

MINUTES OF MEETING - JOINT COMMITTEE ON COMMERCE - 55TH NEVADA SESSION
FEBRUARY 11, 1969

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

Senators White, Bunker, Hecht and Titlow

Absent: Senators Lamb and Swobe

Also Present: Don Stephenson, Vice President and General Counsel for Dell Webb corporation, Douglas Erickson, Chief Deputy Commissioner of Insurance;

- ✓ Senator White convened the meeting at 9:45 and introduced Mr. Don Stephenson, Vice President and General Counsel for the Del Web Corporation, appearing to be heard on A.B. 148, amending law relating to corporate gaming licenses. After his presentation, he noted that he was in the process of drafting amendments to the bill which should be completed soon. Chairman White informed Mr. Stephenson that additional gaming bills would be heard on Saturday at 10:00 a.m. and invited him to attend in the event he would be interested in them.

Thereafter Senator White introduced Mr. Richard Hannah, Representative of Life Insurance Company of America, for the purpose of explaining those areas in Sections 197 and 222 which referred to reciprocals. Mr. Hannah stated that when the bill was first written during the meetings held in November the language under consideration now, was added for the express purpose of the reciprocal associations, to make clear in the insurance code there would be some provision written into it for those who did not operate through the agency method. Those individuals are highly trained in their fields. He noted that reciprocal insurers are referred to in Chapter 30 of the new code. Mr. Capurro said that the reciprocal insurer can come into the state, make recommendations without benefit of resident agent and sell. He felt there should be a resident agent involved. Mr. Hannah said that this is the recognized method of doing business and that this method has been used for many years without using agents.

In an instance where the highly trained technician is required, the agent serves no purpose other than to sign or counter sign. Should the committee decide that resident agent is required then the legislature is imposing on the buying public. The second point is that the proposed code was written by the insurance commission to make provision for the reciprocals. There is a specific provision for direct writing and must be followed. Mr. Hannah said that all insurance in the state is not written by agents and yet they are still recognized.

Mr. Erickson said there were a number of companies specializing in certain types of risk policies. These industries may form reciprocals for the express purpose of handling these special risk policies. Mr. Wood cited an instance wherein his agent was in Las Vegas and he was in Reno, he had never met the gentleman and problems did arise. Mr. Wood suggested perhaps we should require the agent and the insured to be in the same general area.

Mr. Hannah said there should be no problem caused by the reciprocal insurers because where these reciprocals use agency system such as Farmers Insurance Group, only the specialized industry enters into it. He stated that before the committee made any action on this matter, they should carefully consider the reason for the terminology. The industry and the commissioner felt it was necessary for the smooth flow of administration in the state. It was not for the purpose of digging into the insurance business. Mr. Hannah then submitted to the committee a letter addressed to the chairman setting forth his opinions.

Mr. Parish, Independent Insurance Agent, stated that with regard to Section 197, action had been reserved after some discussion and it was their feeling that sub-section (b) would be removed. The Independent Agents of Nevada strongly feel that all reciprocal insurers should be licensed by the state or have a licensed resident agent.

Mr. Capurro asked if they were licensed in other states and Mr. Hannah said "not necessarily". These persons are highly trained and salaried technicians and engineers. For example, the lumber industry would be very likely to have such a person in his employ. Mr. Capurro stated that the purpose of requiring licenses on resident agents is to protect the public and Mr. Hannah suggested that the committee check with the commissioner since these companies are authorized to do business in the state by the commissioner. Mr. Capurro said they were not questioning the company, but the individual who works for the company.

Regarding the language used in Section 222 discussed at the last meeting, Mr. Hannah said this too was the result of the hearings in November and was included to give continuity to the code. These sections were added through the recommendations of the insurance industry and the commissioner because there are recognized insurers accepted in the state who do not operate through an agency system. He stated that if the reciprocals are not recognized, the industry would be deprived of a necessary function offered by the reciprocal associations.

Mr. Capurro asked for an approximate amount of business that the reciprocals did in the last year compared with other areas of the insurance business. Mr. Hannah and Mr. Erickson said they would obtain these figures from the annual reporting forms.

Mr. Torvinen stated that in his opinion the definition of an insurer not operating through an agency was an important item in the discussion. Right now a person or foreign corporation could send out mail flyers to anyone in the state and do so without use of an agency system. He said he could understand the problem of the reciprocal associations, but that the definition should be clarified.

Mr. Erickson cited the example of a sophisticated buyer who may have an insurance buyer of his own. The buyer could fly to New York to obtain his insurance. He said perhaps an exception should be made in this area at the discretion of the commissioner.

Chairman White requested Mr. Torvinen to research the matter of the definition and then requested Mr. Erickson to explain the changes in the code beginning with Chapter 10:

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Chapter 10: Mr. Erickson noted that Chapter 10 was entirely new and had been adopted from facts of the California Insurance Code which was enacted in 1941. A life insurance analyst is a person who specializes in consulting on annuities and estate planning. The difference between the consultant and the analyst is that the analyst would be bonded by the state.

Chapter 11: Adjusters. Mr. Erickson stated that a number of clarifications to the present statutes were made herein and especially those previously lacking on licensing of adjusters. The qualifications for individual licenses have changed and there are now a number of correspondence schools all over the country. The independent adjuster is a specialized individual and this chapter ties in with the disciplinary section of the licenses.

Section 255, discussion was held on the word "recent" used in paragraph 5. Mr. Wood stated that two years experience is the same no matter when it was obtained. In view of the need for examinations and licensing, he felt there was no reason to include the word. Mr. Erickson stated he would delete the word.

Discussion was held on Section 250, Adjuster Defined, and Mr. Lorigan, Farmers Insurance Group, asked if the language was not ambiguous since it does not embrace salaried employee. Further discussion was held regarding the terminology "attorney at law" in allowing an attorney to act as an adjuster. Mr. Erickson said an attorney is considered a qualified person in this field and therefore may be substituted for an insurance adjuster on request.

Section 257, application for license. Changes in clarification only.

4 Chapter 12: Surplus lines. The purpose of adding Chapter 12 which was entirely new to tie the surplus line brokers in with the agents and brokers to prevent redundancy. Mr. Erickson noted that paragraph 5 of Section 276 referred to the Mexican insurers discussed at yesterday's meeting.

✓ Section 277, "Broker""Export" Defined. Mr. Erickson noted the definite need for this section especially with regard to a market for malpractice insurance. Doctors find it extremely difficult to obtain malpractice insurance. This is one of the reasons to let unlicensed insurance companies write policies in Nevada. These Doctors would usually have Lloyds Market Insurance or London Market to protect him.

Section 280, Open Lines for Export. Nevada leads in this section and other states have looked to Nevada in handling the open lines of surplus exports. The section allows trade associations to voluntarily check into the market to see what is not covered by markets available within the state. These markets can be offered for export by the commissioner and the offer may continue for as long as the need exists.

Section 293, Failure to file Statement. This section limits the penalty for failing to file annual statements to the aggregate \$100.

Section 294, Suit against Surplus Line Insurers. No comment.

✓ Section 295. Mr. Erickson introduced Mr. Arant President of the Surplus Line Brokers of Nevada, who stated he would be glad to answer any questions. Mr. White asked if his group was satisfied with the new code and Mr. Arant replied affirmative.

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Section 298. Mr. Wood noted that the purpose of allowing export companies to be written in Nevada would be because the specific market is not available. However, the insurance market should stay within the U.S. if possible.

Chapter 13: Discussion was held on Sections 301 and 302 pertaining to service of process and necessary affidavits.

Chapter 14: Chairman White introduced Mr. Harvey Rose, President of Nevada Association of Life Underwriters who commented regarding the Twist section 314 and stated that even though this section has been in the insurance code for some time, most people who have been taken by an agent would prefer not to let anyone know about it. Also there is a shortage of manpower in the Insurance Commission.

Mr. Rose stated that Section 315, Replacement of Life Insurance, is especially good because with this section, an agent convincing an insured that his policy should be replaced may in some instances be required to list these advantages and comparisons and have both agent and insured sign below it. A copy is then forwarded to the insurance commissioner and the insured retains one copy.

Discussion was held on Section 329, prohibiting political contributions and Section 334, Fictitious groups.

Chairman White stated that Wednesday, February 12 at 9:45 a.m. the committee would begin with Chapter 15 for study.

Meeting adjourned.