

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

SIXTY-FIRST SESSION  
NEVADA STATE LEGISLATURE  
May 20, 1981

The Senate Committee on Commerce and Labor was called to order by Vice Chairman Richard Blakemore, at 1:45 p.m, Wednesday, May 20, 1981, in Room 213 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agency. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

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

GUEST LEGISLATORS:

Senator Norman Glaser  
Assemblyman Robert Robinson  
Assemblyman Dean Rhoads

STAFF MEMBERS PRESENT:

Betty Steele, Committee Secretary

SENATE BILL NO. 691--Requires policies of motor vehicle insurance to cover all losses when other party is uninsured or underinsured.

Bob Schriver, executive director of the Nevada Trial Lawyers' Association, discussed the amendments of subsection 2 of section 1 of Senate Bill No. 691. Mr. Schriver stated that his organization endorsed the concept of the bill and felt it to be a sound consumer piece of legislation. The economic impact will be strictly on those who choose to purchase underinsured and uninsured motorist coverages, he said.

Senate Bill No. 691 (continued)

James L. Wadhams, director, department of commerce, Carson City, stated that he was speaking on behalf of Patsy Redmond, insurance commissioner. Mr. Wadhams indicated that he supports Senate Bill 691; however, there is a problem created by the bill that was not discussed during the last session of the legislature. He recommended that it not be adopted to change the limits of bodily injury coverage to the limits of coverage of losses. A private passenger automobile insurance policy has several types of loss coverage ranging from bodily injury to property damage, to medical payments, to emergency towing, to death benefits, he said. Persons may select or not select from that range. Senate Bill 691 proposes that the dollar amounts of all losses be totalled and become the figure for the total coverage of uninsured motorists. It also, because of the language change, would require a person who does not wish to purchase insurance on his vehicle to purchase coverage.

According to Mr. Wadhams, the bill came out last session and dealt with stacking. The problem is that it became unclear whether a person is entitled to the full amount of his uninsured motorist coverage in addition to the other person's bodily injury coverage. Therefore, insurance companies are currently selling and pricing it both ways.

Mr. Wadhams stated that the words "without deduction" on line 23 of the bill is essential. But changing from bodily injury to coverage of losses creates problems. He supports the bill with clarifying amendments.

Regarding the effective date of Senate Bill 691, Mr. Wadhams indicated that July 1 creates no problem in terms of newly issued policies; however, in terms of existing policies, the committee should consider an effective date based on renewal of the policies.

Exhibit C is a memorandum from Ms. Redmond to the committee with suggested amendments to Senate Bill 691.

Richard R. Garrod, Farmers Insurance Group, told the committee that if the amendments submitted by Mr. Wadhams are made a part of the bill, the Farmers Group feels it would be a better package of legislation.

Senate Bill No. 691 (continued)

Regarding the renewal date, Mr. Gerrod stated that Farmers Insurance Group is already processing August renewal notices and would require approximately 65 days lead time for implementation. A rate filing would also be necessary and an effective date of January 1 would be ideal, he said.

Chuck Knaus, casualty actuary, insurance division, department of commerce, stated that most companies in Nevada are already offering coverage on the basis of the wording that appears in line 23 of the bill. There would probably be no more than five insurance companies refiling and those could be given immediate attention.

Virgil Anderson, California State Automobile Association (AAA), told the subcommittee that he understands the bill has been amended to apply only to bodily injury losses. If that is the case, Mr. Anderson indicated it would be an improvement on the present language of the bill. Continuing, Mr. Anderson told the committee that the intent of the law, when enacted in 1979, was to pay the difference between the coverage carried by the third party and the uninsured or underinsured limits. If the intent is to stack the "UM" coverage on top of third party liability, then his company will have to ask for a rate increase and it will cost AAA members more money.

Senator Hernstadt inquired as to how much lead time was necessary for an effective date. Mr. Anderson stated that he felt that January 1, 1982, would allow time to implement the new procedures which would give them at least 6 months prior to its going into effect.

There being no further testimony, Chairman Wilson closed the hearing on Senate Bill No. 691.

ASSEMBLY BILL NO. 580--Requires public utilities to offer seasonal rates for interruptible electricity for irrigation pumps.

State Senator Norman Glaser appeared before the committee in support of Assembly Bill No. 580. He said the major thrust behind the bill came about because of power requirements, particularly in pumping. There is some flexibility in the irrigation techniques which would allow the power to be interrupted to only utilize the power during the off-peak load hours. Continuing, Senator Glaser advised that the power companies have indicated

Assembly Bill No. 580 (continued)

the flexibility would allow them to level out their rates. This would allow Nevada farmers an opportunity to be competitive with other areas of the country by saving annually on their power bills. The bill was drafted in concert with the utility companies, he said.

State Assemblyman Dean Rhoads discussed two amendments to Assembly Bill No. 580. On line 7, he suggested that May 1st be changed to April 1st. Additionally, after line 18, he suggested adding a section 3 to read as follows:

The provisions of this act are not intended to apply to any cooperative association or nonprofit corporation or association which supplies electric power for the use of its own members only (Exhibit D).

Most of the rural co-ops are charging a very low rate at this time compared to some of the public utilities, he said.

Senator Hernstadt then asked if it would be more helpful if the date on line 18 were changed from September 1 to January 1, 1982. Senator Glaser and Assemblyman Rhoads agreed with Senator Hernstadt's suggestion.

There being no further testimony, Chairman Wilson closed the hearing on Assembly Bill No. 580.

SENATE BILL NO. 653--Increases fee for license issued by private investigator's licensing board.

Chairman Wilson called for testimony on Senate Bill No. 653.

Messrs. Herbert Frank and Dick Baublitz, private investigators from Las Vegas and Reno, respectively, told the committee that they wished Senate Bill No. 653 to be amended. Mr. Frank cited section 2 of NRS 648.140 and stated that some problems have been caused to the private investigators licensing board because of the large paper flow generated by this section of NRS. Mr. Frank asked the subcommittee to amend the bill by including a \$3 license fee which must be paid to the board with each notice that an unlicensed employee has begun employment. According to Mr. Baublitz, the \$3 charge would allow additional staffing for processing of registration forms. Currently, the license fee is used for legal advice and investigative help and goes to the attorney's general, and it cannot be used by the board for administration purposes.

Senate Bill No. 653 (continued)

Robert Manley, criminal division, attorney general's office, Carson City, confirmed that the revenues generated by Senate Bill No. 653 would go to the attorney general's budget as a revenue item to compensate that office for the investigator and attorney providing services to the private investigator's licensing board. The deputy attorney general assigned to this board is included in the attorney general's budget, he said.

There being no further testimony, Chairman Wilson closed the hearing on Senate Bill No. 653.

ASSEMBLY BILL NO. 614--Repeals provision for special licensing of physicians who are specialists.

Chairman Wilson called for testimony on Assembly Bill No. 614.

Joan Rogers, executive secretary, Nevada state board of medical examiners, submitted a memorandum to the committee for its consideration (Exhibit E).

Senator Raggio discussed the provisions of NRS 630.195 with Ms. Rogers. She then informed the committee that the goal of the Federation of State Medical Boards, in which the Nevada state board of medical examiners concurs, is to uniform licensure procedures throughout the country. Ms. Rogers described the FLEX examination, giving in detail its purpose and the requirements for physicians to take the examination prior to licensure in the state of Nevada.

Senator Wilson asked Ms. Rogers if the Nevada state board of examiners can waive the test under the present law for an applicant who is a diplomat of an approved specialty board; that is, a board approval by the American Medical Association (AMA)? He further asked if the AMA approved specialty boards who do not require passage of the FLEX test by its diplomats? Ms. Rogers stated there are a number of so-called approved American specialty boards of which she is sure there are 12 that do not require licensure in any given state prior to being board certified.

Ms. Rogers concluded by saying that the Nevada state board of medical examiners do not agree that a physician should be licensed based solely on his or her specialty.

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There being no further testimony, Chairman Wilson closed the hearing on Assembly Bill No. 614.

ASSEMBLY BILL NO. 381--Entitles insureds under individual and group health insurance policies to same reimbursement for treatments by chiropractors.

Chairman Wilson called for testimony on Assembly Bill No. 381.

Assemblyman Robert Robinson, chairman of the assembly commerce committee, appeared before the committee to testify on Assembly Bill No. 381 (first reprint). Mr. Robinson stated that he had copies of chiropractors' insurance claims which had been denied on the basis that there is no statutory provision for them to be paid even though the insurance policy provided for chiropractic services (restrictions on number of treatments allowed). Many chiropractors claimed that subsection 1 is their main concern, he said.

At the closure of Assemblyman Robinson's testimony, Chairman Wilson asked for further discussion of the bill. There being none, Chairman Wilson closed the hearing on Assembly Bill No. 381.

ASSEMBLY BILL NO. 496--Authorizes parties to an automobile insurance policy to exclude named persons from coverage.

Chairman Wilson called for testimony on Assembly Bill No. 496.

Bob Shriver, executive director of the Nevada Trial Lawyers' Association, stated that his organization does not feel that the amended version of Assembly Bill No. 496 conforms to the intent of the bill. Additionally, his organization is against public policy of the omnibus clause for insurance because it is now mandatory to have insurance. According to Mr. Shriver this bill would give a policyholder the right to exclude a family member from coverage. Further, if the exclusion provision is used, then it should also be mandatory that the excluded party purchase insurance separately on a higher risk basis thus protecting the family from being unnecessarily penalized by paying a higher premium rate.

Assembly Bill No. 496 (continued)

Virgil Anderson, California State Automobile Association (AAA), expressed his hope that a portion of the original language dealing with the named driver exclusion clause be restored. (EXHIBIT F) It was included in the no-fault law and later repealed in 1977. Mr. Anderson explained that under the typical automobile family policy, all members of the family are insured under one policy. If a member of that policy has his or her driver's license revoked, the normal procedure would be to cancel the policy for the entire family, which is permitted by law, he said. The named driver exclusion clause, Mr. Anderson continued, was originally enacted (together with the no-fault law) to permit a carrier and the named insured to exclude a member from the policy thus leaving the majority of the policy intact. He believes the named driver exclusion clause permits a greater number of insured drivers on the nation's highways than if it were not used. Additionally, Mr. Anderson stated that he did not believe that it was the intent of the legislature to repeal that section pertaining to the named driver exclusion and he believes that Assembly Bill No. 496 is attempting to replace it back into law.

In closing, Mr. Anderson said that approximately 1/2 of 1 percent of the total insured by his company exercised the right to use the named driver exclusion provision when it was permitted. To his knowledge no violations of that agreement were reported.

Senator Hernstadt asked what the policy would be if there were abuses of the provision? As a hypothetical example, he cited an instance where a teen-aged son is excluded on the family's policy, the father becomes ill and has to be rushed to the doctor, the son is the only one available so he drives his father to the doctor's office but in the process has an accident. Senator Hernstadt asked if that would be handled by the insurance company? Mr. Anderson said there would be no insurance coverage in that instance. Senator Hernstadt further pursued the subject by asking if the other party (referring to the hypothetical example above) involved in the accident carried uninsured motorist coverage, the damages would be paid for by their policy? Mr. Anderson replied yes.

Senator Hernstadt then asked what the legislature could do to penalize a person who violates the named driver exclusion? Mr. Anderson stated that it was already covered under the purview of the Nevada Revised Statutes because it is a misdemeanor to drive a vehicle without proper insurance.

Assembly Bill No. 496 (continued)

Senator Close inquired (referring to the draft Mr. Anderson provided to the committee EXHIBIT F) what the purpose of the language, which says:

"...or to any other person who would otherwise be entitled to claim the benefits of coverage."

Mr. Anderson responded by saying that portion of the language refers to third party claimants, explaining that if the named exclusion provision is violated it not only excludes the first party benefits for the violator, but it also excludes benefits for the third party as well.

Senator Hernstadt interjected by stating that if the named driver exclusion provision is not put back into law it would result in a greater number of uninsured motorists on the nation's highways.

Chairman Wilson asked if the intent of the bill was to enable the insurance companies to not insure the uninsurable driver because of a revocation of license or something of that nature? Mr. Anderson replied yes. Chairman Wilson asked Mr. Shriver what his opinion on the subject was?

Mr. Shriver reiterated his earlier statement: that it is now mandatory for all drivers to be insured, and he suggested that it also be mandatory for the named driver excluded on a policy to purchase insurance separately on a higher risk basis. In that way, Mr. Shriver said, the family would not be penalized by paying a higher premium that they would ordinarily have to pay, and, at the same time, the legislature would be ensuring that the excluded individual would be required to obtain insurance before being permitted to drive on the highways.

Senator Raggio asked if the legislature adopted Assembly Bill No. 496 would there be a premium rate decrease? Mr. Anderson said that it probably wouldn't, but that it would stabilize the rate. Senator Raggio further pursued the matter by stating that if there were to be coverage for everyone, under the new provision (if enacted), the rates should be decreased. Mr. Anderson responded by stating that the premium rates would be factored in. He said that their premium rates have increased less than the consumer price index from 1970 to 1980 and he believes that is comparable with the economic condition of the country as it is today.



Assembly Bill No. 496 (continued)

Mr. Jim Wadhams, director of the department of commerce, appeared before the committee to testify on Assembly Bill No. 496. He stated that the premium rate for a family who is paying for a high risk driver under the named driver exclusion provision (if enacted) should be reduced significantly or the insurance company would be in serious trouble with the commerce department. Continuing, Mr. Wadhams stated he believes the named driver exclusion clause is worthwhile in terms of allowing families not to be penalized for a high risk driver. He agreed with the trial lawyers in that these public policies should be considered. He further elaborated that the responsibility for having insurance is imposed on the owner of a vehicle, stating that a person can drive a vehicle in this state without insurance but cannot own one until insurance is purchased. He feels there are a lot of drivers on our highways who are legally driving without insurance because they don't own a vehicle. However, he stated, insurance companies make available nonowner auto insurance policies. In retrospect, he said, there are other avenues to obtain insurance through high risk companies such as Dairyland and the Nevada Assigned Risk Plan.

Senator Close asked Mr. Wadhams which one he was supporting: the draft presented to the committee by Mr. Anderson or Assembly Bill No. 496 in its present form? Mr. Wadhams stated he didn't have time to digest the contents of the draft presented by Mr. Anderson.

Senator Raggio asked for the difference between the printed bill and the amendment provided to the committee that morning. Mr. Anderson replied that the draft, which is the old law (repealed in 1977), more specifically states that there has to be an agreement between the insurer and the insured outlining the coverages excluded. Mr. Anderson stated he felt Assembly Bill No. 496 was vague, that the insurance companies did not agree on its contents. He understood the trial lawyers and the insurance division of the commerce department did not approve of it either.

Senator Close asked why the bill was passed by the assembly if no one liked it? Mr. Anderson explained that they had requested it to be redrafted by the legislative counsel, but were refused.

Senator Close concurred that the language wasn't clear.

There being no further testimony, Chairman Wilson closed the hearing on Assembly Bill No. 496.

ASSEMBLY BILL NO. 467--Increases penalty for first degree arson involving certain structures.

Senator Raggio commented on his research in attempting to conform Assembly Bill No. 467 with Senate Bill No. 542. He said he was very concerned with section 5 in that it requires law enforcement agencies involved in an arson case investigation to submit all investigative material on the case to the insurance company within 30 days after the commencement of the investigation. He felt that law enforcement agencies should be surveyed for further input on the matter. Chairman Wilson concurred and the matter was deferred for further investigation.

ASSEMBLY BILL NO. 468--Raises limitation on amount of <sup>Senate</sup> bonds housing division of department of commerce may issue and provides penalty for false statements in loan applications.

Tom Stuart, Gibbens Company, Inc., submitted proposed amendments to Senate Bill No. 468 (Exhibit G). Mr. Stuart told the committee that Patsy Redmond's staff drafted the new amendments and he was appearing to provide further detailed input on the amendments as submitted. Mr. Stuart reviewed the amendments section by section. He prefaced his review by stating that the draft submitted was an entirely new bill but that it included some of the ideas conveyed in the original bill.

Section 2 through 10 provides definitions of a captive insurance company, a pure captive insurance company and who can own it. It defines the commissioner of insurance and so on. Section 11 explains what type of business a captive insurance company may be permitted to write as defined in Chapter 681A and includes all lines of casualty insurance, excluding workers' compensation insurance and employers liability as one title (681A.020 subparagraph c), and it excludes mortgage guaranty insurance which is in subparagraph 5 of that chapter.

Senator Raggio asked for the purpose of the bill. Mr. Stuart replied that part of the background of the bill involves American Motors Corporation (AMC), Jeep Division, which is a Nevada corporation who would like to form a captive insurance company. Mr. Stuart said that there was, roughly, 850 captive insurance companies, of

Senate  
Assembly Bill No. 468 (continued)

which 90 percent are in the country of Bermuda or the Camin Islands. Large U.S. companies are forming their own captive insurance companies as a risk management tool (a money leverage tool). There are now three states that have a captive insurance law, he said. They are: Colorado, adopted in 1972; Tennessee, adopted in 1977; Vermont, adopted in April of 1981. Mr. Stuart said it was a method of developing tax income into the state of Nevada and a method of developing more professional employment into Nevada as well. He said it would be a benefit to the state by enhancing its employment industry and by spreading its tax base. Additionally, he said, it required that all assets of the captive insurance company must be invested within the state. Mr. Stuart concluded by saying that he could not see any negatives in the bill insofar as an overall benefit to the state.

There being no further testimony, Chairman Wilson closed the hearing on Assembly Bill No. 468.

Chairman Wilson asked if there was any other testimony to be given on pending bills. There being no reply he declared action to be taken on the following bills:

SENATE BILL NO. 468 (2nd reprint)

(EXHIBIT H)

Senator Hernstadt moved that Senate Bill No. 468 be referred out of committee with an "amend, and do pass as amended" recommendation.

Senator Blakemore seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 691 (1st reprint)

(EXHIBIT I)

Senator Raggio suggested that the committee decide on the effective date before moving it out of committee.

Senator Hernstadt suggested that January 1, 1982, would be adequate time in which to implement the new law. The committee was in agreement.

Senator Blakemore moved that Senate Bill No. 691 be referred out of committee with an "amend, and do pass as amended" recommendation.

Senate Bill No. 691 (continued)

Senator Hernstadt seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 653 (1st reprint) (EXHIBIT J)

Senator Blakemore moved that Senate Bill No. 653 be reconsidered.

Senator Close seconded the motion.

The motion carried unanimously.

Senator Raggio moved to further amend Senate Bill No. 653, under the purview of 684.140, to allow a \$3 registration fee for administration purposes in registering an unlicensed private investigator.

Senator Blakemore seconded the motion.

The motion carried unanimously.

ASSEMBLY BILL NO. 614 (EXHIBIT K)

Senator Raggio moved that Assembly Bill No. 614 be referred out of committee with a "do pass" recommendation.

Senator Hernstadt seconded the motion.

The motion died for the lack of a majority vote.

Senator McCorkle moved that Assembly Bill No. 614 be "indefinitely postponed."

Senator Hernstadt seconded the motion.

The motion carried. Senator Raggio voted no.

SENATE BILL NO. 122 (EXHIBIT L)

Senator Hernstadt moved that Senate Bill No. 122 be "indefinitely postponed".

Senator Close seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 132

(EXHIBIT M)

Senator Blakemore moved that Senate Bill No. 132 be "indefinitely postponed".

Senator Hernstadt seconded the motion.

The motion carried unanimously.

Senator Raggio moved for reconsideration of Senate Bill No. 132.

Senator Hernstadt seconded the motion.

The motion carried unanimously.

Senator Raggio moved that Senate Bill No. 132 be referred out of committee with a "do pass" recommendation.

Senator Blakemore seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 135

(EXHIBIT N)

Senator Blakemore moved that Senate Bill No. 135 be "indefinitely postponed".

Senator Close seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 240 (1st reprint)

(Exhibit O)

Senator Blakemore moved that Senate Bill No. 240 be referred out of committee with an "amend, and do pass as amended" recommendation.

Senator Hernstadt seconded the motion.

The motion carried unanimously.

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SENATE BILL NO. 634 (1st reprint)

(EXHIBIT P)

Senator Close moved that Senate Bill No. 634 be referred out of committee with an "amend, and do pass as amended" recommendation.

Senator Raggio seconded the motion.

The motion carried unanimously.

There being no further business, Chairman Wilson declared the meeting adjourned at the hour of 5:00 o'clock p.m.

Respectfully submitted,

  
Betty Steele, Committee Secretary

APPROVED:

  
\_\_\_\_\_  
Senator Thomas R. C. Wilson, Chairman

DATE: \_\_\_\_\_

SB. 136 attached as Exhibit A

Senate Committee on Commerce and Labor  
May 20, 1981

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| Exhibit D | Memorandum from Assemblyman Dean Rhoads re: Assembly Bill No. 580   |
| Exhibit E | Letter from Joan Rogers, Executive Secretary, Nevada State Board of Medical Examiners re: Assembly Bill No. 614 |
| Exhibit F | Amendment to Assembly Bill No. 496  |
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SENATE AGENDA

COMMITTEE MEETINGS

Committee on Commerce and Labor, Room 213

Day Wednesday, Date May 20, 1981, Time 1:30 p.m.

S.B. No. 691--Requires policies of motor vehicle insurance to cover all losses when other part is uninsured or underinsured.

A.B. No. 381--Entitles insureds under individual and group insurance policies to same reimbursement for treatment by chiropractors.



ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON COMMERCE AND LABOR

DATE: Wednesday, May 20, 1981

PLEASE PRINT      PLEASE PRINT      PLEASE PRINT      PLEASE PRINT

NAME      ORGANIZATION & ADDRESS      TELEPHONE

*Jim Abraham*      *State Comm. Dept*      *885-4250*

*Dick Leonard*      *Farmers Ins Group*      *881-1890*

*JOAN ROGERS*      *BD OF MEDICAL EXAMINERS*      *829-2559*

*Robert + Nancy*      *AG's Office*      *885-4120*

*Christ Evans*      *SECRET DETECTIVE*      *882-7331*

*BOB SHRIVER*      *NEU. TRIAL LAWYERS*      *883-3577*

*KRANS*      *NEU INS DIV*      *4270*

*VIRGIL ANDERSON*      *A.A.*      *882-1890*

*HERBERT FRANK*      *PRIVATE INVESTIGATOR*      *884-0005*

*Storia Hilderbrand*      *AG's Office*      *885-4170*

*Dick Baublitz*      *Private Investigator*      *878-1887*

*R. G. Robbins*      *Assemblyman*      *878-1887*

*Tom Stuart*      *Cibbens Co. Inc.*      *786-2088*

*DICK BAUBLITZ*      *Private Investigator*      *786-2088*

*FAE COHEN*      *LOS ANGELES, CA.*      *651-1156*

*DAVID JOSEPHSON*      *LOS, ANGELES, CA.*      *651-1156*

TO: SENATE COMMERCE COMMITTEE

FROM: PATSY REDMOND,  
COMMISSIONER OF INSURANCE.

RE: SENATE BILL 691

\*\*\*\*\*

Insurance companies doing business in this state must offer uninsured and underinsured motorist coverage equal to the limits of bodily injury coverage sold to the individual policyholder. This coverage must include a provision which enables the insured to recover any amount of damages for bodily injury from his insurer to which he is legally entitled whenever his coverage exceeds the limits of the bodily injury coverage carried by the owner or operator of the other vehicle without deduction of the coverage of the other owner or operator

CHANGES:

1. Remove bracket line 16.
2. Remove first bracket line 17.
3. Remove words "of losses" line 17.
4. Remove brackets around words "bodily injury" on line 19.
5. Remove word "all" which is last word in line 19.
6. Remove words "suffered losses" line 20.
7. Remove brackets around words "bodily injury" on line 21.

# MEMO

*md- 5/20*  
NEVADA LEGISLATURE

From the desk of . . .

DEAN A. RHOADS

Assemblyman, District No. 33 (Elko)

*Sec 3. The provisions of this act are not intended to apply to any cooperative association or non-profit corporation or association which supplies electric power for the use of its own members only.*

Tuscarora, Nevada 89834



5/20

THEODORE JACOBS, M.D. - President  
G. NORMAN CHRISTENSEN, M.D. - Vice President  
KENNETH F. MACLEAN, M.D. - Secretary-Treasurer  
THOMAS J. SCULLY, M.D.  
ANTHONY J. CARTER, M.D.  
EVA G. SIMMONS  
EDWINA PRIOR

## Nevada State Board of Medical Examiners

MRS. JOAN ROGERS, Executive Secretary

Chairman Wilson and Members of the Committee:

RE: A.B. 614

At present, a physician who enters medical practice in this country obtains his license by passing one of two examinations, the Federation Licensing Examination known as the FLEX or the National Board Examination. Only graduates of U.S. medical schools are allowed to take the National Boards. Although the questions from these examinations are drawn from the same pool of test items, there are distinctions, primarily in the way they are administered. The FLEX is a single three day examination while the National Board examinations, also consisting of three parts, are taken as the U.S. student progresses through medical school. Subjects covered in both of these examinations are Anatomy, Physiology, Biochemistry, Pathology, Microbiology, Pharmacology, Behavioral Science, Medicine, Surgery, Obstetrics and Gynecology, Public Health, Pediatrics, and Psychology. In addition one full day of the examination is devoted to testing in clinical competence.

The FLEX was administered for the first time in 1968 by 7 pioneering states. Now use of the FLEX is unanimous in all 50 states. Nevada used it for the first time in 1971.

Without question FLEX is the best examination available for its purpose. There is ongoing research and development to improve upon the FLEX so that it will continue to be the most reliable, valid and fair examination to determine competence and fitness to practice.

We would call your attention to the fact that 630.195 only applies to graduates of foreign medical schools, therefore Paragraph 3, discriminates against the graduate of a U.S. medical school.

Paragraph 3 grants authority to the Board to waive the FLEX if the applicant for licensure is a Diplomate of an American Specialty Board. A physician becomes a Diplomate by passing examinations which are limited to a narrow specialty area. Though the Board might choose to grant licensure based upon specialty examinations, the Board does not have the authority to limit the physician's practice to that specialty nor do they believe such limited licensure would be in the best interests of the public. There is no doubt that insistence that a physician limit his practice to a specialty would increase the cost of medical care. The Board believes that a licensed physician should be first a doctor and secondarily a specialist.

Only four other states have the statutory authority to grant licensure on the basis of specialty board certification. Following a study of the Federation of State Medical Boards it has been recommended that these states consider the repeal of such legislation. The Council on Medical Education of the American Medical Association as well as the Organization of American Specialty Boards are also opposed to licensure by specialty.

The Nevada Board of Medical Examiners respectfully requests your consideration of the repeal of Paragraph 3, NRS 630.195.

5-19-81

Joan Rogers  
Executive Secretary  
Nevada State Board of Medical  
Examiners

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

Section 1. Chapter 690B of NRS is hereby amended by adding thereto a new section which shall read as follows:

1. Except as provided in subsection 2, an insurer and a named insured may agree to provide, in a contract of insurance or in a separate writing made a part of the contract, that while an insured vehicle is actually operated by any natural person designated by name, coverage under the insurance contract does not apply to the person so designated or to any other person who would otherwise be entitled to claim the benefits of coverage for:

- (a) Damage to a motor vehicle or liability for damage to property;
- (b) Medical payments; or
- (c) Payment of tort liability.

2. This section does not apply if the contract of insurance cannot be terminated by the insurer.



5/30

S.B. 468 - REWRITE

Section 1. Title 57 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 29, inclusive, of this act.

Sec. 2. As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 2 to 10 inclusive, of this act have the meanings ascribed to them in those sections.

Sec. 3. "Affiliated company" means any company in the same corporate system as a parent, by virtue of common ownership, control, operation, or management.

Sec. 4. "Association" means any legal association of individual professional practitioners, corporations, partnerships, or associations that has been in continuous existence for at least one year, the member organizations of which collectively own, control, or hold with power to vote all the outstanding voting securities of an association captive insurance company.

Sec. 5. "Association captive insurance company" means any domestic insurance company that insures risks, hazards or liabilities of the member organizations of the association.

Sec. 6. "Captive insurance company" means any pure captive insurance company, or association captive insurance company formed or licensed under the provisions of this chapter.

Sec. 7. "Commissioner" means the commissioner of insurance.

Sec. 8. "Member organization" means any individual professional practitioner, corporation, partnership, or association that belongs to an association.

Sec. 9. "Parent" means a corporation, partnership or individual that directly or indirectly owns, controls, or holds with power to vote more than 50 percent of the outstanding voting securities of a pure captive insurance company.

Sec. 10. "Pure captive insurance company" means any domestic insurance company that insures the risks, hazards or liabilities of its parent and affiliated companies.

Sec. 11. Any captive insurance company, when permitted by its articles of incorporation, may apply to the commissioner for a license to write any and all kinds of insurance defined in NRS 681A.020 (excluding "Workman's Compensation and Employer's Liability" and "Mortgage Guaranty" coverages), NRS 681A.050, NRS 681A.060 and NRS 681A.070; provided, however, that:

1. No pure captive insurance company may insure any risks other than those of its parent and affiliated companies;



2. No association captive insurance company may insure any risks other than those of the member organizations of its association;

3. No captive insurance company may provide personal motor vehicle or homeowner's insurance or any component thereof; and

4. No captive insurance company may accept or cede reinsurance except as provided in section 25 of this act.

Sec. 12. No captive insurance company shall do any insurance business in this state unless:

1. It first obtains *from* the commissioner a certificate of authority authorizing it to do insurance business in this state;

2. Its board of directors holds at least one meeting each year in this state;

3. It maintains its principal place of business in this state;

4. It appoints a resident registered agent to accept service of process and to otherwise act on its behalf in this state;

5. It keeps, at its principal place of business in this state, all of its original books, records, vouchers, documents and accounts; and,

6. It keeps its assets within the State of Nevada, except as required for the normal transaction of its business.

Sec. 13. 1. Any number of persons may form a captive insurance company.

2. Persons who desire to form a captive insurance company must submit articles of incorporation to the commissioner of insurance for approval. If the commissioner approves, the articles must be filed with the secretary of state, who shall issue a certificate of incorporation. The secretary of state shall return a copy of the articles to the commissioner.

3. Each applicant for a certificate of authority as a captive insurance company shall file with the commissioner:

- (a) a certified copy of its bylaws
  - (b) a statement under oath by its president and secretary, in a form satisfactory to the commissioner, showing its financial condition;
  - (c) evidence satisfactory to the commissioner of the adequacy of the expertise, experience and character of the person or persons who will manage the company;
  - (d) a description, satisfactory to the commissioner, of its plan of operation;
  - (e) a non-refundable application fee in the amount of \$500.00;
  - (f) the first year's license fee in the amount of \$300.00;
- and,
- (g) any other statements or documents requested or required by the commissioner.

4. A captive insurance company which wishes to amend its articles of incorporation shall file the proposed amendment with the commissioner and obtain his approval before filing it with the secretary of state.

Sec. 14. No captive insurance company shall be issued a certificate of authority unless it shall possess and thereafter maintain unimpaired paid-in capital of:

1. In the case of a pure captive insurance company, not less than \$250,000.00;

2. In the case of an association captive insurance company, not less than \$400,000.00.

Sec. 15. No captive insurance company shall be issued a certificate of authority unless it shall possess and thereafter maintain free surplus of:

1. In the case of a pure captive insurance company, not less than \$200,000.00;

2. In the case of an association captive insurance company, not less than \$350,000.00.

Sec. 16. 1. Cash in the amounts required by sections 14 and 15 must be deposited with the commissioner, or the commissioner may accept an irrevocable letter of credit for those amounts on behalf of the captive insurance company, issued by a national bank or a bank chartered by the State of Nevada. Such letter of credit must be in a form which the commissioner prescribes by regulation.

2. The deposit made by a captive insurance company pursuant to this section must be held by the commissioner for the benefit of all of the policyholders of the company.

Sec. 17. 1. When the requirements of this chapter have been met, the commissioner may issue a certificate of authority to a captive insurance company.

2. The certificate shall expire on the last day of February of every year and may be renewed by the commissioner upon his determination that the captive insurance company continues to meet the requirements of this chapter and upon payment of the annual license fee in the amount of \$300.00.

Sec. 18. 1. The affairs of each captive insurance company incorporated in this state must be managed by a board of directors which consist of not fewer than three members. No person who has been convicted of a felony or any crime which involves fraud relating to a financial institution may serve as a member.

2. Each captive insurance company shall report the names and business of professional affiliations of the members of its board and its executive officers to the commissioner, and shall report any change in the board or executive officers within 30 days after the change becomes effective. For the purposes of this section, "executive officers" means the chairman of the board of directors, president, executive vice-president, secretary and treasurer.

Sec. 19. 1. No director, officer or employee of a captive insurance company who has any authority in the investment or disposition of money of the company may accept or be the beneficiary of any fee, brokerage charge, gift or other emolument because of any investment, loan, deposit, purchase, sale, payment or exchange made by or on behalf of the company unless he accepts it on behalf of the company.

2. This section does not prohibit a director who is not otherwise an officer or employee of the company from receiving reasonable compensation for necessary services performed in the making of purchases or sales to or for the company in the ordinary course of its business and in the usual private, professional or business capacity of the director.

3. Any profit or gain received by or on behalf of any person in violation of this section inures to and is recoverable by the company. The company may bring an action in a district court to recover the value of the profit or gain. If the company fails to do so within 60 days after being notified of the unlawful profit or gain, any stockholder may bring the action.

Sec. 20. 1. A captive insurance company may sell additional stock or increase its capital for any purpose approved by the commissioner. The expense of the sale or increase must not exceed 20 percent of the amount realized from the sale of its capital stock, whether in cash or notes, and the expense must be paid from the surplus of the corporation.

2. Any officer, director or employee of a captive insurance company who takes any action which results in or furthers a violation of this section is guilty of a misdemeanor.

Sec. 21. A captive insurance company may invest its assets in the same manner as any other insurer which is engaged in the same types of insurance business in this state.

Sec. 22. 1. Each captive insurance company doing business in this state shall submit an annual report to the commissioner of its condition on December 31.

2. The annual report must:

(a) be in writing in the form required by the commissioner and be signed and sworn to by its chief officers;

(b) be submitted on or before March 1 following the year for which it is submitted;

(c) contain a detailed statement of the assets and liabilities, amount and character of business transacted, money received and expended during the year, and any other information which the commissioner requires.

3. The commissioner shall revoke or refuse to renew the certificate of authority of any captive insurance company which fails or refuses to provide the report or any other information required by this section.

Sec. 23. 1. The commissioner may suspend or revoke the certificate of authority of a captive insurance company if he finds that the company:

(a) is insolvent or otherwise financially impaired as defined in NRS 686B, or;

(b) has failed to maintain the capital and surplus required by this chapter, or;

(c) has failed or refused to submit an annual report as required by this chapter or any other report or information which the commissioner has requested, or;

(d) has failed to comply with the provisions of its own charter or bylaws if the failure renders its operation hazardous to the welfare of the public or its policyholders, or;

(e) has failed to submit to examination or any obligation relating to an examination, or has failed to pay the cost of any examination as required by law, or;

(f) uses methods which, although not otherwise specifically proscribed by law, render its operation hazardous or its condition unsound with respect to its policyholders, or;

(g) has failed to comply with the laws of this state in a manner which renders its operation hazardous to its policyholders.

2. In lieu of suspension or revocation, the commissioner may, in his discretion, levy upon the insurer, and the insurer shall pay forthwith, an administrative fine of not more than \$5,000.00.

Sec. 24. 1. The commissioner may conduct examinations of captive insurance companies in the same manner as he conducts examinations of other insurers which are authorized to conduct the business of insurance in this state.

2. Captive insurance companies may be assessed for the cost of examinations in the same manner as other insurers are assessed.

Sec. 25. 1. A captive insurance company may take credit for reserves on risks ceded to a reinsurer, but it may not take credit for reinsurance:

- (a) in a reinsurer which has been disapproved by the commissioner;
- (b) as an asset or a deduction from liability unless the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contract of reinsurance without diminution because of any insolvency on the part of the ceding insurer;
- (c) in a nonadmitted reinsurer unless the reinsurer has designated the commissioner as an agent for the service of process in any action arising out of the reinsurance;
- (d) in an insurer which is not authorized to transact the business of insurance in at least one state of the United States except to the extent that the premium for the reinsurance, plus the commission, is held in trust or withheld by the ceding insurer until it is earned, the losses paid and the resulting profit or loss to the reinsurer is determined;
- (e) where the contract of reinsurance does not result in the absolute transfer of the risk or liability to the reinsurer;
- (f) as an asset or deduction from liability if the contract involves possible repayment of tentative commissions by the ceding insurer, except for the guaranteed portion of the commission received.



2. The commissioner may require that complete copies of all treaties and contracts of reinsurance be filed with the division.

3. A captive insurer may reinsure all its risks in any reinsurer approved by the commissioner and may be allowed full credit for reserves on those risks.

Sec. 26. 1. Each captive insurance company shall file with the commissioner, in the same manner as other insurers engaged in the same type of insurance business are required to file:

- (a) forms of policies, endorsements and contracts; and
- (b) classifications, rules, rates, rating plans and modifications of them.

2. No captive insurance company may be required to join:

- (a) a rating organization; or
- (b) any plan, pool association or guaranty or insolvency fund, or contribute to any of them financially, or receive any benefit from them.

Sec. 27. 1. Each captive insurance company shall pay to the commissioner, on or before March 1 of each year, a tax at the rate of one percent on the gross amount of all premiums collected or contracted for on policies or contracts of insurance covering property or risks in this state and on risks and property situated elsewhere upon which no premium tax is otherwise paid during the year ending December 31 next preceding, after deducting from the gross amount of premiums subject to the tax the

amount received as reinsurance premiums which shall include dividends on unabsorbed premiums or premium deposits returned or credited to policyholders.

2. The tax provided for in this section shall constitute all taxes collectible under the laws of this state from any captive insurance company, and no other occupation tax or other taxes shall be levied or collected from any captive insurance company by the state or any county, city, or municipality within this state, except ad valorem taxes on real and personal property used in the production of income.

Sec. 28. The commissioner may make, promulgate, amend and rescind such rules and regulations as may be necessary to carry out the purposes and provisions of this chapter.

Sec. 29. Captive insurance companies are subject to the provisions of this chapter and to the following provisions of this code, to the extent applicable and not in conflict with the express provisions of this chapter:

1. Chapter 679A (Scope and definitions);
2. Chapter 679B (Commissioner of Insurance);
3. Chapter 681B (Assets and Liabilities); and,
4. Chapter 696B (Delinquent Insurers: Conservation, Rehabilitation and Liquidation).

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

S. B. 468

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SENATE BILL NO. 468—COMMITTEE ON  
COMMERCE AND LABOR

MARCH 26, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Authorizes formation of captive insurance  
companies. (BDR 57-1736)

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.

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AN ACT relating to insurance; authorizing the formation of captive insurance  
companies in Nevada; and providing other matters properly relating thereto.

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

- 1 SECTION 1. Title 57 of NRS is hereby amended by adding thereto  
2 a new chapter to consist of the provisions set forth as sections 2 to 24,  
3 inclusive, of this act.
- 4 SEC. 2. As used in this chapter, unless the context otherwise requires,  
5 the words and terms defined in sections 2 to 8, inclusive, of this act  
6 have the meanings ascribed to them in those sections.
- 7 SEC. 3. "Affiliated company" means a company in the same corpo-  
8 rate system as a parent because of common control, operation or manage-  
9 ment.
- 10 SEC. 4. "Association" means a group of natural persons, partner-  
11 ships, associations or corporations:
- 12 1. Which consists of persons engaged in the practice of a profession;  
13 or  
14 2. Which has been in existence for more than 1 year,  
15 and whose members collectively own, control or hold, with power to  
16 vote, all the outstanding securities of a captive insurance company.
- 17 SEC. 5. "Captive insurance company of an association" means a  
18 domestic insurance company which is licensed pursuant to this chapter  
19 for the purpose of conducting the business of insuring the risks, hazards  
20 and liabilities of the association.
- 21 SEC. 6. "Member organization" means any natural person, partner-  
22 ship, association or corporation that belongs to an association.
- 23 SEC. 7. "Parent" means any person who directly or indirectly owns,



1 controls or holds, with power to vote, more than 50 percent of the out-  
2 standing securities of a pure captive insurance company.

3 SEC. 8. "Pure captive insurance company" means any domestic  
4 insurance company that insures the risks, hazards and disabilities of its  
5 parent and affiliated companies.

6 SEC. 9. 1. Subject to the limitations specified in subsections 2, 3 and  
7 4, any captive insurance company may apply to the commissioner for a  
8 certificate of authority to engage in the business of any insurance defined  
9 in NRS 681A.020, except workmen's compensation and employer's lia-  
10 bility and mortgage guaranty coverage, and defined in NRS 681A.050 to  
11 681A.070, inclusive.

12 2. No pure captive insurance company may insure any risks other  
13 than those of its parent and affiliated companies.

14 3. No captive insurance company of an association may insure any  
15 risks other than those of its member organizations.

16 4. No captive insurance company may accept or cede reinsurance  
17 except as provided in section 12 of this act.

18 SEC. 10. 1. Any number of persons may form a captive insurance  
19 company.

20 2. Persons who desire to form a captive insurance company must  
21 submit articles of incorporation to the commissioner of insurance for  
22 approval. If the commissioner approves, the articles must be filed with  
23 the secretary of state, who shall issue a certificate of incorporation. The  
24 secretary of state shall return a copy of the articles to the commissioner.

25 3. Each applicant for a certificate of authority as a captive insurance  
26 company shall file with the commissioner:

27 (a) A certified copy of its bylaws;

28 (b) A statement under oath by its president and secretary, in a form  
29 satisfactory to the commissioner, showing its financial condition;

30 (c) Evidence satisfactory to the commissioner of the adequacy of the  
31 expertise, experience and character of the person or persons who will  
32 manage the company;

33 (d) A description satisfactory to the commissioner of its plan of oper-  
34 ation;

35 (e) A nonrefundable applicant fee in the amount of \$500;

36 (f) The first year's license fee in the amount of \$300; and

37 (g) Any other statement or documents requested or required by the  
38 commissioner.

39 4. A captive insurance company which wishes to amend its articles  
40 of incorporation shall file the proposed amendment with the commis-  
41 sioner and obtain his approval before filing it with the secretary of state.

42 SEC. 11. 1. The affairs of each captive insurance company incor-  
43 porated in this state must be managed by a board of directors which  
44 consists of not fewer than three members. No person who has been con-  
45 victed of a felony or any crime which involves fraud relating to a financial  
46 institution may serve as a member.

47 2. Each company shall report the names and business or professional  
48 affiliations of the members of its board and its executive officers to the  
49 commissioner, and shall report any change in the board or executive

1 officers within 30 days after the change becomes effective. For the pur-  
2 poses of this subsection, "executive officers" means the chairman of the  
3 board of directors, president, executive vice-president, secretary and  
4 treasurer.

5 **SEC. 12.** 1. No director, officer or employee of a captive insurance  
6 company who has any authority in the investment or disposition of money  
7 of the company may accept or indirectly receive any fee, brokerage  
8 charge, gift or other emolument because of any investment, loan, deposit,  
9 purchase, sale, payment or exchange made on behalf of the company  
10 unless he accepts or receives it on behalf of the company.

11 2. This section does not prohibit a director who is not otherwise an  
12 officer or employee of the company from receiving reasonable compensa-  
13 tion for necessary services performed in the making of purchases or sales  
14 to or for the company in the ordinary course of its business and in the  
15 usual private professional or business capacity of the director.

16 3. Any profit or gain received by or on behalf of any person in  
17 violation of this section inures to and is recoverable by the company.  
18 The company may bring an action in a district court to recover the value  
19 of the profit or gain. If the company fails to do so within 60 days after  
20 being notified of the unlawful profit or gain, any stockholder may bring  
21 the action.

22 **SEC. 13.** 1. A captive insurance company may sell additional stock  
23 or increase its capital for any purpose approved by the commissioner. The  
24 expense of the sale or increase must not exceed 20 percent of the amount  
25 realized from the sale of its capital stock, whether in cash or notes, and  
26 the expense must be paid from the surplus of the corporation.

27 2. Any officer, director or employee of a captive insurance company  
28 who takes any action which results in or furthers a violation of this  
29 section is guilty of a misdemeanor.

30 **SEC. 14.** A captive insurance company may invest its assets in the  
31 same manner as any other insurer which is engaged in the same types  
32 of insurance business in this state.

33 **SEC. 15.** 1. Each captive insurance company doing business in this  
34 state shall submit an annual report to the commissioner of its condition  
35 on December 31.

36 2. The annual report must:

37 (a) Be in writing in the form required by the commissioner, and be  
38 signed and sworn to by its chief officers;

39 (b) Be submitted on or before March 1 following the year for which it  
40 is submitted;

41 (c) Contain a detailed statement of the assets and liabilities, amount  
42 and character of business transacted, money received and expended dur-  
43 ing the year, and any other information which the commissioner requires.

44 3. The commissioner shall revoke or refuse to renew the certificate  
45 of authority of any captive insurance company which fails or refuses to  
46 provide the report or any other information required by this section.

47 **SEC. 16.** 1. No captive insurance company may transact any insur-  
48 ance business in this state unless it has obtained a certificate of authority  
49 from the commissioner. A certificate of authority:

50 (a) Must state that the company has complied with the applicable



1 requirements of the laws of this state and that the company is authorized  
2 to conduct the business of insurance in this state.

3 (b) Expires on the last day of February in each year, and may be  
4 renewed by the commissioner upon his determination that the company  
5 continues to meet the requirements of this chapter.

6 2. A company must pay an annual license fee of \$300 to receive or  
7 renew a certificate of authority.

8 3. A company must maintain its principal place of business in this  
9 state and appoint a resident agent to accept service of process and other-  
10 wise act on its behalf.

11 4. The board of directors of the company must hold at least one  
12 meeting a year in this state.

13 SEC. 17. 1. The commissioner may suspend or revoke the certificate  
14 of authority of a captive insurance company if he finds that the company:

15 (a) Is insolvent or otherwise financially impaired as determined pursu-  
16 ant to chapter 681B of NRS.

17 (b) Has failed to maintain the capital and surplus required by this  
18 chapter.

19 (c) Has failed or refused to submit an annual report as required by  
20 this chapter or any other report or information which the commissioner  
21 has requested.

22 (d) Has failed to comply with the provisions of its own charter or  
23 bylaws if the failure renders its operation hazardous to the welfare of the  
24 public or its policyholders.

25 (e) Has failed to submit to examination or any obligation relating to  
26 an examination, or has failed to pay the cost of an examination as  
27 required by law.

28 (f) Uses methods which, although not otherwise specifically pro-  
29 scribed by law, render its operation hazardous to the welfare of the public  
30 or its policyholders.

31 (g) Has failed to comply with the laws of this state in a manner which  
32 is hazardous to the welfare of the public or its policyholders.

33 2. In lieu of suspension or revocation of a certificate, the commis-  
34 sioner may impose, and the insurer shall immediately pay, an administra-  
35 tive penalty of not more than \$5,000.

36 SEC. 18. 1. The commissioner may conduct examinations of captive  
37 insurance companies in the same manner as he conducts examinations  
38 of other insurers which are authorized to conduct the business of insur-  
39 ance in this state.

40 2. Captive insurance companies may be assessed for the cost of  
41 examinations in the same manner as other insurers are assessed.

42 SEC. 19. (Deleted by amendment.)

43 SEC. 20. 1. No captive insurance company may do any business in  
44 this state unless it has and maintains:

45 (a) Unimpaired paid-in capital of not less than \$250,000 if a pure  
46 captive insurance company or \$400,000 if a captive insurance company  
47 of an association; and

48 (b) Free surplus of not less than \$200,000 if a pure captive insurance  
49 company or \$350,000 if a captive insurance company of an association.

50 2. Cash or securities in the amounts required by this section must

1 be deposited with the commissioner, or the commissioner may accept an  
2 irrevocable letter of credit for those amounts on behalf of the captive  
3 insurance company, issued by a national bank or a bank chartered by this  
4 state. Such a letter of credit must be in a form which the commissioner  
5 prescribes by regulation.

6 3. The deposit made by a captive insurance company pursuant to  
7 this section must be held by the commissioner for the benefit of all of  
8 the policyholders of the company.

9 SEC. 21. 1. A captive insurance company may take credit for  
10 reserves on risks ceded to a reinsurer, but it may not take credit for rein-  
11 surance:

12 (a) In a reinsurer which has been disapproved by the commissioner.

13 (b) As an asset or a deduction from liability unless the reinsurance is  
14 payable by the assuming insurer on the basis of the liability of the ceding  
15 insurer under the contract of reinsurance without diminution because of  
16 any insolvency on the part of the ceding insurer.

17 (c) In a nonadmitted reinsurer unless the reinsurer has designated the  
18 commissioner as an agent for the service of process in any action arising  
19 out of the reinsurance.

20 (d) In an insurer which is not authorized to transact the business of  
21 insurance in at least one state of the United States except to the extent  
22 that the premium for the reinsurance, plus the commission, is held in  
23 trust or withheld by the ceding insurer until it is earned, the losses paid  
24 and the resulting profit or loss to the reinsurer is determined.

25 (e) Where the contract of reinsurance does not result in the absolute  
26 transfer of the risk or liability to the reinsurer.

27 (f) As an asset or deduction from liability if the contract involves  
28 possible repayment of tentative commissions by the ceding insurer,  
29 except for the guaranteed portion of the commission received.

30 2. The commissioner may require that complete copies of all treaties  
31 and contracts of reinsurance be filed with the division.

32 3. A captive insurer may reinsure all its risks in any reinsurer  
33 approved by the commissioner and may be allowed full credit for  
34 reserves on those risks.

35 SEC. 22. 1. Each captive insurance company shall file with the com-  
36 missioner, in the same manner as other insurers engaged in the same type  
37 of insurance business are required to file:

38 (a) Forms of policies, endorsements and contracts; and

39 (b) Classifications, rules, rates, rating plans and modifications of them.

40 2. No captive insurance company may be required to join:

41 (a) A rating organization; or

42 (b) Any plan, pool, association or guaranty or insolvency fund, or  
43 contribute to any of them financially, or receive any benefit from them.

44 SEC. 23. 1. Each captive insurance company shall pay to the com-  
45 missioner, on or before March 1 of each year, a tax at the rate of 1 per-  
46 cent on the gross amount of all premiums collected or contracted for on  
47 policies or contracts of insurance covering property or risks in this state  
48 and on risks and property situated elsewhere upon which no premium  
49 tax is otherwise paid during the year ending December 31 next preceding,  
50 after deducting from the gross amount of premiums subject to the tax the



1 amount received as reinsurance premiums including dividends on  
2 unabsorbed premiums or premium deposits returned or credited to policy-  
3 holders.

4 2. A captive insurance company is exempt from any tax or fee for  
5 doing business imposed by a local government and the general premium  
6 tax imposed under this code.

7 SEC. 24. 1. Captive insurance companies are subject to the provi-  
8 sions of:

9 (a) Sections 2 to 24, inclusive, of this act; and

10 (b) Chapters 679A, 679B, 681B and 696B of NRS to the extent  
11 that those provisions can be made applicable to them.

12 2. The commissioner may adopt regulations to carry out the provi-  
13 sions of sections 2 to 24, inclusive, of this act.



(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

S. B. 691

SENATE BILL NO. 691—COMMITTEE ON  
COMMERCE AND LABOR

MAY 16, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Requires policies of motor vehicle insurance to cover all losses when other party is uninsured or underinsured. (BDR 57-1989)

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 motor vehicle insurance; requiring policies to provide coverage for bodily injury whenever the other party is underinsured; and providing other matters properly relating thereto.

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

1 SECTION 1. NRS 687B.145 is hereby amended to read as follows:

2 687B.145 1. Any policy of insurance or endorsement providing  
3 coverage under the provisions of NRS 690B.020 or other policy of cas-  
4 uality insurance may provide that if the insured has coverage available to  
5 him under more than one policy or provision of coverage, any recovery  
6 or benefits may equal but not exceed the higher of the applicable limits  
7 of the respective coverages, and the recovery or benefits must be pro-  
8 rated between the applicable coverages in the proportion that their  
9 respective limits bear to the aggregate of their limits. Any provision  
10 which limits benefits pursuant to this section must be in clear language  
11 and be prominently displayed in the policy, binder or endorsement. Any  
12 limiting provision is void if the named insured has purchased separate  
13 coverage on the same risk and has paid a premium calculated for full  
14 reimbursement under that coverage.

15 2. Insurance companies doing business in this state must offer unin-  
16 sured *and underinsured* motorist coverage equal to the limits of bodily  
17 injury coverage sold to the individual policyholder. [Uninsured motor-  
18 ists] *This coverage must include a provision which enables the insured to*  
19 *recover any amount of damages for bodily injury from his insurer to*  
20 *which he is legally entitled [but which] whenever his coverage exceeds*  
21 *the limits of the bodily injury coverage carried by the owner or operator*  
22 *or the other vehicle [.] without deduction of the coverage of the other*  
23 *owner or operator.*

24 SEC. 2. This act shall become effective on January 1, 1982.

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

S. B. 653

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SENATE BILL NO. 653—COMMITTEE ON FINANCE

MAY 7, 1981

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Referred to Committee on Commerce and Labor

SUMMARY—Increases fee for license issued by private investigator's licensing board. (BDR 54-2033)

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

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

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AN ACT relating to the private investigator's licensing board; increasing the fee for a license issued by the board; and providing other matters properly relating thereto.

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

- 1 SECTION 1. NRS 648.120 is hereby amended to read as follows:  
2 648.120 1. A license under this chapter may not be issued until  
3 the applicant pays to the board a license fee of ~~[\$125.]~~ *not more than*  
4 *\$175.*  
5 2. The license fee must be paid annually and is due on July 1. The  
6 board may provide that the fee be reduced ratably for portions of the  
7 license period.  
8 SEC. 2. This act shall become effective upon passage and approval.



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ASSEMBLY BILL NO. 614—COMMITTEE ON COMMERCE

MAY 5, 1981

Referred to Committee on Commerce

SUMMARY—Repeals provision for special licensing of physicians who are specialists. (BDR 54-2002)

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

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

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AN ACT relating to physicians; repealing provision for special licensing of specialists; and providing other matters properly relating thereto.

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

- 1 SECTION 1. NRS 630.195 is hereby amended to read as follows:  
2 630.195 1. The applicant for a license to practice medicine who is  
3 a graduate of a foreign medical school shall submit to the board through  
4 its secretary:  
5 (a) Proof that he is a citizen of the United States, or that he is law-  
6 fully entitled to remain and work in the United States.  
7 (b) Proof that he has received the degree of Doctor of Medicine or  
8 its equivalent, as determined by the board, from a foreign medical school  
9 recognized by the Educational Commission for Foreign Medical Grad-  
10 uates.  
11 (c) Proof that he has completed 3 years of postgraduate training satis-  
12 factory to the board.  
13 (d) Proof that he has passed, with a grade acceptable to the board,  
14 an examination designated by the board.  
15 2. In addition to the proofs required by subsection 1, the board may  
16 take such further evidence and require such further proof of the pro-  
17 fessional and moral qualifications of the applicant as in its discretion  
18 may be deemed proper.  
19 3. [If the applicant is a diplomate of an approved specialty board  
20 recognized by the American Medical Association, the requirements of  
21 paragraphs (c) and (d) of subsection 1 may be waived by the board.  
22 4.] Before issuance of a license to practice medicine, the applicant  
23 who presents the proof required by subsection 1 [shall] *must* appear  
24 personally before the board and satisfactorily pass a written or oral  
25 examination, or both, as to his qualifications to practice medicine.

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SENATE BILL NO. 122—COMMITTEE ON  
COMMERCE AND LABOR

JANUARY 29, 1981

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Referred to Committee on Commerce and Labor

SUMMARY—Removes conflicting statutory references to certain former powers of Nevada industrial commission. (BDR 53-44)

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

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

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AN ACT relating to industrial insurance; removing conflicting statutory references to certain former powers of the Nevada industrial commission respecting the adjudication of claims; and providing other matters properly relating thereto.

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

- 1 SECTION 1. NRS 616.230 is hereby amended to read as follows:  
2 616.230 If any person disobeys an order of an appeals officer [.]  
3 or a hearing officer [or the commission] or a subpoena issued by the [com-  
4 missioners,] inspectors or examiners, [or either of them.] or refuses to  
5 permit an inspection, or as a witness, refuses to testify to any matter for  
6 which he may be lawfully interrogated, [then] the district judge of the  
7 county in which the person resides, on application of the appeals offi-  
8 cer [.] or a hearing officer, [or the commission,] shall compel obedience  
9 by attachment proceedings as for contempt, as in the case of disobedience  
10 of the requirements of subpoenas issued from the court on a refusal to  
11 testify therein.
- 12 SEC. 2. NRS 616.235 is hereby amended to read as follows:  
13 616.235 1. Each officer who serves a subpoena [shall] *is entitled to*  
14 receive the same fee as a sheriff.  
15 2. Each witness who appears in obedience to a subpoena before an  
16 appeals officer [.] or a hearing officer [or the commission] is entitled to  
17 receive for his attendance the fees and mileage provided for witnesses in  
18 civil cases in courts of record.  
19 3. Claims for witnesses' fees [shall] *must* be audited and paid from  
20 the state treasury in the same manner as other expenses are audited and  
21 paid upon the presentation of proper vouchers approved by an appeals  
22 officer [.] or a hearing officer. [or any two commissioners.]  
23 4. A witness subpoenaed at the instance of a party other than an

1 appeals officer [,] or a hearing officer [or the commission] is not entitled  
2 to compensation from the state treasury unless an appeals officer [,] or a  
3 hearing officer [or the commission] certifies that his testimony was mate-  
4 rial to the matter investigated.

5 SEC. 3. NRS 616.5424 is hereby amended to read as follows:

6 616.5424 At any time 10 or more days [prior to] before a scheduled  
7 hearing before an appeals officer, [or the commission,] a party shall mail  
8 or deliver to the opposing party any affidavit which he proposes to intro-  
9 duce into evidence and notice to the effect that unless the opposing party,  
10 within 7 days after the mailing or delivery of [such] the affidavit, mails  
11 or delivers to the proponent a request to cross-examine the affiant, his  
12 right to cross-examine the affiant is waived and the affidavit, if introduced  
13 into evidence, will have the same effect as if the affiant had given sworn  
14 testimony before the appeals officer. [or commission.]

15 SEC. 4. This act shall become effective upon passage and approval.



(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

S. B. 132

SENATE BILL NO. 132—COMMITTEE ON  
COMMERCE AND LABOR

JANUARY 29, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Provides civil penalties for violation of provisions  
of chapters 703 and 712 of NRS (BDR 58-274)

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 the regulation of public utilities; providing civil penalties for  
violations of the provisions of chapters 703 and 712 of NRS; and providing  
other matters properly relating thereto.

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

- 1 SECTION 1. Chapter 703 of NRS is hereby amended by adding  
2 thereto a new section which shall read as follows:  
3 1. Unless another penalty is specifically provided, any public utility  
4 or any officer, agent or employee of a public utility who:  
5 (a) Violates any of the provisions of this chapter or chapters 704, 705,  
6 708, 711 and 712 of NRS;  
7 (b) Violates any rule or regulation of the commission; or  
8 (c) Fails, neglects or refuses to obey any order of the commission or  
9 any order of a court requiring compliance with an order of the commis-  
10 sion,  
11 is liable for a civil penalty not to exceed \$1,000 per day for each day of  
12 the violation and not to exceed \$100,000 for any related series of viola-  
13 tions.  
14 2. The amount of any civil penalty to be imposed pursuant to this  
15 section, and the propriety of any compromise of a penalty, must be deter-  
16 mined by a court of competent jurisdiction upon the complaint of the  
17 commission.  
18 3. Subject to the approval of the court, any civil penalty may be com-  
19 promised by the commission. In determining the amount of the penalty,  
20 or the amount agreed upon in compromise, the appropriateness of the  
21 penalty to the size of the business of the person charged, the gravity of the  
22 violation and the good faith of the person charged in attempting to  
23 achieve compliance, after notification of a violation, must be considered.

1 4. Any penalty assessed pursuant to this section is not a cost of serv-  
2 ice by the public utility and may not be included in any new application  
3 by a public utility for a rate adjustment or rate increase.

4 SEC. 2. NRS 703.350 is hereby amended to read as follows:

5 703.350 The commission may require, by order to be served on any  
6 person regulated by the commission in the same manner as a subpoena in a  
7 civil action, the production at a time and place designated by the com-  
8 mission of any books, accounts, papers or records kept by the person in  
9 any office or place outside this state, or verified copies in lieu thereof, if  
10 the commission so directs, so that an examination may be made by the  
11 commission or under its direction, or for use as testimony. [If any person  
12 fails or refuses to comply with the order, the person is subject to the  
13 penalty provided in NRS 704.590, 706.761 or 712.090, as the case may  
14 be.]

15 SEC. 3. NRS 704.240 is hereby amended to read as follows:

16 704.240 1. The commission may, in its discretion, purchase such  
17 materials, apparatus and standard measuring instruments for such exam-  
18 ination and tests as it [may deem] *deems* necessary.

19 2. The commission [shall have the right and power to] *may* enter  
20 upon any premises occupied by any public utility for the purpose of mak-  
21 ing the examination and tests provided for in this chapter and set up and  
22 use on [such] *the* premises any necessary apparatus and appliances and  
23 occupy reasonable space therefor.

24 3. Any public utility refusing to allow [such] *the* examination to be  
25 made as herein provided [shall be] *is* subject to the penalties prescribed  
26 in [NRS 704.590.] *section 1 of this act.*

27 SEC. 4. NRS 704.600 is hereby amended to read as follows:

28 704.600 Any officer, agent or employee of any public utility who:  
29 [shall:]

30 1. Willfully [fail or refuse] *fails or refuses* to fill out and return any  
31 blanks as required by this chapter; [or]

32 2. Willfully [fail or refuse] *fails or refuses* to answer any questions  
33 therein propounded; [or]

34 3. Knowingly or willfully [give] *gives* a false answer to [any such]  
35 *the* questions; [or]

36 4. Evade] 4. *Evades* the answer to any [such] question where the  
37 fact inquired of is within his knowledge; or

38 5. Upon proper demand, willfully [fail or refuse] *fails or refuses* to  
39 exhibit to the commission or any commissioners, or any person also  
40 authorized to examine the same, any book, paper or account of such pub-  
41 lic utility which is in his possession or under his control,  
42 [shall be] *is* subject to the penalty prescribed in [NRS 704.590.] *section*  
43 *1 of this act.*

44 SEC. 5. NRS 712.090 is hereby amended to read as follows:

45 712.090 Any person who violates any provision of this chapter, or  
46 any rule or regulation adopted pursuant to this chapter, is, *in addition to*  
47 *any civil penalties which may be provided,* guilty of a misdemeanor.

48 SEC. 6. NRS 704.590 is hereby repealed.

49 SEC. 7. Section 2 of this act shall become effective at 12:01 a.m. on  
50 July 1, 1981.



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SENATE BILL NO. 135—COMMITTEE ON  
COMMERCE AND LABOR

JANUARY 29, 1981

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Referred to Committee on Commerce and Labor

SUMMARY—Changes procedure followed by public service commission in dealing with complaints against public utilities. (BDR 58-269)

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



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

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AN ACT relating to the public service commission; changing the procedure followed by the division of consumer relations in dealing with complaints made against public utilities; and providing other matters properly relating thereto.

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

- 1 SECTION 1. NRS 703.310 is hereby amended to read as follows:  
2 703.310 1. When a complaint is made against any public utility,  
3 common or contract carrier or broker by any person, that any of the  
4 rates, tolls, charges or schedules, or any joint rate or rates are in any  
5 respect unreasonable or unjustly discriminatory, or that any regulation,  
6 measurement, practice or act affecting or relating to the transportation  
7 of persons or property, or any service in connection therewith, or the  
8 production, transmission or delivery or furnishing of heat, light, gas,  
9 coal slurry, water or power, or any service in connection therewith or  
10 the transmission thereof is, in any respect, unreasonable, insufficient or  
11 unjustly discriminatory, or that any service is inadequate, [and the divi-  
12 sion of consumer relations is unable to resolve the complaint, the divi-  
13 sion shall transmit the complaint and its recommendation to the  
14 commission. Within 10 days after receipt of the complaint and recom-  
15 mendation, the commission shall provide the public utility, carrier or  
16 broker complained against with a copy of the complaint and recom-  
17 mendation. Within a reasonable time thereafter the commission shall  
18 investigate the complaint.  
19 2. If, as a result of its investigation,] *the division of consumer rela-*  
20 *tions shall investigate the complaint. Within 5 days after receipt of the*  
21 *complaint, the division of consumer relations shall provide the public*



1 utility, carrier or broker complained against with a copy of the com-  
2 plaint. Within 15 days after receiving the copy of the complaint, the pub-  
3 lic utility, carrier or broker shall provide the division of consumer  
4 relations with its written response thereto.

5 2. If the division of consumer relations is unable to resolve the com-  
6 plaint, the division shall within 30 days after receipt of the complaint,  
7 transmit the complaint, the results of its investigation and its recom-  
8 mendation to the commission. If the commission determines that prob-  
9 able cause exists for the complaint, it shall order a hearing thereof, [and]  
10 give notice of the hearing [as required by NRS 703.320,] and conduct  
11 the hearing as it would any other hearing.

12 3. No order affecting a rate, toll, charge, schedule, regulation, meas-  
13 urement, practice or act complained of may be entered without a formal  
14 hearing at which both the complainant and the public utility, carrier or  
15 broker are entitled to appear in person or by counsel and be heard, unless  
16 a hearing is dispensed with as provided in NRS 703.320.

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

S. B. 240

SENATE BILL NO. 240—SENATOR JACOBSEN

FEBRUARY 17, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Makes administrative changes relating to chiropractic. (BDR 54-188)

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 chiropractic; authorizing unlicensed persons to practice under certain circumstances; permitting the increasing of license fees; specifying the number of hours of a seminar required for continuing education; and providing other matters properly relating thereto.

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

- 1 SECTION 1. NRS 634.060 is hereby amended to read as follows:  
2 634.060 1. [It] *Except as provided in subsection 2, it is unlawful*  
3 *for any person:*  
4 (a) *To practice chiropractic in this state without a license so to do.*  
5 (b) *To hold himself out as a chiropractor without having a license.*  
6 2. *An applicant for a license to practice chiropractic who has the*  
7 *qualifications prescribed in NRS 634.090 may, while waiting to take*  
8 *the board's examination but for no longer than 2 years, perform*  
9 *chiropractic, but not including manipulation, under the direct supervision*  
10 *of a chiropractor who is professionally and legally responsible for the*  
11 *applicant's performance.*  
12 3. *Any person violating the provisions of this section is guilty of*  
13 *a gross misdemeanor.*  
14 SEC. 2. NRS 634.070 is hereby amended to read as follows:  
15 634.070 1. *All applicants for licenses to practice chiropractic in*  
16 *Nevada [shall] must be examined semiannually by the board. Examina-*  
17 *tions [shall] must be held [commencing on the 2nd Monday of March*  
18 *and on the 2nd Monday of September of each year] at such [place or]*  
19 *places within the state [as may be] and at such times as are fixed by the*  
20 *board.*  
21 2. *The examinations must be written and oral, practical and demon-*  
22 *strative and cover the following subjects:*



- 1 (a) Chapter 634 of NRS and regulations of the board;
- 2 (b) Laboratory procedures and interpretation;
- 3 (c) Neurological examination;
- 4 (d) Nutrition;
- 5 (e) Orthopedic examination;
- 6 (f) Physical examination with demonstration;
- 7 (g) Technique for taking X-rays, including positioning of the body,
- 8 and interpretation of X-rays; and
- 9 (h) Chiropractic technique with demonstration.

10 SEC. 3. NRS 634.110 is hereby amended to read as follows:

11 634.110 Any [person] applicant of good moral character may be  
12 licensed without *written* examination upon the payment of the fee  
13 required by this chapter if:

14 1. He *passes the required oral and practical examination and* holds  
15 a certificate from the National Board of Chiropractic Examiners; or

16 2. He is licensed by a chiropractic board of any other state or terri-  
17 tory which similarly licenses without *written* examination an applicant of  
18 good moral character licensed by the Nevada state board of chiropractic  
19 examiners, and where the qualifications required are equal to or higher  
20 than those required in this chapter at the date of application.

21 SEC. 4. NRS 634.120 is hereby amended to read as follows:

22 634.120 1. All licenses must be signed by the president and the  
23 secretary and be attested by the official seal of the board. A fee not to  
24 exceed ~~[\$35]~~ \$100 must be collected before a license is delivered.

25 2. A license to practice chiropractic authorizes the holder thereof  
26 to use the term "chiropractic physician."

27 SEC. 5. NRS 634.130 is hereby amended to read as follows:

28 634.130 1. Every person holding a valid license and actively prac-  
29 ticing chiropractic, whether on a full-time or part-time basis, in the  
30 State of Nevada ~~[shall renew such]~~ *may renew that* license each year  
31 by paying a renewal fee not to exceed ~~[\$100.]~~ \$200. Every person who  
32 holds a valid license in the State of Nevada but does not actively practice  
33 chiropractic ~~[shall renew such]~~ *may renew that* license by paying a  
34 renewal fee not to exceed \$50.

35 2. A licensee in active or part-time practice within this state must  
36 submit satisfactory proof to the board that he has attended at least one  
37 2-day educational seminar *of at least 10 hours* approved or endorsed by  
38 the board, with the exception of a licensee who has reached the age of  
39 70 years. The educational requirement of this section may be waived  
40 by the board if the licensee files with the board a statement of a chiro-  
41 practic physician, osteopathic physician or doctor of medicine certifying  
42 that the licensee is suffering from serious or disabling illness or physical  
43 disability which prevented him from attending the required educational  
44 seminar during the 12 months immediately preceding the annual licens-  
45 ing renewal date.

(REPRINTED WITH ADOPTED AMENDMENTS)

FIRST REPRINT

S. B. 634

SENATE BILL NO. 634—COMMITTEE ON  
COMMERCE AND LABOR

MAY 5, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Requires notice to other claimants of action on bond or  
deposit of contractor. (BDR 54-1820)

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 contractors; providing for notice to the contractor's board of an action on the bond of a contractor; requiring the board to give notice to other claimants of an action on a bond or against the board for a cash deposit; providing expressly for interpleader and notice thereof; and providing other matters properly relating thereto.

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

- 1 SECTION 1. NRS 624.273 is hereby amended to read as follows:  
2 624.273 1. Each bond or deposit required by NRS 624.270 [shall]  
3 *must* be in favor of the State of Nevada for the benefit of any person who:  
4 (a) As owner of the property to be improved entered into a construc-  
5 tion contract with the contractor and is damaged by failure of the con-  
6 tractor to perform [such] *the* contract or to remove liens filed against  
7 [such] *the* property;  
8 (b) As an employee of the contractor performed labor on or about the  
9 site of the construction *covered by the* contract;  
10 (c) As a supplier or materialman furnished materials or equipment for  
11 the construction *covered by the* contract; or  
12 (d) Is injured by any unlawful act or omission of the contractor in the  
13 performance of a contract.  
14 2. Any [such] person claiming against the bond or cash deposit may  
15 bring an action in a court of competent jurisdiction on the bond or against  
16 the board on the cash deposit for the amount of damage he has suffered to  
17 the extent covered by the bond or cash deposit. *A person who brings*  
18 *action on a bond must notify the board in writing upon filing the action.*  
19 No action may be commenced on the bond or deposit after the expiration  
20 of 2 years following the commission of the act on which the action is  
21 based.



1 3. Upon receiving a request from a person for whose benefit a bond  
2 or deposit is required, the board shall notify him:

3 (a) That a bond is in effect or that a deposit has been made, and the  
4 amount of either;

5 (b) That there is an action against a bond, if that is the case, and the  
6 title, court and case number of the action and the amount sought by the  
7 plaintiff; and

8 (c) That there is an action against the board, if that is the case, and the  
9 amount sought by the plaintiff.

10 4. If a surety, or in the case of a cash deposit, the board, desires to  
11 make payment without awaiting court action the amount of the bond or  
12 cash deposit [shall] *must* be reduced to the extent of any payment made  
13 by the surety or the board in good faith under the bond or cash deposit.  
14 Any [such payment shall] *payment must* be based on written claims  
15 received by the surety or board prior to court action.

16 5. *The surety or the board may bring an action for interpleader*  
17 *against all claimants upon the bond or deposit. If it does so, it must pub-*  
18 *lish notice of the action at least one time each week for 2 weeks in every*  
19 *issue of a newspaper of general circulation in the county where the con-*  
20 *tractor has his principal place of business. The surety or the board is*  
21 *entitled to deduct its costs of the action, including attorney's fees and*  
22 *publication, from its liability under the bond or from the deposit.*

23 [4.] 6. A claim of any employee of the contractor for labor [shall  
24 be] *is* a preferred claim against [such] a bond or cash deposit. If any  
25 bond or cash deposit is insufficient to pay all claims for labor in full, the  
26 sum recovered [shall] *must* be distributed among all claimants for labor  
27 in proportion to the amounts of their respective claims. Partial payment  
28 of [such claims shall not be considered as] *claims is not* full payment,  
29 and the claimants may bring actions against the contractor for the unpaid  
30 balances.

31 [5.] 7. Claims, other than labor claims, against a bond or deposit  
32 [shall] have equal priority, except where otherwise provided by law, and  
33 if the bond or deposit is insufficient to pay all [such] of those claims in  
34 full, they [shall] *must* be paid pro rata. Partial payment of [such claims  
35 shall not be considered as] *claims is not* full payment, and the claimants  
36 may bring actions against the contractor for the unpaid balances.

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SENATE BILL NO. 136—COMMITTEE ON  
COMMERCE AND LABOR

JANUARY 29, 1981

Referred to Committee on Commerce and Labor

SUMMARY—Provides for special classification of contractors working on pipelines for hazardous liquids and natural gas. (BDR 54-271)

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 the licensing of contractors; providing for special classification of contractors who are engaged in certain activities; and providing other matters properly relating thereto.

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

- 1 SECTION 1. Chapter 624 of NRS is hereby amended by adding  
2 thereto a new section which shall read as follows:  
3 1. *The board shall provide by regulation for separate classifications*  
4 *of licenses for contractors who desire to engage in the construction, alter-*  
5 *ation or repair of pipelines for hazardous liquids or natural gas which are*  
6 *regulated by the Federal Government.*  
7 2. *An applicant for a license to engage in an activity separately clas-*  
8 *sified pursuant to subsection 1 must demonstrate to the board by exam-*  
9 *ination a thorough knowledge of the federal regulations which affect the*  
10 *particular activity for which the license is sought.*  
11 3. *Any person who violates a regulation adopted by the board pur-*  
12 *suant to this section, in addition to any other penalty provided in this*  
13 *chapter, shall pay an administrative fine levied by the board of not more*  
14 *than \$1,000 for each violation. Each day of violation constitutes a sep-*  
15 *arate offense.*

30