MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON COMMERCE AND LABOR

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
APRIL 6, 1981

The Senate Committee on Commerce and Labor was called to order, by Chairman Thomas R. C. Wilson, at 1:35 p.m., on Monday, April 6, 1981, in Room 213 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator Thomas R. C. Wilson, Chairman
Senator Richard Blakemore, Vice Chairman
Senator Clifford McCorkle
Senator Don Ashworth
Senator Melvin Close
Senator William Hernstadt
Senator William Raggio

STAFF MEMBER PRESENT:

Betty Steele, Committee Secretary

SENATE BILL NO. 203--Provides for industrial insurance coverage by private insurance.

Mr. Joe Nusbaum, chairman, Nevada industrial commission, opened the hearing on Senate Bill No. 203 by stating his remarks would represent the unanimous view of the three members of the Nevada industrial commission. He addressed the various points of the private workers' compensation insurance in Nevada and commented on the timeliness of the proposal. Mr. Nusbaum read from his prepared testimony. (See Exhibit C.) Mr. Nusbaum stated the Stanford Research Institute report recommended that Nevada permit self-insurance and structure the state system to conform with the optimal two-way system defined earlier in the report. He said the report indicates a three-way system is not considered appropriate for Nevada at this time. Further, the industrial commission members feel Senate Bill No. 203 is flawed and testimony on the bill has not shown that three-way insurance would

benefit the state of Nevada, or its employers and workers. In addition this bill, in at least two of its sections, would reduce benefits to injured workers.

Mr. Ben Dasher, management representative and chairman of the advisory board of review of the industrial commission, stated they had been asked to review the three-way presentation of Senate Bill No. 203. He stated the board had two meetings on three-way insurance and heard testimony from an AFL-CIO representative in Oregon and a vice president of the Arizona commission, as well as NIC and various industry proponents. He said 7 of the 9 members of the advisory board were present to vote on the three-way plan and 4 voted against it, 2 for it, and one abstained because of a conflict of interest.

Mr. Claude Evans, labor representative on the advisory board, stated the board took the position of not recommending Senate Bill No. 203 as it really is not a very good bill. In addition they heard the Oregon representative indicate that his state presently has a bill before their legislature to return back to the type of insurance Nevada presently is committed to.

Mr. Chuck King, of Central Telephone Company, and representing Nevada's self-insured employers commented they take a neutral position on the concept of three-way insurance. However, they are against many of the provisions in Senate Bill No. 203 as currently drafted. He stated the self-insured employers presently enjoy an uncomplicated administrative process by the commissioner's office.

Mr. Dan Goddard, actuary with Industrial Indemnity Company, San Francisco and the Casualty Actuarial Society, stated he was present to talk of what three-way insurance will do to workers' compensation costs in Nevada. He presented a written copy of his remarks as well as statistics and charts illustrating the various differences and similarities in the various states in comparison with Nevada. (See Exhibit D.)

The committee members asked for and received from Mr. Goddard a detailed explanation of the various facts and figures on workmens' compensation insurance, countrywide; and costs to policyholders and insurance companies as furnished by the insurance industry. (See Exhibit D.)

Mr. Bud Meneley, representing the Nevada Independent Insurance Agents, gave the committee copies of his testimony. (See Exhibit E.)

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Just as Chairman Wilson was preparing to close the hearing on S.B. No. 203, Mr. Goddard and Ms. Redmond asked to be heard.

Ms. Redmond just wanted to say that in the past she has been critical of the Nevada industrial commission. However, under Mr. Nusbaum's leadership the past two years, there seems to have been quite a change, resulting in many fewer calls from claimants.

Ms. Patsy Redmond, deputy insurance commissioner for the Nevada insurance division, stated for the record the insurance division endorses any program which promotes fair competition because it is their opinion such competition results in improved service to the consumer. She suggested certain criteria to be maintained if Senate Bill No. 203 is approved, which included fair competition, approved rates, standardized statistical plan, an assigned claims plan and assigned risk plan.

Chairman Wilson closed the hearing on Senate Bill No. 203.

SENATE BILL NO. 462--Increases various fees pertaining to collection agencies, banks and related organizations.

Mr. Joseph Sevigny, superintendent of banks, banking division, department of commerce, opened testimony on Senate Bill No. 462, with the statement this bill simply increases certain fees of certain of the industries regulated by the Nevada banking division, in order to develop enough revenue to make the division become self-sufficient. He listed the approximate fees to be developed as: collection agencies, an additional $3,160; money order companies, $1,000; small loan companies, $20,400; and in the banking area, $98,258, for a total of $123,000. Unless there are questions, he said that is his testimony on this bill.

In reply to Senator Raggio's questions, Mr. Sevigny said the division went to all the agencies except the collection agencies, which are represented at this hearing, with the recommended increases and there were no objections. Mr. Sevigny stated the fees were determined through a study of the proposed budget for the banking division, compared with estimates of fees received.

Responding to Chairman Wilson's call for questions on the bill, Mr. Rod Barbash, representing the Nevada Collectors' Association, questioned the justification for raising the fee 500 percent. He said they do not object to an increase; just to an increase they felt was too steep. He cited ways in which fees could be reduced by reducing some functions of the banking division which he felt were unnecessary in regulation of the collection agency industry.

Mr. Sevigny replied that Mr. Barbash and Mr. Young were fine representatives of the industry, and agreed that some of the regulations were expensive and time-consuming; but they are mandated by statute.

Answering Senator McCorkle's query, Mr. Sevigny said that under present law, every collection agency employee actually collecting money must be photographed, fingerprinted and licensed by the state. Senator McCorkle thought Mr. Barbash's point of reducing total workload for the division should result in a lower license fee. Mr. Sevigny agreed that the industry suggestions have merit; but he is trying to offset the deficit in the division.

With no further testimony, Chairman Wilson closed the hearing on Senate Bill No. 462.

SENATE BILL NO. 463--Authorizes superintendent of banks to establish limitations on loans made by a bank to its employees, officers or directors.

Mr. Sevigny stated he had been struggling with this issue for three and one-half years. Under the present statutes, banks are limited to $250 for unsecured loans to employees, etc. He stated these are called "insider" loans and are adequately handled by Regulation O and Public Law 95630, so he felt it unduly restrictive to limit loans to bank officers, employees and directors to $250. He stated he could set the same parameters as those issued by the Federal Reserve Banks, by regulation, if given authority to do so.

There was no further testimony and Chairman Wilson closed the hearing on Senate Bill No. 463.

SENATE BILL NO. 464--Simplifies annual reports made to superintendent of banks by small loan companies.

Mr. Sevigny stated that, under present statute, small loan companies are required to file very complicated annual reports with much information not used by the banking division. This bill is designed to simplify the times of filing and the content of the annual reports required.

Senator McCorkle complimented Mr. Sevigny on trying to reduce the authority of banks over such matters.

There was no further testimony and Chairman Wilson closed the hearing on Senate Bill No. 463.

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SENATE BILL NO. 469--Authorizes superintendent of banks to enter into divided program of examination of banks with federal agencies.

Mr. Sevigny explained when he came into office three and one-half years ago, the banking division was doing joint examinations with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve system. Both federal agencies thought Nevada was incapable of independent examinations of its banks but has found out they are capable. As a result, Nevada is the first Western state to be invited to join the divided examination program which means the state will examine the good banks pooled by the division, and at the next examination period, FDIC will do the examination. This procedure cuts the workload in half for each agency and allows performance of a better, more concise, quality job. He stated no Nevada state bank is ranked less than two. Mr. Sevigny said the changes proposed in S.B. No. 469 authorizes the superintendent of banks to accept the FDIC examination in lieu of one by the banking division, automatically cutting their work in half.

With no further testimony, Chairman Wilson closed the hearing on Senate Bill No. 469.

SENATE BILL NO. 470--Makes various changes in provisions relating to thrift companies.

Mr. Sidney Stern, president, Nevada Association of Thrift Companies, opened testimony on S.B. No. 470, with the statement the bill originated with the director of the state commerce department and was thoroughly reviewed by the association and their attorney. He said the bill is sanctioned by the association as its purpose is to strengthen some weaknesses apparent in the original legislation. The paid-in capital of any corporation formed to do business under the Thrift Companies' Act, is increased from $250 thousand to $1 million, making the industry stronger and better able to withstand and problems that might develop in the future.

Replying to Senator Hernstadt's questions, Mr. Stern said that presently-existing thrift companies were not included but most of them now in business are pretty close to the maximum figure. He continued that, for those presently in business, the earned surplus could go into the capital base and accomplish the same result.

Mr. Norman Okada, assistant director, department of commerce, cited earlier testimony under NRS 677.190, page 1, lines 7 through 10, and saw no problem in placing responsibility on the department to make the best efforts to approve qualified licensees.

Mr. Okada did foresee a problem, however, in working with the phrase regarding maintenance of solvency of a proposed corporation and existing licensees, and stated in the future if a licensee had a problem with solvency it might come back to the department of commerce and state of Nevada for malfeasance.

In response to Senator Wilson's question, Mr. Stern said it was the same language and Mr. Okada quoted the Banking Law, subsection C to the group.

There was general discussion by the committee members, Mr. Okada and Mr. Stern regarding restriction of new thrift companies, the number of applications processed yearly, and the effect of the legislation on new companies or new branches of old companies. Discussion continued with the rationale for doubling the monetary requirement and why any monetary requirement at all was necessary. There was an explanation of certificates of deposit, depositories, clarification of the language referring to such, and the elements of negotiability of certificates of deposit.

Mr. Harvey Whittemore, counsel for the thrift companies, stated the intent of NRS 677.130 which applies to thrift certificate is somewhat contradicted by NRS 677.590 and it is necessary to clear up these inconsistencies. Mr. Okada said the same premise applies to lines 17 through 20.

The committee members, Mr. Stern, Mr. Okada and Mr. Whittemore proceeded to go through the remainder of S.B. No. 470 with great attention to every detail of possible misunderstanding. Their concern was with depositories, investments, and safety of funds; as well as what to do if a thrift company made too many bad loans. There was also extended discussion of percentage of coverage, and the problems which raising the fund balance might give the companies in dealing with the Internal Revenue Service.

There was some disagreement among the industry representatives as to the effect and limits of raising the required funding from $350 thousand to $500 thousand or $1 million. Senator Raggio commented regardless of the amount to which the safety fund or reserve is raised, the requirement should apply to all the thrift companies already in business as well.

There was no further testimony and Chairman Wilson closed the hearing on Senate Bill No. 470.

SENATE BILL NO. 471--Simplifies renewal of license for businesses dealing in money orders.

Mr. Sevigny, superintendent of banks, stated Senate Bill No. 471 is another "clean-up" bill which simplifies the number of reports required from money order companies as their present reporting is much more than adequate. Changing the date of renewal so all licenses would be due on the same date (June 30) was suggested to balance the division's workload better. The bill is NRS 671.070. NRS 671.130, requires a supplemental statement to be filed in January of each year and it is this additional report which is being deleted. (See Exhibit F)

Chairman Wilson closed the hearing on Senate Bill No. 471 as there was no further testimony.

SENATE BILL NO. 443--Extends exemption from premium tax to annuities for deferred compensation of public employees.

Mr. Milos Terzich, representing the American Council of Life Insurance, was requested, by proponents of the bill, to testify first so they could speak in favor of his amendment to the bill. The Council favors the bill's intent; but there was an apparent error in the bill drafting which alters that intent in dealing with the deferred compensation plans for state and local governments in Section 457 of the Internal Revenue Code. Mr. Terzich suggested the changes which would make the bill more conformable to its original purpose and intent, missed by the bill drafter.

Ms. Erma Edwards, vice chairman of Public Employees' Deferred Compensation Committee, stated they do support the changes advocated by Mr. Terzich. She said the present section of the Nevada Insurance Code presently exempts from premium tax, annuities purchased under qualified pension plans, TSA for teachers, Keogh plans for the self-employed and IRA's for people not under a tax-sheltered annuity. The purpose of this bill and its amendment is to allow public employees to be given the same treatment under Section 457 of the Internal Revenue Code.

Ms. Edwards explained to Senator McCorkle exactly what a deferred compensation plan is and how it works to invest before-tax money and defer taxes on the income of the money as well. Ms. Edwards agreed with Senator McCorkle's statement that this worked somewhat differently from a Keogh or IRA plan.

With no further testimony, Chairman Wilson closed the hearing on Senate Bill No. 443.

SENATE BILL NO. 468--Relates to insurance, authorizing formation of captive insurance companies.

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Ms. Patsy Redmond, deputy insurance commissioner, opened the testimony on Senate Bill No. 468 by commenting there are numerous amendments to the bill and requested permission to draft a substitute bill to replace it. Senator Wilson suggested the division prepare a rough draft of the bill and return with it to the committee in a week.

Chairman Wilson closed the hearing on Senate Bill No. 468.

SENATE BILL NO. 472--Changes certain provisions relating to obligations of Nevada insurance guaranty association.

Mr. Richard Garrod, special representative for Farmers Insurance Group, stated they are a member of the Nevada Consultancy Guaranty association and find a problem in extending from 30 to 60 days the period in which an insured of a company which has been declared insolvent would be allowed to report. He said 30 days seems a little short as well. The chairman of the guaranty association was present and neither he nor Mr. Garrod were able to ascertain the sponsor of the bill. It was determined to be a committee bill.

Mr. Garrod questioned the increase in insolvency guaranty payout from $300 thousand to $500 thousand and stated all other states except New Jersey were $300 thousand or less. He questioned the increase, stating he knows of no other state which is attempting to increase their guaranty payout amount.

Mr. Keith Askew, chairman of Nevada Insurance Guaranty Association, stated he had belonged to the association since 1974 and at no time had any payout been above $300 thousand. He corrected Mr. Garrod's statement about New Jersey, saying it was Rhode Island with a maximum amount of $1 million. He stated there are no domestic insurance companies in Nevada whose home offices are in trouble.

Chairman Wilson closed the hearing on Senate Bill No. 472.

The committee went into Executive Session, for discussion and action on the aforementioned bills.

Chairman Wilson requested deferment of Senate Bill No. 468 as a replacement would be prepared. The committee agreed to deferment.

SENATE BILL NO. 443. Chairman Wilson stated he was not sure he understood this bill. Senator Don Ashworth felt he understood it as it refers to section 457 of the Internal Revenue Code.

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Senator Don Ashworth asked to be able to read Senate Bill No. 443 in detail as he found some of the quoted section hard to believe. Chairman Wilson suggested Senator Ashworth to chair a subcommittee to prepare the necessary amendment to the bill. The committee agreed to hold Senate Bill No. 443.

SENATE BILL NO. 471 (See Exhibit G.)

Senator Raggio moved to Do Pass Senate Bill No. ~~443~~ 471.

Senator Hernstadt seconded the motion.

The motion carried unanimously.

* * * * *

SENATE BILL NO. 470 (see Exhibit H)

Senator Don Ashworth moved for Indefinite Postponement of Senate Bill No. 443.

Senator McCorkle seconded the motion.

The motion carried. (Senator Wilson and Senator Raggio voted "No".)

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SENATE BILL NO. 469 (See Exhibit ~~H~~ I.)

Senator Don Ashworth moved to Do Pass Senate Bill No. 469.

Senator McCorkle seconded the motion.

The motion carried unanimously.

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SENATE BILL NO. 464 (See Exhibit ~~I~~ J.)

Senator Don Ashworth moved to Do Pass Senate Bill No. 464.

Senator McCorkle seconded the motion.

The motion carried unanimously.

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SENATE BILL NO. 463 (See Exhibit K.)

Senator Don Ashworth moved Do Pass Senate Bill No. 463.

Senator McCorkle seconded the motion.

The motion carried unanimously.

* * * *

SENATE BILL NO. 462

This bill will be held; to come back with an amendment to be furnished by Mr. Sevigny.

SENATE BILL NO. 203

Committee members discussed this bill at length. Senator Don Ashworth felt NIC would end up with all the "dogs" as regards insurability; and private insurance carriers would take all the cream. He felt NIC was basically solvent and appears to be doing a good job.

Senator Raggio asked about other states with a three-way plan and whether the state funds have survived. Senator Close stated they have survived but in Nevada, NIC has the very small employers and private carriers insure the larger employers. Senator Raggio questioned the higher premium with NIC.

Senator Wilson felt the three-way bill needs to be rewritten and is troubled by the prematurity of this bill if NIC is to be reorganized into a corporation, with a full time board and additional classifications. He suggested waiting till then and take another look at the bill. Senator Wilson also stated there is a reorganization bill drafted, if they can get it out of the bill drafter's office. Senator Raggio asked for a bill requiring NIC to revise or enlarge its classification. Senator Wilson requests a resolution requiring revision and enlargement of NIC classifications.

Senate Bill No. 203 was held for the aforementioned reasons.

The following bill draft requests were presented by the chairman for committee approval for introduction.

BDR 58-1389--Broadens powers of public service commission to alter boundaries of service area. The committee approved introduction. (SB 510)

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BDR 53-1236--Relates to employment practices and limits the provision against discrimination based upon certain age. The committee approved introduction.

(SB 509) BDR 55-1452--Relates to financial institutions; consolidates various divisions within department of commerce and division of financial institutions. Submitted by governor's task force on governmental efficiency. The committee agreed to return this pension BDR to Senator Keith Ashworth.

SENATE BILL NO. 285--An amendment submitted regarding prohibition against taking security interest in real property on installment loans. The committee decided to read the amendments and return them to Senator Wilson.

There was no further business. The meeting adjourned at 5:30 p.m.

Respectfully submitted,

Betty Steele, Committee Secretary

APPROVED:

Senator Thomas R. C. Wilson, Chairman

DATE: _____

EXHIBIT A

SENATE AGENDA

COMMITTEE MEETINGS

Committee on Commerce and Labor, Room 213.

Day Monday, Date April 6, 1981, Time 1:30 p.m.

S.B. No. 203--Provides for industrial insurance coverage by private insurance.

S.B. No. 462--Increases various fees pertaining to collection agencies, banks and related organizations.

S.B. No. 463--Authorizes superintendent of banks to establish limitations on loans made by bank to its employees, officers or directors.

S.B. No. 464--Simplifies annual reports made to superintendent of banks by small loan companies.

S.B. No. 469--Authorizes superintendent of banks to enter into a divided program of examination of banks with federal agencies.

S.B. No. 470--Makes various changes in provisions relating to thrift companies.

S.B. No. 471--Simplifies renewal of license for business dealing in money orders.

S.B. No. 443--Extends exemption from premium tax to annuities for deferred compensation of public employees.

S.B. No. 468--Authorizes formation of captive insurance companies.

S.B. No. 472--Changes certain provisions relating to obligations of Nevada insurance guaranty association.

EXHIBIT B

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON Commerce and Labor

DATE: Monday, April 6, 1981

PLEASE PRINT NAME (Sign Forward)	PLEASE PRINT ORGANIZATION & ADDRESS	PLEASE PRINT	PLEASE PRINT TELEPHONE
Sam Stein	NFT		329-6543
Keith Edwards	Nev. Federation of Defense Council		382-1414
Niels Pedersen	" " " "		" "
Joseph D. Sevigny	State-Commerce-Banking		885-4260
John Maddox	Assoc. Gen. Contrs.		329-6116
John Finnigan	Gov's Advisory Coun NIC		853-5163
Rod Bareas	Nev. Collectors Assn		828-0764
Chuck King	CEA Nev. Self-Insured Assn TFL		323-5501
Benson Lee	L+H NV.		329-6171
J. V. Corica	N. I. G. A.		323-4861
K. M. Askew	Nev. Mfrs. Assoc - Chairman		329-1041
Max Blackham	Kennecott Minerals Co		235-7741
Dick Garrod	Farmers Ins Group		882-1890
Bud Chumbley	Nev Ind. Ins. Agents		284-4435
Dan Goddard	Industrial Indemnity		(415) 986-3535
John Borda	Nev. Mfr. Trans. Ass'n		331-6684
Mark Okada	Thrift Division - Commerce		885-4259
Bob Ostrowsky	MGM-Reno		789-2000
N. C. Althouse	Summa Corp		733-0123
Dave Bianchi	No. Nev. Ind. Assn.		827-2405
Patsy Redmond	Deputy Commissioner Nev. Insurance Division		885-4270

ATTENDANCE ROSTER FORM — COMMITTEE MEETINGS

SENATE COMMITTEE ON COMMERCE AND LABOR

DATE: Monday, April 6, 1981

PLEASE PRINT	PLEASE PRINT	PLEASE PRINT	PLEASE PRINT
NAME	ORGANIZATION & ADDRESS		TELEPHONE
Milos Terzich	American Council of Life Ins.		882-6220
JACK KENNEY	(SELF) SB 470	LAS VEGAS	452-7714
Evan Edwards	Deferred Compensation Co		885-4270
BIS Patty Redmond			885-4270

REMARKS ON SB 203

BY JOE E. NUSBAUM

My remarks on SB 203 represent the unanimous view of the three members of the Nevada Industrial Commission.

While I mainly wish to address the merits of private workers' compensation insurance in Nevada, I will also comment on the timeliness of the proposal and on certain policy directions reflected in the bill itself. The proponents wish to enter the Nevada market soon and under certain conditions so these subjects cannot be divorced from the merits of three-way insurance.

Timeliness of three-way insurance

The 1979 Legislature set in motion a series of actions which in our view are inconsistent with the adoption of three-way insurance at this point in time. First, there was the interim study by a subcommittee of the Legislative Commission in 1977-1979 which concluded that it would not be in the interest of the State to allow private insurance in the workers' compensation field. Apparently the Legislature followed the advice of the subcommittee and rejected private insurance in the 1979 Session. However, the Legislature did take two other actions that are significant in reconsidering private insurance today.

The Legislature approved self-insurance, and some eight months ago self-insurance became a reality. Subsequently a number of mainly large employers in the State have been certified to self insure. The Insurance Commissioner is developing a staff to regulate self-insurance. Shortcomings or oversights in the original legislation have been identified and legislation will be offered to take care of these deficiencies so that self-insurance can function properly under the law. Reporting procedures are under development now between NIC, the Insurance Commissioner and self insureds in order for all insurers to comply with the law in such areas as the prohibition against double payments and the requirement for reconciling payments for subsequent injuries.

There is a good deal remaining to be done to fully incorporate self-insurance into Nevada's workers' compensation system. Also, it is too early to reach judgments about the adequacy of the statutes, regulations and administration of self-insurance. To give birth to private insurance before self-insurance is even out of its diapers, seems to me to be poor family planning.

The second initiative taken by the Legislature in 1979 was the creation of the Advisory Board of Review for NIC to study NIC's organization and operations and to make recommendations to NIC, the Governor and the Legislature. The Advisory Board and the Commission took this legislative mandate seriously, and we have spent the past year and a half in an intense look at what we are doing, and why, and at future directions.

Though the Advisory Board has made many recommendations for changes, it concluded that the State's workers' compensation laws and the administration of these laws are basically sound with a relatively high level of benefits, low premium cost and low administrative cost. The Advisory Board stated, "Ill advised changes can reduce Nevada to the level of some of its sister states that have far more serious problems with their workers' compensation programs."

In responding to the legislative direction, the Advisory Board has recommended a major restructuring of the organization for administering workers' compensation. The critical need for reorganization goes back to self-insurance. The legislation that authorized self-insurance split State regulation between two agencies, the Insurance Commissioner for self-insureds and NIC for all other insureds. On that subject, the Advisory Board stated in its report, "The potential of inconsistency in the application of the workers' compensation laws is of concern to the Advisory Board and should be of concern to all of those with an interest in the workers' compensation program." The report goes on to say "...the Advisory Board has recommended that the compliance regulation of workers' compensation be lodged in one agency which should not be the agency that administers the State Insurance Fund. We believe this must be done quickly before problems arise."

Starting with this unresolved issue left by the self-insurance legislation, the Advisory Board considered how it could restore regulation to one state agency; how it could structure the insurance function of

NIC to be competitive with self-insurance administrators and possibly, in the future, with private carriers and how the insurance function could be organized internally to provide the best service to claimants and policyholders. The recommendations of the Advisory Board are now being drafted in bill form and soon should be presented to the Legislature.

Briefly, the bill provides for a successor to NIC's insurance operation called the State Industrial Insurance System, a public corporation solely providing workers' compensation insurance and related consulting safety services and rehabilitation services. The System would be run by a board of directors and a general manager. The regulatory functions of NIC, under an interagency plan approved by the Governor, would be combined with the functions of the Labor Commissioner into a new Department of Industrial Relations. This department will be responsible for workers' compensation compliance, occupational safety and health, mine inspection and employment standards. The workers' compensation compliance division will be the regulatory agency for all insurers, including the State Industrial Insurance System and self-insured employers. Certification of self-insurers and rate review would remain with the Commissioner of Insurance.

The internal reorganization of the insurance function, which does not require legislation, would in effect establish the insurance company headquarters in Carson City with two regional offices to provide direct services to workers and employers in the two major employment centers, Reno and Las Vegas.

The effective date of the reorganization would be July 1, 1982, in order to give sufficient lead time to prepare for the major changes involved. Even after the effective date, it is estimated that another year will be required to settle into the new arrangement. The management consultant who did the original work on organization had suggested a minimum two-year period for the reorganization.

The Advisory Board and the Legislative Auditor have submitted reports to the Legislature that contain long lists of other recommendations, all of which have been agreed to by the Commission, for changes in internal operations and in statutory policy. These will have to be incorporated into the State's worker's compensation program over the same period that reorganization is being carried out.

If the Commission and the Legislature are to seriously consider the reports to the Legislature of the Advisory Board and the Legislative Auditor, we must allow time to accomplish what needs doing. These reports alone contain a full agenda for the next several years.

You may ask what more would be involved if three-way insurance passed. First, under SB 203 there would be a different reorganization and one that did not have, as its base, a study by a management consultant and months of deliberation by a panel of citizens appointed specifically to review the organization and operation of workers' compensation. Second, it may likely require a reordering of the risk classification system presently used by NIC which is a major actuarial undertaking.

Third, it would involve either a new rate system or a rate review and appeal system to provide uniform rates or to assure that rates are adequate to cover the obligations. Fourth, it would require a complex reporting system between all insurers to assure that claimants receive all they are entitled to but not more. This is far from a complete list of the changes that would be necessary to incorporate three-way insurance into the Nevada Workers' Compensation System at this time.

Our conclusion on the question of the timeliness of the present proposal is that Nevada simply cannot absorb more change unless you are willing to risk chaos for a period of years. We only have to look at our neighbor, Oregon, to see what can happen in a poorly planned transition to private insurance. I cannot believe that state policymakers would gamble on the turmoil and uncertainty that is inherent in a move to private insurance at this time. Nor can I believe that the State's policymakers would abandon a direction begun two years ago with the authorization of self-insurance and the mandate to the Advisory Board and the Commission to improve the organization and operation of the present two-way system.

Policy directions

By now even the proponents of SB 203 agree it is technically a bad bill. Therefore, I will not comment on those many flaws that may be due to poor draftsmanship or lack of knowledge of Nevada's laws and practices.

However, I think it is important for you to be aware of some of the policy directions that are deliberately reflected in this bill because they tell us the conditions under which private insurance would expect to enter the market in Nevada.

First, in a number of ways provisions were consciously added to reduce existing benefits. We find this puzzling because these provisions appear to have nothing to do with the stated purpose of the bill. Let me give several examples.

Section 31 appears to give authority for carriers to write limited liability policies which would require the injured worker to pursue his rights not only against the carrier but against the employer or possibly the State Insurance Fund in order to gain the benefits due him. This clearly would be an improper imposition on the injured worker which may have the effect of denying him benefits, particularly if the employer moved out of state or ceased business in the state.

Section 111 stated, "As between any claimant and the carrier no defense based on any act or omission of the insured employer, except nonpayment of premium, (emphasis added) may be raised by the carrier." This section appears to deny claimants their rights against the carrier if the policy is still in effect but premiums have not been paid. How does the claimant then pursue his rights? At a minimum, the claimant is put to additional cost and inconvenience and at a maximum, it may be an absolute denial of his benefits.

Section 23 provides that the "determination of the extent of permanent disability and loss of earning capacity (emphasis added) must take into consideration the effects of rehabilitation..." As you know, Nevada has an impairment system of determining permanent partial disability. Awards are made on the basis of the percentage of permanent impairment, medically determined. The Advisory Board considered a report that outlined the major systems of making determinations in this controversial area which covered, in addition to Nevada's system, the wage loss system and the impairment/other factors system. The Advisory Board determined that Nevada's system, when coupled with lifetime reopening and an active rehabilitation program, was the superior method for Nevada though it indicated that the wage loss system should be given further study after the State of Florida has accumulated more experience under its wage loss law.

Section 23, with the addition of only a few words and with no further guidelines, attempts to graft a wage loss system, at least in part, on Nevada's impairment system. Does it mean that after impairment is determined, a subjective decision is made to reduce the benefit if wage losses are not significant or if the claimant has had the benefit of a rehabilitation program? Obviously, a major change in this area should not be in this bill.

Several sections of the bill change the appellate rights of claimants. Rehabilitation matters, for example, which now are appealed through the Hearing Officer and Appeals Officer to District Court, would be appealed

to the regulatory body apparently with no right to appeal to the district court. Other determinations, such as lump-sum awards, are made by the regulatory body with no further appeal rights. We know of no justification for these changes which deny appeal rights to claimants.

I will not outline the many additional conflicts in the bill that may reduce benefits because they may only be due to out-of-state proponents who do not understand Nevada's system of workers' compensation.

Let me deal with another subject that tells us a good deal about how private carriers intend to compete with the State Fund. Under the laws and practices of some of the other three-way states, the state fund has been used as little more than the assigned risk pool for the employers no one wants. Disappointingly, the proponents of additional competition in workers' compensation in Nevada also view the State Insurance Fund as the dumping ground for unattractive or high risk employers. These provisions did not get into the bill by accident. Let me give examples.

Section 48 makes the State Insurance Fund responsible for all claims of uninsured employers. Nevada law gives rights to all workers in this State. One of the constant problems is with injured workers of uninsured employers who move into the State and out again or who become insolvent. By what concept of open competition should this unattractive side of workers' compensation be dumped solely on one carrier?

As noted earlier, Section 111 appears to remove any obligation on the part of the carrier if premium payments are not up to date. The State Fund, on the other hand, is now obligated whether premiums are delinquent or not as long as the policy is in force. Further, the various provisions of this bill may be interpreted to require the State Fund to pick up the private carriers' obligation to employees where the premium payments to the carriers are not current.

The bill requires that the State Fund be the insurer for trainees of the Rehabilitation Division of the Department of Human Resources, workers under the federal Longshoremen and Harbor Workers Compensation Act, the federal Coal Mine Health and Safety Act, other programs imposed on Nevada employers by the federal government and the varsity teams of the University of Nevada System. From an insurance standpoint, these are all unattractive policies and it is understandable why private carriers want no part of them.

The bill repeals the present provision on mining lessees which would appear to result in many of these persons becoming uninsured employers and therefore the obligation of the State Insurance Fund.

Incidentally, the bill also provides for an interest-free loan from the State Insurance Fund to set up the administration of the three-way system.

The bill applies the premium tax of 2% to the State Insurance Fund which, of course, will be passed on to all of its policyholders. This

appears to be an equal treatment provision. However, in another section, the bill allows the assessment for the administrative cost of regulation and appeals to be a credit against any premium tax paid to the state. Thus, private carriers not only can reduce their premium tax on workers' compensation insurance but also on other lines of insurance written in Nevada.

We have no idea of where the proponents of SB 203 stand on classification and rating systems. Their statements seem to say they want to compete across the board on premium rates and services. But the hodge-podge of provisions they have put in the bill seems to guarantee that there can be no effective rate regulation or comparison of rates. It may be a method of structuring classification and premium rate systems to cream off the most desirable business while leaving everything else to the one insurer who cannot move in and out of the state and who will not cancel a policy simply because an employer has had a streak of bad luck.

What is puzzling to us is that there are alternatives which permit competition on rates while having consistency of classifications and experience rating systems. In other words, everyone could play by the same rules and compete only on price and service.

Merits of three-way insurance

The main subject I wish to discuss is the merits of three-way insurance assuming a carefully drafted, evenhanded proposal.

Before discussing any proposed major change in Nevada's workers' compensation program, we should assess the current situation. I believe that a fair assessment would have to cover these points:

1. There are current problems in the law and administration of workers' compensation. We only have to look at the reports of the Legislative Auditor and the Advisory Board of Review for proof that there are problems. However, other than the organizational problem caused by splitting the regulation of workers' compensation between two state agencies with the adoption of self-insurance, none of the problems identified appear to be basic deficiencies in policy, financing or administration.

2. The State Insurance Fund is actuarily sound with money reserved sufficient, in the judgment of professional actuaries, to cover every liability of the fund. Nevada lawmakers can be justifiably proud of this somewhat rare condition.

3. By any measure, Nevada's benefits are good and Nevada's premiums and administrative costs are low. Nevada's overall premium rates have not increased since 1976. This is a record that many states look to with envy as they see their premium rates increasing year after year and the cost of administration, including heavy costs of litigation, spiraling upward.

4. As the Advisory Board commented, Nevada appears to be in the forefront with its rehabilitation efforts to return injured

claimants to work as soon as possible. The entire Nevada workers' compensation system with its lifetime reopening and rehabilitation rights provides incentives to return to work. Also, within the last year, NIC has split out its safety consulting services from its safety regulation functions and has been building a professional staff to provide loss control advice to policyholders.

5. The Commission attempts to spend and invest as much of the premium dollars within Nevada as possible, to the extent this can be done within its trust obligations to the beneficiaries of the State Insurance Fund.

Given these conditions - basically good laws, high benefits and low premiums, sound financing and basically good administration but with problems that are being corrected - we believe the proponents of three-way insurance have the obligation of showing how Nevada employers and workers will benefit by the proposed change.

What are the arguments that may be advanced for introduction of private insurance in Nevada?

Premium rates, benefits, administrative cost

Cost is not likely to be a principal argument since the evidence is clearly on the other side of that argument. For example, the Stanford Research Institute study commissioned by the Labor Management Advisory

Committee in 1978 concluded that private insurance would be 21% higher than the State Insurance Fund rates.

The following is a summary of the conclusions on costs from the SRI report (it should be noted that since the SRI report NIC has also declared dividends each year).

COSTS PER $100 OF BENEFITS
(Dollars)

	NIC	NCCI
Benefits	100.00	100.00
Expenses	12.79	31.38
Carrier profit	--	3.90
Employer cost before dividends	112.79	135.28
Less		
Dividends	--	8.85
Investment income	8.26	--
Total	104.53	126.43

"The above table shows that for every $100 in benefits, the net cost to the employer under NIC would be $104.53 compared with the $126.43 estimated for an employer with a private carrier. That the average cost to employers who insure with private carriers is expected to be 21% higher than the average cost to employers who insure with the NIC reflects a number of factors including:

- A portion of investment earnings is retained as profit by the private carriers.
- The cost of the sales and servicing system is higher.
- The private carriers have an underwriting profit objective of 2.5% of premium, whereas the NIC has no profit requirements.
- The surplus requirements for private carriers is substantially higher.

" Even representatives of the private carriers agree that the employer's cost per $100 of benefits would be higher if private carriers were used instead of the NIC. However, it is the private carriers' position that utilization of their resources and expertise will result in a reduction in benefit costs to a level that will justify the additional expenses associated with their approach. Based on the above analysis, private carriers must achieve a $17 reduction in benefit costs for every $100 in benefits currently paid under the NIC if entry of private carriers is to be cost effective. The prospects for achieving such an impact on benefit costs should be assessed carefully."

Based on SRI's spread of 21% in cost we estimate that if SB 203 were law today, current premiums would be approximately $25 million higher. With SB 203's change in the advance premium deposit requirement, employers, including local governments, would lose approximately $5 million annually in interest cost. Thus, the total additional cost to employers would be approximately $30 million or 25%.

Premium rate comparisons with other states are difficult and can be misleading. This is so mainly because benefits differ. Nevada's benefits are generally better than those of the intermountain states of Arizona, Utah and Idaho. They are more in line with those of California, Oregon and Washington. Also, the classification systems differ. Therefore some classifications cannot be compared though others are similarly defined and can be compared.

Keeping in mind these remarks about difficulties of comparisons, I nevertheless will contrast Nevada and Arizona, since the Arizona experience with three-way insurance has been presented as an argument for private insurance in Nevada.

Nevada benefits are better than those in Arizona and therefore should be more costly. Total disability payments in Nevada are $245 per week compared with Arizona's $204 for a single claimant and $214 for a claimant with one or more dependents. Nevada's payments are from the first day, if a disability lasts at least five days. Arizona has a seven-day waiting period and pays the first seven days only if disability is 14 days or more. Permanent partial disability payments are more difficult to compare because of the varying circumstances that can lead to these payments, though it appears that Nevada's awards have substantially more value. For example, the total loss of the use of one arm, a 60% disability in Nevada, and assuming the claimant is 39 years old (the average age for PPD awards in Nevada) produces a Nevada present value of $67,000. In Arizona the value of the award would be $33,000.

Regarding fatal benefits, Arizona's award is 83% of Nevada for the spouse and children, 44% for a spouse only and 31% for a surviving child.

If the only difference between Nevada and Arizona was the level of benefits, we would expect that Arizona's rates would be considerably

lower. In fact Arizona rates are almost universally higher than Nevada's. The following table of rates for classifications that appear to be similarly defined is a sampling of Nevada and Arizona rates.

	Nevada Rate	Arizona Rate	Ratio Arizona to Nevada
Auto Service Stations	$4.16	$ 5.06	+ 22%
Bottling Beverages	3.35	6.19	+ 85%
Bus Companies			
Garage Employees	4.60	5.72	+ 24%
All Other Employees	4.60	8.45	+ 83%
Concrete Products Mfg.	4.52	11.83	+161%
Electric Light and Power Companies	3.15	5.59	+ 77%
Newspaper Publishing	1.68	2.91	+ 73%
Sand and Gravel Digging and Drivers	5.21	9.55	+ 83%
Roofing Contractors	8.57	21.27	+148%
Warehousing	3.78	7.47	+ 98%
Trucking	6.76	12.79	+ 89%

Arizona may be looked to for an indication of what might happen in Nevada should we have three-way insurance here. The market distribution in Arizona is as follows:

Annual Premium Size	Percentage of Policyholders State Fund Insured	Private Companies Combined Share
$ 0 - 1,000	88.2%	11.8%
$ 1,000 - 5,000	67.0%	33.0%
$ 5,000 - 25,000	47.5%	52.5%
$25,000 - 100,000	36.7%	63.3%
Over 100,000	22.7%	77.3%
Total	80.0%	20.0%

Since most policyholders are in the low premium size groups, the State Fund in Arizona has 80% of the policyholders and private companies have only 20% of the policyholders. However, private companies have 62% of the premium income and the state fund has only 38%.

The numbers of policyholders in Nevada, if distributed in the same pattern as Arizona, would be as follows:

Annual Premium Size	Policyholders Who Would be Covered by NIC	Policyholders Covered by Private Insurers
$ 0 - 1,000	17,640	2,360
$ 1,000 - 5,000	3,750	1,850
$ 5,000 - 25,000	760	840
$25,000 - 100,000	135	230
Over 100,000	70	238
	22,355	5,518

NIC would cover 80% of the policyholders. Private insurers would cover the remaining 20%.

The Arizona experience clearly points to the conclusion that the State Fund becomes the insurer of the smaller, less attractive employers that involve a higher percentage administrative cost to the insurer while the private companies concentrate on the bigger more attractive employers.

Assuming that workers' compensation coverage in Nevada would be distributed among the State Insurance Fund and private companies in the same proportion that it is in Arizona and assuming the current total premium income of $128 million, the following would be the breakdown between NIC, eight leading workers' compensation companies and all other companies.

Insurers	% of Total Market	Earned Premium
NIC	38.2	$48,900,000
Mission	7.7	9,900,000
Industrial Indemnity	5.1	6,500,000
Fremont	4.0	6,400,000
Aetna	3.1	4,000,000
Employers	2.5	3,200,000
Premier	2.0	2,600,000
Firemans Fund	1.8	2,300,000
Argonaut	1.8	2,300,000
All other	33.7	43,100,000

What would be the practical result of this pattern of insurance in Nevada? First, it would have a drastic affect on the ability of NIC to provide services to its policyholders. NIC has only recently attained a level of business that justifies such common insurance business features as a marketing staff to assist policyholders, a communications staff to inform policyholders and claimants of their rights, obligations and benefits and a full-time actuary to do a complete actuarial job within the agency. NIC would have $48.9 million of premium income to service approximately 22,000 of the 27,000 employers in the state. Private companies would no doubt be serving major employers in Las Vegas and Reno, but NIC would have to provide statewide services and may be the exclusive insurer in the smaller towns and rural areas of the state.

On the other hand, what kind of services can even the larger private carriers provide in Nevada with from $2 million to $10 million of premium

per year? We believe the only reasonable conclusion is that the service would have to suffer; that much of the service would have to be provided from California or Arizona or some more remote location where full services in such areas as rehabilitation can be adequately staffed.

We firmly believe that Nevada does not have a sufficient base of business to continue a sound state fund and open the state to private carriers.

Increased costs would not be solely because of the higher premium rates required to allow private carriers to compete. There are a number of rules which are involved as standard practice in the 40 states which follow National Council on Compensation Insurance procedures.

Examples

NIC Rules	National Council Rules
Advance deposit: Minimum $25 deposit.	Minimum deposit $100 cash. Effect - Approximately 17,000 small employers would be required to increase premium deposits by between $45 and $75 additional.

Expense Constants

Small employers are charged a fixed fee for being small. Approximately 10,000 Nevada employers would be affected.

NIC	"Industry" Practice
None	Employers who pay less than $200 annual premium pay a $15 expense constant in addition. Employers who pay less than $500 annual premium pay a $10 expense constant in addition.

Minimum Premiums

In many jurisdictions under National Council rating rules, minimum premiums are prescribed based on the risk classification of the employer. The minimum premium is charged regardless of the employee exposure under the policy.

The following are examples of minimum premiums:

NIC	Arizona (one example of an "Industry" state)	
	Governing Class	Minimum Annual Premium
$2.00 per month and $24.00 per for all policies.	Bakery	$157
	Service Station	162
	Barber Shop	63
	Billiard Hall	95
	Bottle Dealer	522
	Real Estate Salesman	51
	Alfalfa Farming	167
	Dairies	248

Many small Nevada employers keep an active policy in anticipation of possible employment. These employers would terminate their policies and as a result increase the probability of uninsured accident claims.

How has NIC performed over recent years compared with the nationwide performance in workers' compensation? The following table on premium rates shows that NIC's overall rates have not increased since 1976 and that for the eight-year period covered in the table, NIC has had rate increases totalling 42% while nationwide increases have totalled 114%.

Comparison of Eight Years of Premium Rate Changes
NIC vs. the "Industry" (Three-Way)

	NIC	Workers' Compensation Nationwide
FY1973	+18%	+ 7.4%
1974	0	+ 8.2%
1975	+15%	+ 15.3%
1976	+12%	+ 17.0%
1977	0	+ 11.2%
1978	- 3%	+ 11.3%
1979	0	+ 6.4%
1980	0	+ 4.0%
Eight-year Change =	+42%	+114.7%

How should the above be interpreted? NIC, through use of rehabilitation, progressive claims management by disability prevention teams, and reflection of investment income in its rates has beaten the inflationary forces that have pushed up premium rates nationwide.

Even with the annual rate increases noted above, the insurance industry shows underwriting losses. The following table shows that nationwide costs exceeded premium income throughout the period covered. However, for NIC costs exceeded premiums in only three of the seven years. How is it possible for the insurance industry to show an underwriting low year after year (figures in excess of 100% represent an underwriting loss)? The difference is that NIC fully reflects investment income in its financial statements and rate making whereas investment income of private companies generally is a "hidden" profit.

Underwriting Performance

Comparison of NIC Performance With "Industry"

(Ratio of Claim Cost + Administrative Expense to Premium Earned)

	NIC	Industry Workers' Compensation
FY1973-74	91.7% (gain)	107.2% (loss)
1974-75	101.4% (loss)	107.4% (loss)
1975-76	111.3% (loss)	109.6% (loss)
1976-77	98.8% (gain)	108.4% (loss)
1977-78	95.7% (gain)	105.1% (loss)
1978-79	99.6% (gain)	100.1% (loss)
1979-80	100.2% (loss)	

It should be noted that the above figures have been used by private companies to justify rate increases because of the underwriting losses. However, unlike NIC the industry does not disclose investment income which has been substantial in recent years.

A means of testing NIC's administrative expenses is to use the insurance industry method of computing administrative overhead expense as a percentage of premiums. Under this method, NIC's safety enforcement costs and the direct cost of administering claims are excluded. By that measure NIC's costs have been around 4% per year. During the same period, using the same measure, the average administrative cost of stock companies nationwide has been around 18% and of mutual companies around

12% to 13%. While NIC's administrative overhead costs have been abnormally low during the recent four-year period when the claims workload increased 75%, we can expect a full service level to be in the range of 5% to 6%.

FY	Cost of Administering Claims Paid During Fiscal Year		NIC Expense Ratio*	Stock Co. Exp. Ratio to Written*	Mutual Co. Exp. Ratio to Written**
76	2,237/ 53,626	=	4.2%	18.7%	14.2%
77	2,605/ 72,468	=	3.6%	18.0%	12.5%
78	3,543/ 92,492	=	3.8%	17.9%	11.9%
79	4,445/108,374	=	4.1%	17.8%	11.8%
80	5,490/122,987	=	4.5%		

*These costs for NIC are equivalent to private industry's Expense Ratios. They represent only the expense associated with policy service.
**Percentages shown are for calendar years not fiscal years.

Source: Best's

The single biggest difference in administrative costs is the cost of "acquisition" (sales costs and commissions).

Other considerations

I understand that the lack of competition was an argument in 1979 when NIC was the exclusive insurer in Nevada. This, of course, is no longer true because self-insurance administrators are aggressively competing with NIC for policyholders. With the inherent financial advantages of self-insurance, NIC must be competitive if it is not to lose more than the projected 15% premium loss to self-insured administrators. To be competitive, the reorganization recommended by the

Advisory Board, including the loosening of state controls, must be carried out.

Service is another argument and one that carried some weight while NIC has been playing catch up with the tremendous increase in workload volume in the late 1970s. With the efforts currently under way, I think you will see a substantial improvement in services both to claimants and policyholders over the next several years. Again, this assumes enactment of the various Advisory Board recommendations and no restrictive legislation such as AB 49.

There are other subjects that the proponents of private insurance do not mention. Among those are insurability and noncancellation. Private companies have the luxury of writing insurance only for those they want as policyholders and of ridding themselves of "losers." The State Fund as of now does not have these prerogatives and as a practical matter will never have them. Nor does it apparently need them under present law as evidenced by the fiscal soundness of the Fund.

Let me mention several other miscellaneous points that may be pertinent to the issue in Nevada. In the Minnesota Legislature a big issue is a bill to create a state fund due to dissatisfaction with the performance of private carriers. There is a bill in the Oregon Legislature to do away with coverage by private carriers. Kentucky, Maine, Alaska and Florida are states which in the last several years have attempted to create state funds due to dissatisfaction with private carrier performance.

Also, while we have no objective basis to evaluate this factor, it appears that states with private carriers have considerably more litigation than state fund states. For example, California has reported that the cost of litigation related to workers' compensatin is equal to the cost of medical treatment on workers' compensation claims. For one thing, legal issues arise between carriers as to who has liability. One of the strong features of the Nevada system is that it is almost litigation free outside of its administrative appeals system.

The Commission has seen no evidence so far that should change the conclusion that has been reached by every state study on the question of three-way insurance. The 1972 report of the subcommittee of the Legislative Commission recommended against private insurance. The 1978 report of the joint Legislative Commission convened to study the question of three-way insurance, among other matters involving NIC, stated:

> "The subcommittee recognizes the need to provide the employers of the State with alternative methods of coverage but it is not of the opinion that the entry of private carriers into the field of workmen's compensation insurance at this time is in the best interest of all concerned."

The 1979 report of the Stanford Research Institute said:

> "In summary we recommend that Nevada permit self insurance and structure the system to conform with the optimal two-way system

defined earlier in this report. We do not consider a three-way system to be appropriate for Nevada at the present time..."

What has changed since these last two recommendations against three-way insurance? The employment growth of previous years has been substantially eliminated by a recession. Self-insurance is in its infancy but has taken about 10% of the workers' compensation market. The State Insurance Fund remains in sound financial shape. A number of improvements recommended by the Advisory Board and the Legislative Auditor in the administration of workers' compensation soon will be before the Legislature or are under way. None of these factors seem to warrant a new consideration of three-way insurance and, in fact, most argue against another major change at this time.

In conclusion, the Commission believes: the time is wrong for consideration of three-way insurance; the bill before you is flawed; and the case has not been made that three-way insurance will benefit Nevada, its employers and workers.

EXHIBIT D

Good afternoon, my name is Dan Goddard. To give you a little of my background, I am an actuary with Industrial Indemnity Company in San Francisco. I am a Fellow of the Casualty Actuarial Society, and for the past five or six years, I have served on rating bureau committees dealing with worker's compensation rates in several western states.

I was asked to come here today to talk about what "3 way" will do to worker's compensation costs in Nevada. I don't have any quick answers for you, but I do want to give you some facts and discuss what they imply for Nevada.

I gather ther has been some confusion about what private carriers charge for expense loadings, and how this compares with Nevada. The workers's compensation rating system is complicated, and Nevada does some things differently than other states. So, it's difficult to be sure you are making a valid comparison. It might seem obvious to compare the expense loadings in the rates , but nobody actually pays the manual rate-----it's modified by several rating plans. There is one that reflects the risk's prior experience. There's another, in most states, other than Nevada and California, that varies the expense loading by policy size. There's an optional plan that adjusts the premium according to the experience under the current policy. An insurer may choose to pay a dividend to some or all of its policyholders.

My point is you cannot consider a rate without considering the plans that modify it, and Nevada's rating plans are different that other states, so rate comparisons are treacherous.

One further point about rates, and I'll have to let you in on an actuarial trade secret here; what we build into rates for losses and expenses is rarely what actually happens.

So, I would suggest what we should look at is the final net cost to the policyholder, after all the rating plans and dividends. The net cost is after all, what the employers are actually paying; it doesn't matter too much how we get there.

To give you some hard facts, I have brought a pair of exhibits. These show the countrywide experience for private carriers for the five most recent years available.

EXPLAIN EXHIBITS

The next question is, what will three-way in Nevada do to worker's compensation costs in the future? I am still taking about net costs, not rates. I cannot give you any quick answers, I would like to give you a few facts.

First, private carriers compete successfully with state funds in quite a few states, under a variety of rating laws. The private carriers generally have higher expenses, but lower losses. Second, this bill would allow deviations. Any carrier that is more efficient can lower its rates. By more efficient, I mean a lower total of losses and expenses.

Third, when private carriers have come into a state, they generally have not raised the rates. In Arizona, the private carriers adopted the State Fund rates. In Oregon, a limit was put on how much any policyholder's rate could go up or down. In Washington, three way is at least a year off, but the industry has already pledged to limit any initial increase over current costs to no more than 10%.

Now, what do these facts add up to for Nevada?

I think private carriers will be able to compete quite successfully with the NIC. Private carriers do need a higher expense loading, but much of the extra is for better service. Spending more on accident prevention and claim management has to mean fewer losses. This is the only thing that will help the workers of Nevada; prive competition only helps the employers. Competition to provide better service is easily as important as price competition, and really, the only way to hold down worker's compensation costs long term is to hold down losses.

From a more pragmatic point of view, there is no way private carriers could force costs higher. The insurance commissioner has to approve all rate filings, and if the NIC really is more efficient, it could deviate and retain most of the market.

So, I do not see how three-way could hurt the employers of Nevada, and the competition to provide better service could only help the workers.

2/16
Exhibit for Don Jodlands testimony

WORKMEN'S COMPENSATION EXPERIENCE FOR 1975-1979

COUNTRYWIDE

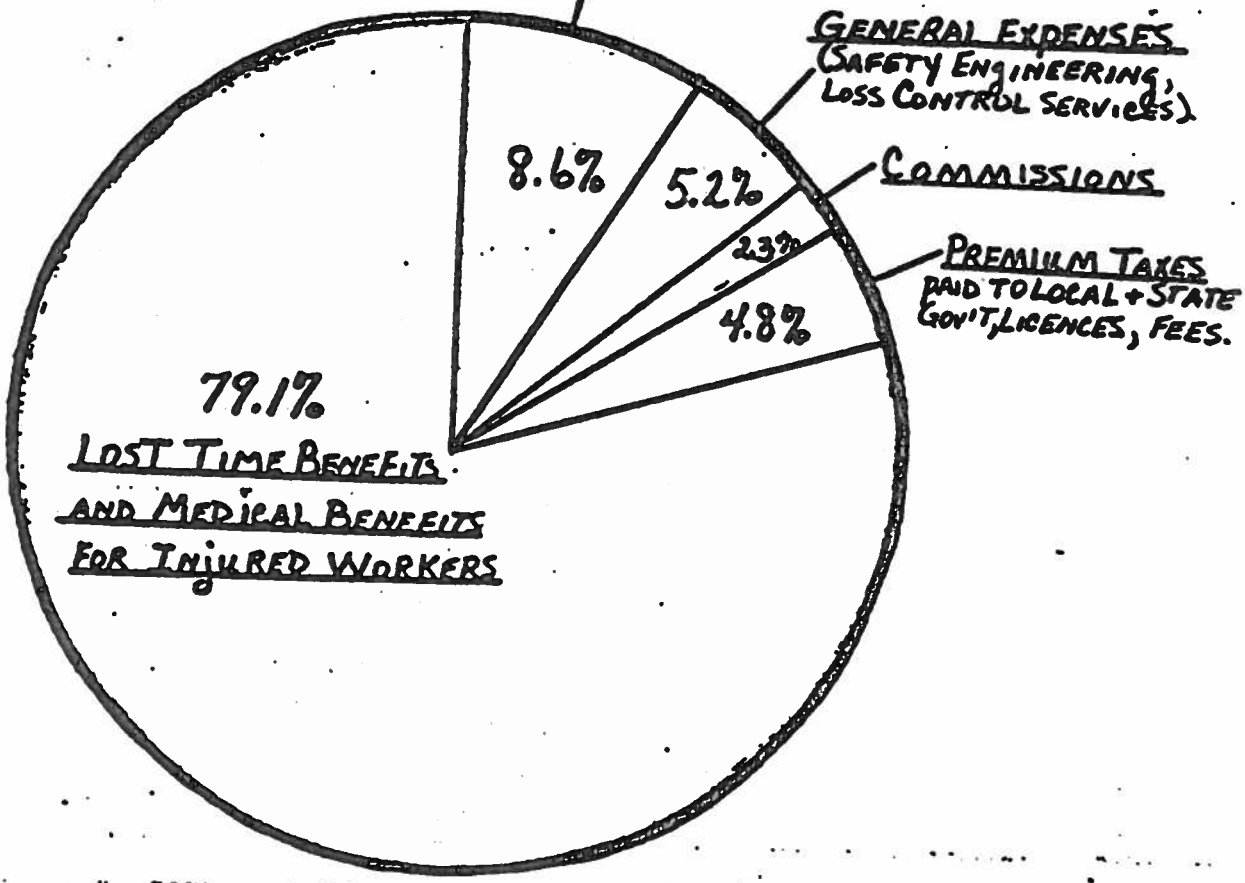
		Dollar Amount	% Of Net Cost
1.	Net Earned Premium prior to Dividends Paid	52,335,202,987	
2.	Dividends to Policyholders	3,013,899,036	
3.	Net Earned Premiums after Dividends Paid (1)-(2)	49,321,303,951	
4.	Taxes, Licenses and Fees excluding Federal Income Tax		4.8
5.	Balance for Paying Benefit and Expenses (3)-(4)		95.2
6.	Claims and Related Services		
	(a) Indemnity and Medical Benefits for Injured Workmen	38,989,113,431	79.1
	(b) Claim Adjustment Expense	4,263,492,972	8.6
	Total [6(a) + 6(b)]		87.7
7.	Balance for Other Expenses (5)-(6)		7.5
8.	Commissions	2,520,460,293	5.1
9.	Balance for Company Expenses (7)-(8)		2.4
10.	Company Expenses		
	(a) Acquisition and Field Supervision other than Commission	1,212,018,400	2.5
	(b) General Expenses including Payroll Audit, Bureau Inspection and Safety Engineering	2,563,149,744	5.2
	Total [10(a) + 10(b)]	3,775,168,144	7.7
11.			(5.3)

Costs Not Supplied By Policyholder (9)-(10)

1416

Data Source: Insurance Expense Exhibit - Official Supplement to Annual Report

COST TO THE POLICYHOLDER - 1975 TO 1979



COST TO THE INSURANCE COMPANY

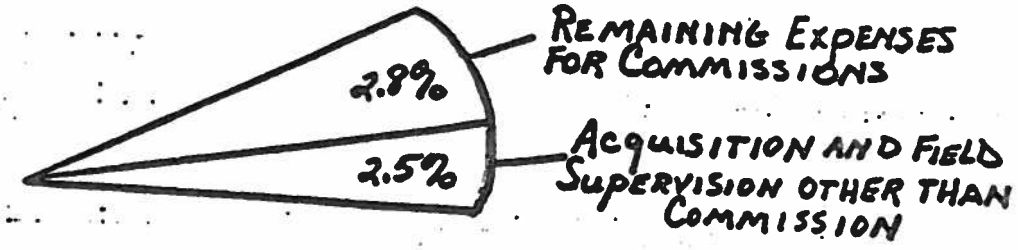


EXHIBIT E

LEGISLATIVE TESTIMONY April 6, 1981

My name is Bud Meneley. I represent the Nevada Independent Insurance agents.

First of all, I would like to tell you that we are well on the way to completeing the amendments to SB 203 to remove the conflicts in that bill, and the objections expressed by the NIC and others. It only requires a few more days of intensive cooperation with representives of the insurance department, the NIC and self insureds to make it a piece of model legislation. We do need a mandate from this committee to complete this job.

As I have indicated in the past, comparison of rates with other states is not indicative of anything except the type of legislation and claims climate in these states. To illustrate my point, I have provided you a comparison of Nevada rates for random classifications with the 3-way states of Utah, Idaho, Montana and Arizonia. You can see that Nevada certainly isn't the lowest. Incidently Utah uses the National Council on Compensation Insurance rates. The Utah State Fund deviates from the National Council rates I have shown, approximately 30%! SB 203 would permit the Industrial commission to do the same thing in Nevada.

At the bottom of the sheet I divided the total premium in each state by the total employees in each state to arrive at an average annual cost per employee. You will note Nevada doesn't come out very well in this comparison.

To repeat, these numbers are not conclusive and have little to do with the benefit delivery system, whether it be by monopolistic state fund or a 3-way system.

What is left then on which you people can base your judgment. Nevada has a fairly good system at the present time. In fact, some features of the Nevada system are considerably better than many other states. This is a credit to you people, the members of the legislature. You have not yielded to pressures for increased social programs, S.B. 203 does not propose to change this system. It does propose to inject an incentive to make the system better.

In this debate, it has been said their should be no profit on pain and suffering. I would like to point out that the only way a private insurance company can compete in Nevada and make a profit is to prevent accidents and get the disabled back to work. Quite a different picture isn't it. It is the profit incentive that will prevent pain and suffering. If the only purpose of profit is to add tot he cost to the consumer, this country would have been socialistic or communistic long ago.

Competition fueled by the profit incentive reduces costs to the consumer -----in worker's compensation and everthing else. The NIC doesn't have this incentive. If they did, they would be spending adequate funds on accident prevention. They aren't. They would have an effective rehabilitation program. They don't.

If Nevada's monopolistic system were as outstanding as you have been led to believe, twelve three-way states would have eliminated private carriers. They haven't. No competitive state have ever gone to a monopolistic system

In this regard, I have provided you with what is probably the latest study on this subject. The Tillinghast, Nelson & Warren Report, commissioned by the Oregon House Intercommittee on labor. Oregon certainly has enough proboems that they should be looking for alternatives. The conclusion of the report is as follows:

Again we emphasize, employers are well informed as to costs of alternative markets for workers' compensation coverage. The relative size of the private insurance industry in Oregon workers' compensation compared to SAIF and self-insurance is evidence of the usefulness of the private segment to Oregon employers. Any Oregon employer who wishes to investigate self-insurance will find several firms informed and capable of providing information and comparing costs of the existing "three-way" market. It is our opinion that restricting the market to "one-way" or "two-way" will remove from Oregon employers an option they obviously have found valuable.

Thirty-two states would have formed state insurance funds. They haven't. A state insurnce fund (similar to the NIC) hasn't been formed since 1922.

Your course is clear. If you believe in the free enterprise system, you will be in favor of SB 203. With the changes planned by the NIC to separate the insuring and regulatory functions, the timing is perfect. Now is the time.

We request a do-pass from this committee which will give us the mandate to complete the revisions on this bill.

COMPARISON OF GROSS WORKER'S COMPENSATION
RATES FOR RANDOM CLASSIFICATIONS 1981

	NCCI Code	Nevada	Utah	Montana	Idaho	Arizona
Auto Body Repair	8393	4.16	2.42	2.79	3.66	4.42
Carpentry NOC	5403	8.57	4.84	8.20	9.70	13.53
Clerical Office NOC	8810	.42	.11	.30	.27	.44
Contractor Exec. Super.	5606	-	.21	1.28	3.20	3.18
Earth Moving	6018	-	4.68	6.00	5.31	8.98
Electric Power Co.	7540	3.15	4.87	4.07	4.18	6.35
Electricians	5190	3.26	1.73	2.78	3.21	5.71
Firemen	7704	3.53	2.21	3.11	-	4.72
Gas Company	7502	3.15	1.04	2.09	3.03	3.29
Hospital - Prof. & Cler.	8833	-	.44	1.05	1.69	2.24
Other	9040	2.63	3.32	2.90	3.65	6.45
Hotel	9058	4.43	1.80	2.92	3.56	2.76
Laundry & Dry Cleaning	2589	3.88	1.38	1.92	2.24	2.75
Municipal Employees	9410	2.31	-	1.84	1.18	1.58
Mining (open pit)	1165	5.25	3.79	6.44	5.96	6.28
Plumbing NOC	5183	3.96	2.86	2.81	4.16	7.37
Printing	4299	1.68	1.17	1.57	1.67	3.53
Schools	8868	.83	.11	.20	.32	.46
Sheet Metal	5538	8.57	2.57	5.29	6.39	7.40
Department Store	8039	1.78	.78	.99	1.54	1.59
Grocery Store	8006	3.62	1.25	2.43	5.31	5.38
Street & Road Const.	6217	6.71	3.32	9.95	8.20	6.01
Truckmen NOC	7219	6.76	4.67	8.01	9.57	12.79
Average Annual Cost Per Employee		$362	$108	$183	$189	$349

1120

Utah appears to be about 42% under Nevada rates and the State Fund deviates over 30% from these rates. Montana appears to be about 10% under Nevada and the State Fund evidently deviates various amounts from these rates. Idaho appears to be about 3% over Nevada and Arizona appears to be about 25% over Nevada. ~~The Arizona State Fund deviates on larger accounts.~~

Oregon Workers' Compensation Costs and Savings Under HB3125A (Engrossed)

prepared for the

Oregon House Interim Committee on Labor

September 1, 1980

Tillinghast, Nelson & Warren, Inc. of St. Louis was requested by the Oregon House Interim Committee on Labor, Jim Chrest, Chairman, to evaluate the costs or savings over the current workers' compensation statute expected to be caused by HB3125A (Engrossed).

In response to that request, the following comments address each of the sections of HB3125A which were agreed may have actuarial significance. Those sections are:

2	19	35
3	21	43
4	24	47
5	26	53a
6	27	53b
7	30	54
17	33	65
18	34	75

We caution the reader concerning the size of the margins of estimate inherent in our results. The scarcity of data requires that an estimate of costs of an entirely new system of determining workers' compensation benefits be based upon a model of the real world made of mathematical representation of conditions we believe will be created by HB3125A.

The assumptions necessary to construct such a model are based upon as much fact as is available regarding number and severity of injuries, and regarding wage losses accompanying those injuries. Oregon data has been used where available and applicable, but the major source of data is from other states.

In the course of our study, we have identified Oregon-only data available from the combined files of the Workers' Compensation Department and Department of Revenue which, given sufficient time, would be available to provide a much more accurate estimate of expected HB3125A costs or savings. The time constraints imposed by the contract for this study precluded the gathering of such data. We recommend that such data be the basis of any other similar studies concerning wage loss benefit costs. In view of the wide differences between current alternative estimates of HB3125A, we recommend that further studies be undertaken based upon this more definitive source.

Overall, we estimate that all of the provisions of HB3125A taken together will reduce workers' compensation costs by an average of 1.8% from current costs. The detail is discussed in Section 5 comments and in the appendix. Such costs address only the loss portion of the current workers' compensation rates. In a system of delivery which excludes the private insurance industry, certain agents' commission costs may also be removed. However, the experience of other states' "one-way" or "two-way" delivery systems has been mixed, some producing savings, some costs.

Those who cite the agents' commission costs as unnecessary, as a potential source of savings, ignore the very real services provided by such agents appearing in the form

[redacted] See the section on "One-Way, Two-Way, Three-Way Systems" placed just ahead of the appendix for more commentary on this.

Our section by section comments follow.

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ONE-WAY, TWO-WAY, THREE-WAY SYSTEMS

The request for a proposal for the actuarial study of HB3125A (Engrossed) asks that a review of the costs of the bill include an analysis of coverage a) exclusively through the State Accident Insurance Fund (one-way), b) employers required to self-insure or use the SAIF (two-way), or c) employers required to self-insure, use the SAIF, or obtain coverage from private insurers authorized to transact workers' compensation insurance in Oregon (three-way).

We find no connection between the potential cost decreases or increases in the cost of monetary benefits and services or their administration on the one hand and the relative costs of one-way, two-way or three-way delivery of coverage on the other. These matters are independent of one another. Probable future benefit cost changes which will follow enactment of HB3125A-Engrossed as amended will not be affected by the insurance delivery system one way or the other.

The differences in cost to employers in any given case of self-insuring, buying coverage from a private carrier, or insuring with the SAIF vary considerably, are known to the employer involved, and represent an informed economic judgment on his part as to the relative merits of the competing parties. The benefit structure of the basic workers' compensation act does not affect these cost differences.

In another study performed by Tillinghast, Nelson & Warren (c.f., Pennsylvania Workers' Compensation Study - June 1980) one of our conclusions was as follows:

> "We strongly endorse a competitive pricing system as a long range solution to many of the ratemaking problems in Pennsylvania. We

urge the Commissioner to follow the development of the NAIC review in regards to a model open competition rating law." (Emphasis in the original.)

It should be noted that in Pennsylvania, as in Oregon, there presently exists a "three-way" system. We have attached pertinent sections of our Pennslyvania Study captioned, "Realities of the Workers' Compensation Insurance Marketplace" and Competitive Pricing", as appendices to this report.

We conclude that each individual provider of workers' compensation is a better provider in the face of competition. Further, some service functions such as premises inspections for fire and other hazards, public safety programs, and automobile fleet safety practices clearly overlap between workers' compensation and other property and liability coverages. In these instances, the coordinated efforts may well be more effective in preventing or reducing industrial accidents and less duplicative, and thus less costly, than where coverages are split among different carriers.

Again we emphasize, employers are well informed as to costs of alternative markets for workers' compensation coverage. The relative size of the private insurance industry in Oregon workers' compensation compared to SAIF and self-insurance is evidence of the usefulness of the private segment to Oregon employers. Any Oregon employer who wishes to investigate self-insurance will find several firms informed and capable of providing information and comparing costs of the existing "three-way" market. It is our opinion that restricting the market to "one-way" or "two-way" will remove from Oregon employers an option they obviously have found valuable.

We recommend the preservation of the "three-way" market in Oregon.

EXHIBIT F

S.B. 471

671.070-EXPIRATION, RENEWAL OF LICENSE (MONEY ORDER CO.'S)

AT PRESENT MONEY ORDER COMPANIES' LICENSE EXPIRE 1 YEAR AFTER THE DATE OF ITS ISSUANCE, IT WOULD SIMPLIFY OFFICE PROCEDURE IF ALL THE LICENSES EXPIRED ON THE SAME DATE AND WOULD CONFORM TO PROCEDURES FOR SMALL LAON COMPANIES, COLLECTION AGENCIES AND DEBT ADJUSTORS WHICH ALL RENEW ON EITHER JUNE 30, OR DECEMBER 31 OF EACH YEAR. JUNE 30 WAS CHOSEN BECAUSE IT BALANCES THE WORK LOAD.

671.130 (1) (2) DELETE

THIS STATUE REQUIRES MONEY ORDER COMPANIES TO FILE A SUPPLEMENTARY STATEMENT IN JANUARY OF EACH YEAR WHICH LIST ALL THE AGENTS WHO ARE AUTHORIZED TO ENGAGE IN BUSINESS UNDER EACH LICENSE. THIS INFORMATION IS INCLUDED IN THE ANNUAL LICENSE RENEWAL FORM WHICH PROVIDES FOR ADEQUATE SUPERVISION OF THE INDUSTRY, THE ADDITIONAL REPORT IS NOT NEEDED.

EXHIBIT G

SENATE BILL NO. 471

(REPRINTED WITH ADOPTED AMENDMENTS)
FIRST REPRINT

S. B. 471

SENATE BILL NO. 471—COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Simplifies renewal of license for business dealing in money orders. (BDR 55-1460)
FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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

AN ACT relating to money orders; simplifying the procedure for the renewal of a license for sellers; repealing the requirement that an annual supplementary statement be made to the superintendent of banks; and providing other matters properly relating thereto.

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

SECTION 1. NRS 671.070 is hereby amended to read as follows:

671.070 1. A license issued pursuant to this chapter expires [1 year after the date of its issuance,] *on June 30 of the year following its issuance and thereafter expires on June 30 of each year,* unless it is earlier surrendered, suspended or revoked.

2. The license may be renewed from year to year upon the approval of the superintendent if the licensee files an application conforming to the requirements for an initial application at least 60 days before the expiration of his current license.

3. An application for the renewal of the license must be accompanied by a fee of $200. No investigation fee may be charged for the renewal of the license.

SEC. 2. NRS 671.130 is hereby repealed.

SEC. 3. Section 1 of this act shall become effective at 12:01 a.m. on July 1, 1981.

EXHIBIT H

SENATE BILL NO. 470

(REPRINTED WITH ADOPTED AMENDMENTS)
SECOND REPRINT **S. B. 470**

SENATE BILL NO. 470—COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Makes various changes in provisions relating to thrift companies. (BDR 56-635)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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

AN ACT relating to thrift companies; increasing the balance required to be maintained in a licensee's thrift insurance guarantee fund; authorizing additional investments and loans; and providing other matters properly relating thereto.

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

SECTION 1. NRS 677.610 is hereby amended to read as follows:

677.610 A licensee shall not invest any of its funds, except: [as]

1. As authorized in this chapter; [, or in such investments as are]

2. In legal investments for savings associations [.] *; or*

3. To the extent of 5 percent or less of its total assets, in preferred stock of corporations which have been given a rating of "A" or better by a national rating service and which are not in default in the payment of dividends.

SEC. 2. NRS 677.620 is hereby amended to read as follows:

677.620 1. A licensee shall not have outstanding at any time its thrift certificates, exclusive of those hypothecated with the licensee issuing them, in an aggregate sum in excess of 10 times the aggregate amount of its paid-up and unimpaired capital and unimpaired surplus.

2. If a licensee has operated under this chapter for 1 year or more and during its most recent fiscal year has been profitable, the director may increase the ratio of thrift certificates to paid up and unimpaired capital and unimpaired surplus prescribed in subsection 1 to not more than the greatest net worth to savings ratio permitted for any savings and loan association operating in this state. The director shall give his approval or denial of the application for an increased ratio to the licensee in writing with supporting reasons within 30 days from the date of application by the licensee unless the director gives notice within the original 30-day period that he is extending the period for decision for a term not

to exceed an additional 30 days. The director may, for reasonable cause, decrease the ratio permitted under this subsection at any time, but not below the ratio prescribed in subsection 1.

3. No licensee may have total borrowings, exclusive of thrift certificates, which exceed the larger of:

(a) Five times its capital and surplus; or

(b) The face amount of its total thrift certificates outstanding at the time a borrowing is made.

4. Each licensee shall establish a thrift insurance guarantee fund immediately upon beginning business, as a special account with an initial balance of $15,000. Money cannot be withdrawn from the fund or the account put to any other use without the permission of the director. Money in the fund may be invested only in obligations of the United States, this or any other state, or a bank or savings and loan association whose principal office is in this state and whose deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. At the end of each fiscal year of the licensee an amount equal to three-tenths of 1 percent of the licensee's outstanding thrift certificates [shall] *must* be added to the fund, until the fund balance reaches [$350,000.] *$1,000,000*. Interest earned on the principal of the fund shall not be withdrawn except as permitted for other money of the fund, but may be credited against the required addition.

SEC. 3. NRS 677.630 is hereby amended to read as follows:

677.630 *1.* A licensee may purchase, hold and convey real property for the following purposes only:

[1.] *(a)* Real property conveyed to it in satisfaction of debts contracted in the course of its business.

[2.] *(b)* Real property purchased at sale under judgments, decrees or mortgage foreclosures or foreclosures of or trustees' sales under deeds of trust under securities held by it. A licensee shall not bid at any such sale a larger amount than is necessary to satisfy its debt and costs.

[3.] *(c)* Real property necessary as premises for the transaction of its business. A licensee shall not invest directly or indirectly an amount exceeding one-third of its paid-up capital and surplus in the lot and building in which the business of the company is carried on, furniture and fixtures, and vaults, necessary and proper to carry on its business.

(d) Real property purchased for the purpose of subdividing or developing for residential uses. An investment for this purpose must not exceed the market value of the property as evidenced by an appraisal prepared within 120 days before the investment by a member of the American Institute of Real Estate Appraisers, the Society of Real Estate Appraisers or the Independent Fee Appraisers Society, or by an appraiser approved by the director. Before the investment is made:

(1) The licensee shall provide the director a certified copy of one or more appraisal reports and a report from a title insurer which shows the chain of title and the amount of consideration for which the title was transferred, if that information is available, for at least 3 years.

(2) The director may require a statement from the licensee disclosing whether or not any director, officer or employee of the licensee has, or has

had within the last 3 years, any direct or indirect interest in the property. For the purposes of this paragraph, "interest" includes ownership of stock in a corporation which has an interest in the property.

If the total amount to be invested in undeveloped real property is more than 1 percent of the total savings accounts of the licensee, the investment may not be made without the written approval of the director. Any person who fails to make a disclosure required by this section is guilty of a misdemeanor.

2. No real estate acquired pursuant to [subsections 1 and 2] *paragraph (a) or (b) of subsection 1* may be held for a longer period than 5 years.

SEC. 4. NRS 677.650 is hereby amended to read as follows:

677.650 [A] *1. Except as provided in subsection 2, a* licensee shall not directly or indirectly make any loan to, or purchase a contract or chose in action from:

[1.] *(a)* A person who is an officer, director or holder of record or beneficiary of 10 percent or more of the shares of the licensee.

[2.] *(b)* A person in which an officer, director or holder of record or beneficiary of 10 percent or more of the shares of the licensee directly or indirectly is financially interested.

[3.] *(c)* A person who acquired [such] *the* contract directly or indirectly or through intervening assignments from a person described in [subsections 1 and 2.] *paragraphs (a) or (b).*

2. Loans may be made to officers, directors and shareholders of the licensee, upon collateral of thrift certificates of the licensee, of not more than 90 percent of the amount of the thrift certificates, at the same rates of interest and under the same terms as loans secured by thrift certificates are offered to members of the general public.

3. Any officer, director or shareholder of a licensee who directly or indirectly makes or procures or participates in making or procuring a loan or contract in violation of this section or knowingly approves such a loan or contract is personally liable for any loss resulting to the licensee from [such] *the* loan or contract, in addition to any other penalties provided by law.

EXHIBIT I

SENATE BILL NO. 469

S. B. 469

SENATE BILL NO. 469—COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Authorizes superintendent of banks to enter into a divided program of examination of banks with federal agencies. (BDR 55-1454)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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

AN ACT relating to banks; authorizing the superintendent to exchange intervals of examinations with federal agencies; and providing other matters properly relating thereto.

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

SECTION 1. NRS 665.025 is hereby amended to read as follows:

665.025 The superintendent shall make a thorough examination of and into the affairs of every bank doing business under this Title, as often as the superintendent may deem necessary, but at least once within each 18-month period. [commencing on July 1, 1979.] *In lieu thereof, the superintendent may accept any or all of a report of an examination of a bank made by a federal regulatory agency. If the superintendent accepts any part of such a report in one 18-month period, he shall examine the bank to which the report pertains in the succeeding 18-month period.*

EXHIBIT J

SENATE BILL NO. 464

S. B. 464

SENATE BILL NO. 464—COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Simplifies annual reports made to superintendent of banks by small loan companies. (BDR 56-1463)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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

AN ACT relating to small loan companies; simplifying the annual reports made to the superintendent; abolishing the requirement that the superintendent publish a composite of the annual reports; and providing other matters properly relating thereto.

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

SECTION 1. NRS 675.260 is hereby amended to read as follows:

675.260 1. Annually, on or before April 15, each licensee shall file with the superintendent a report of operations of the licensed business for the preceding calendar year.

2. [Such report shall give information with respect to the financial condition of the licensee and shall include balance sheets at the beginning and end of the year, statement of income and expenses for the period, reconciliation of surplus or net worth with the balance sheets, schedule of assets used and useful in the licensed business, size of loans, analysis of charges, including monthly average number and amount of loans outstanding, analysis of delinquent accounts, and court actions undertaken to effect collection.

3. Such report shall] *The report must* be made under oath and [shall] *must* be in the form *and contain information* prescribed by the superintendent.

[4.] *3.* If any person or affiliated group holds more than one license in the state, [they] *it* may file a composite annual report. [, provided that a short form of report applicable to each licensed office accompanies such composite.]

SEC. 2. NRS 675.270 is hereby repealed.

EXHIBIT K

SENATE BILL NO. 463

S. B. 463

SENATE BILL NO. 463—COMMITTEE ON COMMERCE AND LABOR

MARCH 26, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Authorizes superintendent of banks to establish limitations on loans made by bank to its employees, officers or directors. (BDR 55-1462)
FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

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

AN ACT relating to banks; authorizing the superintendent to set limitations on loans made by a bank to its employees, officers or directors and establish requirements for reporting these loans; and providing other matters properly relating thereto.

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

SECTION 1. NRS 662.145 is hereby amended to read as follows:

662.145 1. Subject to the limitations of NRS 662.155, the total outstanding loans of any bank to any person, company, corporation or firm, including in the loans to any unincorporated company or firm the loans to the several members thereof, [shall] *may* not at any time exceed 25 percent of the capital and surplus of [such] *the* bank, actually paid in; but the discount of bills of exchange drawn in good faith against actual existing values, as collateral security, and a discount or purchase of commercial or business paper, actually owned by the persons, [shall] *must* not be considered as money loaned.

2. Neither the limitation on loans by banks contained in this section nor any other similar limitations contained in any law of this state relating to banks or banking apply to any loan or loans made by any bank to the extent that they are secured or covered by guarantees or by commitments or agreements to take over or to purchase made by any Federal Reserve Bank or by the United States or any department, bureau, board, commission or establishment of the United States, including any corporation wholly owned, directly or indirectly, by the United States.

3. The superintendent may establish limitations on loans made by a bank to its directors, officers or employees and may establish requirements for the reporting of these loans.

SEC. 2. NRS 668.035 is hereby repealed.