

MINUTES OF MEETING - JOINT COMMITTEE ON COMMERCE - 55TH NEVADA SESSION -  
FEBRUARY 10, 1969

Present: Assemblymen Wood, K. Hafen, Torvinen, Capurro, Mello, Bowler  
and Espinoza

Senators White, Hecht and Swobe

Absent: Senators Bunker, Titlow and Lamb

Also Present: Mr. Douglas Erickson, Chief Deputy Commissioner of Insurance for  
Nevada; and interested parties of the insurance industry.

Chairman White convened the Joint Committee on Commerce at 9:45 a.m. and  
comments were as follows:

Chapter 1: No comments.

Chapter 2: Mr. Hecht asked Mr. Erickson whether or not the powers of the  
Insurance Commissioner had been changed in the new code and Mr. Erickson stated  
that they were about the same.

✓ Mr. Erickson stated that a rate analyst should be employed by the  
department to review the casualty filings. This chapter does not spell it out  
however we should have one since the filing system is changed later in the code.  
Mr. Torvinen asked why it was necessary to have a rate analyst and was informed  
that the analyst reviews the files in the interest of the public to be sure  
the rate is not too high or too low. With the filing system being changed,  
there is no one qualified to handle this and the industry could suffer.

Chapter 3: Chairman White inquired if the capital funds required as shown  
in Section 68 of the code are the same as other state and Mr. Erickson stated  
that the requirements are in some instances below those of other states but  
in line with the majority of the states.

Chapter 4: Mr. Erickson discussed the fee schedule and noted those fees newly  
established or increased. Newly established fees were for life insurance  
analyst application, examination and license. Mr. Erickson stated that the  
function of the analyst would be essentially the same as what our "insurance  
consultants" do now, but through the new code, they would be required to have  
an examination to show proper qualifications to be an insurance analyst.

Chairman White requested clarification of Section 93, Tax Credit if  
Regional Home Office is in Nevada. Mr. Erickson stated that the section was  
established to entice more insurance companies to base their home offices in  
the state. To do this they are given a tax credit on their general premium  
taxes and their ad valorem taxes paid during the calendar year upon such home  
office and land. He noted that Hartford Insurance Company has a home office  
in Nevada and employs approximately 200 people. However, the home office must  
be owned by such insurance company in order to receive this tax credit as a  
lease would not entitle a company to these benefits.

February 10, 1969

2.

17

Mr. Erickson noted Section 95, Insurance Regulatory Revolving Fund, newly established. He stated that this fund was under budgetary control and last year brought approximately 250,000.00.

Discussion was held on Section 96, NAIC General Expenses Assessment, and Mr. Erickson noted that the fund is for the purpose of defraying expenses of the association together with the travel expenses of the insurance commissioner and staff. This assessment is paid yearly by insurers. Last year the amount deposited to the fund was approximately \$8000. He stated that the purpose of the National Association was for the Insurance Commissioners to study laws regarding insurance practices and that there was provision for disbursement of unused funds.

Chapter 5: Mr. Erickson noted that Section 107 was new for the purpose of qualifying difference between "wet marine" and "~~dry~~ <sup>ENLAND</sup> marine".

Section 109, Surety Insurance Defined, is primarily for the purpose of breaking down the classes of insurance to make them easier to understand and work with.

Chapter 6: Mr. Wood asked what would be the reason for the disallowance of "wash" transactions as set forth in Section 117 and Mr. Erickson stated that the section was for the purpose of ensuring against fraudulent financial statements wherein the insurer might show an asset or credit against liabilities reinsurance which might have been arranged for to therein deceive.

Discussion was held on Section 120 and Mr. Erickson explained the unearned premium reserve.

Chapter 7: No radical changes to this chapter.

Chapter 8: Section 188, Mexican, Canadian Insurers, provides for allowing Mexican and Canadian insurance agents to establish offices in Nevada. At the present time, insurance obtained through American agency does not apply when insured travels through Mexico. Upon crossing the border, an individual must stop and obtain insurance from the Mexican authorities for the period of time the insured plans to be in that country. If an accident occurs and the individual does not have Mexican insurance coverage, his car would be impounded and he would be held by the authorities. American insurance coverage would apply only upon the insured's return or action being brought within the states.

Chapter 9: Mr. Erickson noted that Chapter 9 is a new chapter on disciplinary facts concerning agents, brokers, solicitors, managing general agents and service representatives; also surplus lines brokers, motor club agents and solicitors and professional bondsmen.

✓ Section 195 incorporates surety insurance for purpose of including persons in bail bond business. At present time, these persons fall under the category of casualty insurance and actually in no way does it refer to them. The test which they would take for surety insurance would not cover casualty as it does now.

February 10, 1969

3.

18

Mr. Erickson noted that Section 196 is for the purpose of qualifying the definitions and other than that there are no radical changes. The managing general agent should fall under the jurisdiction of the commissioner in case of service of process.

Section 197, Service Representative Defined, was discussed and Mr. Parish, individual Insurance Agents of Nevada, noted that when the original draft was received, sub-paragraph (b) was not included. He stated he felt that the inclusion of this sub-paragraph made the meaning less clear. Mr. Erickson stated that he believed the sentence had been added for the purpose of including group merchandising which is presently entering the picture. Mr. Hannah, representing Life Insurance Company of America, noted that he had been requested to watch the reciprocals closely and that he believed sub-paragraph (b) was incorporated for their purpose. Due to the specialized field of this insurance, definitions are necessary to separate them from other agents.

Mr. Erickson said it applied to other than the reciprocals. He cited the example where an agent transacts business with group such as the State Employees Association for payroll protection. The agent is not transacting with an addividual but with an association for individuals.

✓ Mr. Corica, Independent Insurance Agents of Nevada, stated that his company did not object to this group, however, there are some who come in and let one or two plans and if any ~~problem~~ arises, they will be hard to find. Mr. Erickson noted that all insurance agencies had to be licensed in the same manner and therefore the risk should be no greater than in the instance of bankruptcy of an agent. The recourse would be the same. He cited the Professional Liability Insurance which goes through a local agent but is a mail plan. The policy is less expensive and is considered a merchandising policy. The company still has to meet the minimum financial requirements and this is the recourse. The subject was also discussed with regard to those mailed policies which do not go through a resident agent and the fact that there is no provision of this in the new code. They are unlicensed mail insurance agents as discussed in Chapter 14 of the code. Mr. Erickson stated that these fall under the extra-territorial jurisdiction and there could be no action taken on this. Chairman White stated that there would be further discussion on this Section 197 and that no action would be taken this date.

Section 208, Examination for Nonresident License, Mr. Erickson noted that Nevada allows for a reciprocal agreement regarding non-resident agents and their qualifications. Under certain conditions, the commissioner may enter into this agreement rather than requiring written examinations. He noted that temporary licenses can be issued for periods of 90 days and extended thereafter. In the event of the death or disability of a licensee another agent can obtain a temporary license for the purpose of concluding the business of such licensee. Mr. Erickson stated that he was not in favor of temporary certificates however, due to the abuse of them. Someone not licensed can be hired by a general manager, sell his friends and then take off.

Chairman White noted that the temporary certificate is for the benefit of the broker who is needed immediately but has to wait one month for the examination to be given. Mr. Erickson noted that the exam is held twice a month, once in Las Vegas and once in Carson City, although he did realize the

February 10, 1969

4.

19

distance involved in traveling to Carson City for the purpose of taking the examination. Under those conditions, it could cause a hardship on the general manager who is hiring the broker if no temporary certificate could be issued.

Mr. Parish noted Section 222 and stated that he felt the terminology was incorrect and that "if other than an authorized insurer not generally transacting business through an agency system" lines 48 and 49, should be deleted. Mr. Erickson stated that he was not positive why this was changed from the original draft but might possibly have to do with the reciprocals again. Mr. Hannah said he had no comments at this time, however, he did wish to discuss this further after he had the opportunity to talk with Mr. Houston.

Chairman White asked if there were any further comments and there being none, he announced that the committee would meet at 9:45 on Tuesday, February 11, and discuss Chapters 10 through 14.

Meeting was adjourned.