state of the premium tax on surplus lines coverage. The establishment of this organization shall be at the discretion of the Commissioner of Insurance. This bill also authorizes the established organization to charge and collect a stamping fee to defray costs. As a matter of history, the 1979 Legislature dissolved the Surplus Lines Association and gave the responsibility for the collection of taxes to the Department of Commerce, Insurance Division.

For the benefit of the committee, surplus lines insurance is that type of insurance that an authorized insurance company will not or cannot accept. It is usually an unusual or high risk type of insurance. A surplus lines company is an insurance company that does not hold a certificate of authority to transact insurance business in Nevada. A non-authorized insurer may be eligible for the acceptance of surplus lines risks if they qualify financially in the same manner as a domestic insurer formed under Nevada law.

Since given the responsibility by the 1979 Legislature, the Nevada Insurance Division has proceeded to properly collect and record premium tax on surplus lines business placed on Nevada risks. One interesting note is that the Insurance Division has been able to collect additional premium tax on surplus lines

May 20, 1981

business which is not properly reported by insureds, insurers, and/or brokers. For example, in 1979 the Insurance Division recovered for the state of Nevada \$20,000.00 in taxes due on \$1 million in unreported premium.

During the last year and a half, the Insurance Division has been able to keep closer tabs on excessive fees charged to insureds, activities by financially questionable insurers, and transactions and solicitations made by unlicensed, non-resident agents and brokers.

The Insurance Division has not added additional positions nor received additional funds to do this added responsibility. Also, the surplus lines brokers are no longer charged a stamping fee for the collection of the taxes. Therefore, the Nevada policyholders are saving a 1% of premium fee by having the state collect the taxes instead of the Association.

PR:RE:cf