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# INTERNATIONAL FIDELITY INSURANCE COMPANY

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March 23, 2009

The Honorable Terry John Care  
Nevada State Senate  
4371 Woodcrest Road  
Las Vegas, NV 89121

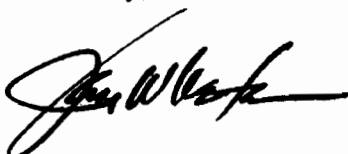
Re: Senate Bill 221

Dear Senator Care:

I will have the privilege of addressing your Judiciary Committee tomorrow morning. I thought that in anticipation of that, you might be interested in seeing a letter sent to Nevada Department of Corrections Director, Howard Skolnik following a meeting I had with him last August. This memorandum is self-explanatory and it may prompt questions from you which I would be pleased to try and answer at the hearing.

I also enclose some personal background information, should you be interested. I look forward to seeing you tomorrow and, again, appreciate the opportunity.

Sincerely,



Jerry Watson  
Sr. Vice President and  
Legal Counsel, Bail  
International Fidelity Insurance Company

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EXHIBIT D Senate Committee on Judiciary

Date: 3-24-09 Page 1 of 6

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# INTERNATIONAL FIDELITY INSURANCE COMPANY

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August 12, 2008

Director Howard Skolnik  
Nevada Department of Corrections  
5500 Snyder Avenue  
Stewart Facility, Building 17  
Carson City, NV 89701

Re: Post Conviction Bonding

Dear Director Skolnik:

Thank you for meeting with me recently as we discussed the several potential benefits to Nevada, both in terms of public safety as well as economics, flowing from the implementation of a performance bonding program for persons released before concluding their penitentiary sentence.

What we would propose to create, with the assistance of you and your colleagues, is a partnering of the public and private sectors to establish an operation (the program) that would meet four desirable objectives in your State related to persons on early release:

1. Significantly reduce the normal rate of recidivism of such persons.
2. Retrieve back into custody those not in compliance with their release conditions, at no expense to Nevada.
3. Provide for the State a new positive revenue source.
4. Add additional subjects for early release, thus contributing to reducing prison overcrowding.

While you and those with whom you work in the courts, other agencies and State functions do not need to be convinced of the value of these objectives, permit me to comment here on why we believe they are attainable.

But first, why we feel qualified to be even addressing this topic, much less proffering the program. Our company is the Country's oldest (105 years) and largest (some four thousand national representatives) underwriter of criminal justice system appearance bonds. While the program is indeed a new concept the business model we would bring to it accounts for our consistent success and has been very effectively utilized for some 75 years.

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Persons on early penitentiary release are not very different, if at all, from those comprising our current customer base accounting for almost one half million pre-trial releases each year. In fact, we believe that our excellent low recidivism and compliance statistics can possibly even be improved upon under the program.

What we would propose to do is simply this:

Employ our current business model as a template for the program. Here, then, is how it would work; in terms of achieving the three previously stated objectives:

1. Reduced recidivism.

Typically we are interested in the person (the subject) making all of their scheduled court appearances. We deal with persons in the community who are interested in seeing the subject be free of incarceration (the sponsors), and we triage with those persons to affect the behavior of the subject in terms of court appearance compliance.

We solicit not just verbal promises of assistance from the sponsors, we insist that they, like ourselves, have a financial investment in the subject's behavior. Even though some sponsors are unable to deposit solid collateral (risk security), we still have them execute a financial agreement of indemnity thus enabling us to truthfully demonstrate to the subject that, should he (or she) be non-compliant it will affect those who cared enough about the subject's release to obligate themselves. They are the one's who would be hurt if release conditions are violated.

Of course we have other small control mechanisms in place, but the position of the sponsors is key.

Again, this and its related features has worked amazingly well for us for a very long time. The dynamics have influenced a low rate of recidivism (less than half that of Nevada's early prison release subjects), all to the benefit of the community.

2. Condition violator retrievals.

As you probably understand, we obligate ourselves financially for the pre-trial defendant making all court appearances. We do this by the posting of our bonds in the amount set by the Court (the bail).

While various states differ in the amount of time they allow, we are given a certain amount of time (a sort of grace period) in which to retrieve and surrender back into custody a person who has violated the conditions of his pre-trial release.

In the event we are unsuccessful, we must pay the amount of our bond to the state. The same would be the case under the program except that here the bond (say \$25,000.00) would have to be paid if we did not return the subject to custody within the time allowed after we were notified that the subject had violated an early release condition.

Why would we engage in such an endeavor? There are three reasons:

- a. We will collect a premium from the sponsors, and the subject, for the placement of our bond.
- b. We are convinced that the personal risk of the sponsors as indemnitors will influence compliance, and
- c. We have a long history of retrieval success.

3. New Nevada revenue.

Will the program be 100% successful? No, it will not. Some will in fact breach their early release conditions. And we will not get everyone of those back into custody; most, but not all.

And for every time we fail we will pay Nevada the bond amount (\$25,000.00 or whatever amount is agreed upon as appropriate) and this will be paid without delay.

If, for example, a two year pilot project were done of say 500 subjects per year and the bond amount was \$25,000.00 and the breach rate was 10% (50 subjects) and we failed to retrieve 10 of those, Nevada would be paid \$250,000.00 each year of the pilot project.

If, on the other hand, the breach rate is lower and our retrieval rate is better, then less money, but fewer crime victims, so society wins either way, and we still realize a profit; these combine for the best benefit from this public-private partnership.

Whatever monies the State did ultimately realize, how those funds get spent is none of our business, but certainly one very deserving beneficiary could be community programs, the unsung but underfunded heroes of crime prevention.

I have mentioned "pilot project" rather than legislation as a starting point, but this also is a call for you and your colleagues. We suggest pilot project for several reasons:

- (1) The program is untried.

(2) To give it the greatest chance of success would require:

- a. Involvement of the best and brightest.
- b. Learn where outpoints could develop and correct them.
- c. Gather very solid statistics under a tightly controlled environment.

(3) It could then be taken to the legislature three years hence as a tried and true approach.

4. Reduced prison overpopulation.

The program, conceivably, would add to the number of subjects who would ordinarily be released early.

I would very much enjoy an opportunity to visit further on this matter with any who may be interested in hearing more.

Thank you again for our pleasant visit and for taking the time to review this correspondence, lengthy as it is. Please feel free to distribute copies should you choose, and let me know if you wish more exploration.

Sincerely,



Jerry Watson  
Sr. Vice President and  
Legal Counsel, Bail  
International Fidelity Insurance Company

Cc: Mr. Fred Mitterhoff  
President, International Fidelity Insurance Company

Mr. Brian Nairn  
Vice President, International Fidelity Insurance Company  
Chief Executive Officer, AIA Holdings, Inc.

Senator William Raggio  
Nevada State Senate

## **BACKGROUND & EXPERIENCE OF JERRY W. WATSON**

Served, in one capacity or another, as an attorney specializing in the bail surety field for some 40 years. This work has involved, among other functions, the following:

- Representing the retail bail agent, the administrator and/or the surety in an attempt to convince the appropriate court to either set aside a forfeiture, vacate a judgment or grant remission on what would otherwise be large bond losses.
- Currently serving as General Legal Counsel to national trade associations, such as the National Association of Bail Insurance Companies and the American Bail Coalition, whose members include insurance companies underwriting bail nationally.
- Currently holding the position of Chief Legal Counsel, Bail, for over 25 years for International Fidelity Insurance Company, the nation's oldest and largest underwriter of criminal court appearance bonds.
- Currently and for the last 35 years, holding the position of National Legal Counsel to Allegheny Casualty Company, an old line bail underwriter.
- Currently serving as Chief Legal Officer for AIA Holdings, Inc, the nation's largest bail program administrator.
- Representing the commercial bonding industry, for the last 12 years, as a member of the Board of Directors of the American Legislative Exchange Council. Chairman of ALEC's Private Enterprise Board 2006-2008.
- Personally crafted numerous bail related measures and testified before various states and federal legislative committees relative to same.
- Appearing many times, over the last 35 years, before state and federal legislative committees to testify either in support of, or in opposition to, bills pertaining to bail.
- Frequently presenting on the subject of bail at continuing education seminars attended by judges, attorneys and retail bail agents.
- Undergraduate and law degrees are from Baylor University, and I am a graduate of the National College of Criminal Defense Attorneys and Public Defenders.
- Licensed to practice law in all the courts of the state of Texas, the United States District Court for the Northern District of Texas and the United States Fifth Circuit Court of Appeals.
- Authored a chapter on Bail Bonds, included as part of the American Bar Association book, *The Law of Miscellaneous and Commercial Surety Bonds*, Todd C. Kazlow and Bruce C. King, Editors, published 2001 as well as numerous articles for trade related publications on the subject of bail.