

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON COMMERCE AND LABOR**

**Seventy-Fourth Session
February 7, 2007**

The Committee on Commerce and Labor was called to order by Chair John Ocegüera at 1:34 p.m., on Wednesday, February 7, 2007, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Mr. John Ocegüera, Chair
Mr. Marcus Conklin, Vice Chair
Ms. Francis Allen
Mr. Bernie Anderson
Mr. Morse Arberry Jr.
Ms. Barbara E. Buckley
Mr. Chad Christensen
Mrs. Heidi S. Gansert
Mr. William Horne
Mrs. Marilyn Kirkpatrick
Dr. Garn Mabey, M.D.
Mr. Mark Manendo
Mr. David R. Parks
Mr. James Settelmeyer



STAFF MEMBERS PRESENT:

Brenda J. Erdoes, Committee Counsel
David S. Ziegler, Committee Policy Analyst
Judith Coolbaugh, Committee Secretary
Gillis Colgan, Committee Assistant

OTHERS PRESENT:

Robert L. Compan, Government Affairs Representative, Farmers Insurance Group and Zurich Insurance Company
Scott M. Craigie, President, Alrus Consulting, representing Farmers Insurance Group
Michael Geeser, Media/Government Relations, AAA Nevada, California State Automobile Association
Jeanette K. Belz, J. K. Belz & Associates, Inc., representing the Property Casualty Insurers Association of America
Susan Fisher, Executive Director, Nevada Powersport Dealers Association
John P. Sande, III, Attorney at Law, Jones Vargas, representing the Nevada Franchise Auto Dealers Association
Peter D. Krueger, AMS Government Relations, representing the Independent Garagemen and Emission Testers Council
Troy L. Dillard, Administrator, Compliance Enforcement Division, Nevada Department of Motor Vehicles
Jesse A. Wadhams, Attorney at Law, Jones Vargas, representing the Nevada Franchise Auto Dealers Association
Robert L. Crowell, Attorney at Law, Kummer Kaempfer Bonner Renshaw & Ferrario, representing the Nevada Association of Mortgage Professionals
Scott Bice, Commissioner, Nevada Department of Mortgage Lending

Chair Ocegüera:

[Roll called.] I would like to introduce the members of the committee. Mr. Arberry has been on this committee for nine sessions and Ms. Buckley has served for seven sessions. We have plenty of experience to draw upon, but I would also like to welcome the new committee members. Some of them have lengthy service with the Legislature. Mr. Manendo is in his seventh session. Mr. Horne and Mr. Christensen, welcome to the committee. Dr. Mabey and Mrs. Kirkpatrick, welcome. A new member to the Legislature and to the committee is Mr. Settelmeyer. It is good to have you on the committee. I would also like to introduce our staff. Our Legal Counsel is Brenda Erdoes and our Policy Analyst is David Ziegler. You might recognize him, since he has

worked with the Legislature and the Legislative Counsel Bureau for five sessions. This is his first session with this Committee. We are happy to have him here and welcome his knowledge.

Our Committee Manager is Leslie Danihel. She will be your contact person for audience members wishing to testify. Her office is located at Room 4108 with Mr. Conklin. I would like to introduce our Committee Assistant, Gillis Colgan, and the Committee Secretaries at the podium are Patricia Blackburn, Judith Coolbaugh, and Earlene Miller. These ladies organize the well-thought-out agendas and keep the committee on track.

Before beginning the work of this hearing, I want to draw your attention to the Standing Committee Rules ([Exhibit C](#)). I have added two rules. They are partly for the Committee members and partly for the audience. Rule 19 requests you have hearing exhibits in writing, any proposed amendments, and your contact information to the Committee Manager by 1:30 p.m. on the previous business day. The Committee will then have time to prepare and look at them. To respect private conversations of committee members and staff, Rule 21 requests that lobbyists and members of the public refrain from approaching the dais unless requested to do so by a committee member or staff person. I will accept a motion to approve the Standing Committee Rules.

ASSEMBLYMAN HORNE MOVED TO ADOPT THE STANDING
RULES OF THE ASSEMBLY COMMITTEE ON COMMERCE AND
LABOR.

ASSEMBLYMAN ARBERRY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chair Oceguela:

The committee hearings will start at 1:30 p.m. except Fridays when we will start earlier. We have two bills scheduled for this Friday, and we will try to expedite the process. We have a number of bills to get through this session, and if we just maintained the same pace as last year, we would have to do three bills per meeting date. This year we will have more bills than last. We will try to start as soon as the floor session ends on Fridays. I would like to have Dave Ziegler briefly review the subject matter that this committee handles, and the subject matter that may come before it, including the bills we have seen in the past and the ones we will see in the future.

David S. Ziegler, Committee Policy Analyst:

There is a document entitled Committee Brief ([Exhibit D](#)) in the member folder. There are also some copies for the audience. If you did not get a copy and you would like one, please see me after the meeting. The Committee Brief has an introduction page that gives an overview of the document. The second page covers the 139 measures that were considered during the last session. The jurisdiction of the Committee—these are recommended referrals—on pages 3 and 4 of the document encompasses a wide range of subjects the Committee will cover in Titles 8, 10, 18, 40, 43, 46, and 52 through 58.

On page 5, there is a discussion of some of the activity that took place in this committee during the 2005 Session. The topics are grouped by subject matter. It is impossible to be exhaustive in a document of this length, but in brief it does cover topics of short-term and high-interest loans, prescription drugs, landlords and tenants, manufactured housing, renewable energy, industrial insurance, licensing boards, and licensing of professions, occupations and businesses.

In terms of subjects that may arise this session, it is always a little hard to tell at this point in the session, but it is likely that we will see issues on deceptive trade practices, health insurance, health care, health benefits, licensing, mortgages, loans, prescription drugs, renewable energy, and workers' compensation.

Page 9 shows the schedule for implementation of the session, and the Committee members are familiar with that. If you have any questions, let us know. Toward the back of the document is a list of contact information for the State agencies. If you need contact information for all the professional and occupational licensing boards—and there are quite a few of them—that information is available on the website, in the Legislative Manual, or you can just ask and I can get that information for you.

I would like to add that my department is available to assist the Committee members on any issue. If committee members would like any information on a confidential basis, I would be happy to serve you on those. My contact information is contained in the last paragraph of the document.

Chair Ocegüera:

Thank you, Mr. Ziegler. Are there any questions for Mr. Ziegler on anything he has presented? In closing on the introduction, I appreciate all your hard work and attention. We are opening the hearing on Assembly Bill 2.

Assembly Bill 2: Revises provisions relating to automotive repairs. (BDR 52-92)

Assemblyman Bernie Anderson, Assembly District No. 31:

Thank you for hearing my bill first in committee. I do not consider myself an expert on auto repair, maintenance, or body work. I consider garage and gas station personnel to be reliable and dependable sources of information, and a trustworthy group of people to whom I entrust my own personal vehicle. The bill is not a reflection of my personal experiences. Rather, it stems from the need to close what appears to be a gap in our statutes relative to what some body shops are doing, and the resulting fallout for consumers. The problem occurs when the insurance industry cannot, in good faith, meet the demand for services because some garages and shops are using fraudulent practices. I believe this bill to be pro-consumer legislation.

As a pre-filed bill, A.B. 2, has a small problem in it. I have worked with the Legislative Counsel Bureau staff in drafting a proposed amendment ([Exhibit E](#)) to correct it. It does not represent a substantial change. I would ask the committee to examine the mock-up of the amendment. It removes language from the original bill—Section 1, lines 20 and 21, and Section 9, lines 10 and 11—which reads: "Any person who violates any provisions of this section is guilty of a misdemeanor." The language referring to "guilty of a misdemeanor" would be deleted.

With me today is Robert Compan, who brought this issue to my attention. He has had personal experience with the issue under consideration. Scott Craigie will also testify with Mr. Compan in support of the legislation. Also, there are representatives from the Nevada Department of Motor Vehicles here to testify. They have concerns about the practical enforcement of this section, which is part of the *Nevada Revised Statutes* (NRS) 597. While I have not included their suggested language in the proposed amendment, I do feel that the issues they are going to bring forward need to be carefully considered by this committee.

Chair Ocegüera:

Thank you, Mr. Anderson, for that brief introduction.

Robert L. Compan, Government Affairs Representative, Farmers Insurance Group and Zurich Insurance Company:

Thank you, Mr. Chair, and members of the committee. I also want to thank Mr. Anderson for taking the initiative on this legislation. My testimony is in support of A.B. 2. This bill is a consumer bill, since we are representing the customers of our company pertaining to repairs completed in Nevada body shops. This bill gives an avenue for our customers and our company to address the growing problem of completion of repair estimates. The bill requires the shop to notify the customer and the purveyor, meaning the insurance company in this case, should the shop decide to deviate from the estimate provided to the customer.

We want vehicles to be safe for Nevada highways. This bill will give the customer, and the insurance company, another avenue for complaint in addition to the one already outlined in statute, which permits the lodging of complaints of fraud with the office of the Attorney General. It also allows the party to work with the Nevada Department of Motor Vehicles enforcement division. This bill will give our customers and Nevadans peace of mind that their vehicles are being repaired to meet safety specifications. We can then be assured that repaired vehicles will be safe on our highways. This is a brief summary of the bill, and I would be happy to answer any questions.

Chair Ocegüera:

Are there any questions?

Assemblywoman Buckley:

How prevalent is the problem? What are we really trying to get at here?

Mr. Compan:

Although I did not bring the statistics with me today, there is a need for strengthening the laws regarding body shop repairs, because repair estimates are not matching the actual completed work. Our adjusters are going out to body shops and finding inconsistencies. For example, an estimate may be for replacement of the frame of a car, which is made of high-strength alloy steel. Per the International Conference on Automotive Repair (ICAR) and Automotive Service Excellence (ASE) standards and recommendations, the body shop is required to replace the frame with a new one.

When our company goes out to check the work, we find that the frame has not been replaced, but instead the body shop has opted to repair the existing one. This repair makes the vehicle unsafe for the highways. Later, if the vehicle is involved in an accident, and the car frame fails, injuries and death can result. When our company goes back and looks at who was actually performing the repairs at the time of the estimate, and finds the completed work does not match the original estimate, we need an avenue of recourse for our customer in order to fix the problem. The bill would provide us with that avenue.

Assemblywoman Buckley:

How widespread is this problem? Can you tell us the occurrence percentage or can you give us a sense of the extent of the problem, even if you do not have the numbers with you?

Mr. Compan:

Nationally, statistics state that the amount of fraud in body shops today is approximately 40 percent of all estimates.

Assemblywoman Buckley:

In addition to the body shops and garages, the bill also covers your typical, run-of-the-mill repairs, such as transmissions, and engine repairs. Is that correct?

Mr. Compan:

Yes, when we initially drafted the language, our understanding was the garage owners, who are doing the mechanical work on vehicles, should also be subject to the same responsibilities required for the body shop. In addition, the Nevada Department of Motor Vehicles believes there is some redundancy in the language. However, when we were drafting the bill through the Legislative Counsel Bureau, it was felt the sections in apparent conflict were not relevant to each other. Each section was determined to be independent of the other one.

Assemblyman Conklin:

I am going to make a disclosure before I ask my questions, and that is, I am not an attorney. My question may require a legal opinion. On my first reading of the bill I liked it, but I was curious if it would cover a similar problem that is not between an insurance company and a garage, or for that matter an individual person in the garage. Sometimes automobiles get subcontracted out from a garage to a dealer, because they have the only mechanic who can perform a specialized repair. Would this type of situation also be covered under this bill, even though it was a subcontracted relationship? And if not, why not?

I can tell you from first-hand experience, my car was released by the shop I contracted with for the work to a dealer to fix something only the dealer could fix. The dealer did something extra without authorization, and they would not release my car until the repair was paid for. Does this language in section 1 cover that specific example?

Scott M. Craigie, President, Alrus Consulting, representing Farmers Insurance Group:

The intent of the language in section 1, subsections 1 and 2, is to ensure the garage actually performs the changes and repairs per the written estimate given to the customer. When the garage accepts the motor vehicle and does a written estimate or statement of the repairs, the repairs made should be the same as those detailed in the written estimate. That is the bottom line. We want to make sure that once the customer leaves, or the insurance company group makes the decision to go ahead with the job, the repairs done return the car to its original state. Those are the repairs completed and not some other set of repairs. This language will cover the situation you described, Mr. Conklin. It requires the body shop or garage to do what they told the customer they would

do. The shop would be required to make the repairs they specified in the written estimate.

Chair Oceguera:

Ms. Erdoes, do you concur with the statement made?

Brenda Erdoes, Committee Counsel:

I concur with the statement Mr. Craigie made, but I would like to further clarify. The definition of garage in NRS 487.540 says: "a garage means a business establishment, sole proprietorship firm, corporation, association, or any other legal entity that performs any of the following services on motor vehicles." It then continues to list different kinds of services. There is no exception, at least in this part, for the kinds of dealerships you are talking about. It is likely the dealership being referred to would come under this bill. If you take your vehicle to a garage and they subcontract it out, the garage that you took it to would be held completely liable under the provisions of this bill.

Chair Oceguera:

Mr. Conklin, do you have a question?

Assemblyman Conklin:

I will talk with the sponsor of the bill at a later time.

Assemblyman Manendo:

I would like to disclose that I do marketing and public relations work for an auto body shop, but this bill will not affect me or my employer any differently than anyone else. I do have some questions in regard to the authorization. Whose authorization takes precedence, the owner of the car or the insurance company?

Mr. Compan:

If you look at section 6, subsection 3, it states:

As used in this section, 'person authorizing repairs' means a person who uses the service of a body shop. The term includes an insurance company, its agents or representatives, authorizing repairs to motor vehicles under a policy of insurance.

Does that answer your question?

Assemblyman Manendo:

Yes and no. Is it the car owner or is it the insurance company that is going to give the authorization, or is it both? What happens if they do not agree? Whose estimate would take precedence, the body shop or the insurance company?

Mr. Compan:

My understanding of the bill language—of course, the Legislative Counsel Bureau would have to give an opinion on it—is if an insurance company pays a claim on behalf of its customer, the customer is the one actually authorizing the repairs. The insurance company is simply the purveyor of the estimate.

Assemblyman Manendo:

On page 1 of the bill, it states: "if the garage is not able to perform the repairs," they must notify the person authorizing the repairs. What if the garage is able to do the work, but they cannot do the work without adding a part—be it a \$.50 part or a \$50 part? Do they then have to call the customer, or the insurance company, to get the okay to put in the additional part? Technically, they are not able to do the repairs, because when they tore the car apart after they had given the estimate, they found additional work that needed to be done. I am trying to figure out whom they would contact. Maybe it is more of a legal question. I would like to know what would happen in such a case.

Ms. Erdoes:

The answer to the question, and the reason the bill is drafted in this way, is it could be either party, but not both at the same time. In other words, it is who takes the car to the repair shop and actually enters into the agreement with the garage. In most cases, it is the customer, the owner of the car, who would enter into the agreement, and the insurance would reimburse the costs to the car owner, or the insurance company, itself, may pay the bill. There are some cases where an insurance company is actually the party who handles the entire transaction, so they are actually signing the authorization for the repairs. In that case, when the insurance company does the authorizing, they would be the party to be notified. It is whoever has signed for the repairs.

Assemblyman Manendo:

What if the customer takes the car in, and the insurance company comes in to do the estimate?

Ms. Erdoes:

If they both signed for the repairs, either one of them could be notified.

Assemblywoman Gansert:

My questions are along the same line. In section 3, I read: "person authorizing repairs," and in the second sentence, it states insurance companies. However, the language never says the word "owner." Should the language say owner or insurance company?

Ms. Erdoes:

It certainly could say that. The reason it is drafted as "the person authorizing repairs" is the intent was that either party could be notified. If the arrangement you have with your insurance company is they handle getting the car fixed, then they do not have to come back through you, the owner, to get your signature.

Assemblywoman Gansert:

For clarification, the language as it stands does not exclude the owner, even though the owner is not identified in the language.

Ms. Erdoes:

That is correct. The authorized representative would be whoever signed the agreement.

Chair Oceguera:

Are there any further questions?

Assemblyman Settlemeyer:

If the person authorizes the repair, would that person be the responsible party for payment?

Mr. Compan:

Yes, that is correct.

Chair Oceguera:

Are there any other questions? Mr. Craigie, did you wish to add more information?

Mr. Craigie:

No, I just had that one comment.

Chair Oceguera:

Are there any others who wish to speak in favor of the bill?

Michael Geeser, Media/Government Relations, AAA Nevada, California State Automobile Association:

The American Automobile Association of Nevada is one of those insurance companies that goes in place of the customer, and many times we bring the car down to a repair shop. In fact, we are starting a pilot program in which we will have a concierge service. We will meet the customer at a rental car agency and handle everything from that point. The customer goes home, and we take care of the car. It sounds like a similar scenario to the one Assemblyman Manendo was describing. That is exactly what we are trying to do. We will handle

signing off on the estimate, because we are paying for it. There will be times when we do not sign off on the estimate authorization, if we feel the work in the estimate does not need to be done. We are starting our pilot concierge program in Southern Nevada.

In addition, I have submitted a letter ([Exhibit F](#)) in support of A.B. 2. We believe this bill to be pro-consumer, with communication being the bottom line. It tells the consumer, or the insurance company, or whoever is the authorized person bringing in the car, the exact cost of the repair. To us, the proposal is a positive step in benefiting the customers who suffer car damage.

Chair Ocegura:

Are there any questions?

Jeanette K. Belz, J. K. Belz & Associates, Inc., representing the Property Casualty Insurers Association of America:

We represent 276 Property Casualty Insurers (PCI) members doing business in Nevada. Our members are responsible for over 52 percent of all automobile insurance policies written in Nevada. I have also brought a letter ([Exhibit G](#)) in support of A.B. 2.

This bill would allow an insurer responsible for payment for repairs to a damaged vehicle to authorize those repairs, or to authorize changes to an original written estimate for the repairs. This bill would assist in making the process of automotive repair more efficient, which would help in reducing costs involved in the claims process. It also would provide penalties for violation of these practices, which would strengthen the laws. We would appreciate the opportunity to work with the committee on this bill.

Chair Ocegura:

Are there any questions?

Susan Fisher, Executive Director, Nevada Powersport Dealers Association:

There are elements of this bill that we do support, because it defines practices we believe are appropriate. If you say something is going to cost "x" amount, that is what the repair should cost. If it is going to cost more, the customer should be notified. We do have some concerns with some of the language. For instance, if the vehicle is sent out to another shop, because the work cannot be done in the original shop, the original shop is liable. We believe that language should be cleared up. We do support the concept of the bill.

Chair Ocegüera:

Are there any questions from the committee? Are there any people here to testify in opposition to the bill?

John P. Sande, III, Attorney at Law, Jones Vargas, representing Nevada Franchise Auto Dealers Association:

I did talk to the sponsor of the bill yesterday, but in the form it is drafted I cannot understand it, and I still cannot understand it today. We already have NRS 597 in place. You have to give an estimate stating the cost of the repair. If, after opening up the vehicle, additional problems are found increasing the cost of the repair, you contact the customer, unless a signed written waiver is in place. If you do not get the permission, you put the car back together and the customer drives it away. Looking at section 1 of A.B. 2, it states:

A garage that accepts a motor vehicle for repairs shall perform the repairs in accordance with the written estimate or statement of the cost of the repairs that is provided by the garage or the person authorizing repairs.

This language says specifically that you must make the repairs in accordance with the written estimate or statement. However, if you go to subsection 2, it says, "If the garage is not able to perform the repairs"

For example, a customer receives a \$500 repair estimate. After opening up the vehicle, the mechanic finds additional required repairs that raise the cost to \$5,000. Under this section, I interpret the language to mean you cannot go back and say it is going to cost more. This section says, "If the garage is not able to perform the repairs" The mechanic doing the repair is able to perform, but it is going to cost a lot more.

I do not know exactly what the insurance industry has in mind, but I think we have to work to clarify the language so a reasonable person can understand exactly what is being said. We are not opposed to the concept of the bill.

Assemblyman Horne:

When you bring a car in for service or repair, you tell the repair shop what you think is wrong with the car. You do not get an estimate at that point. Later, you get a call telling you what the problem is, and the estimate of the repair cost, or you sit around the shop waiting for an answer. In the scenario you painted, it seems like the shop is giving you the estimate up front, but when they open up the vehicle, they find more problems.

Mr. Sande:

Yes, that is correct. I have not looked at NRS 597 for a couple of days, so I do not recall if it says specifically that the estimate has to be in writing. I think it may be. What the shop would do is take the car and look at it. Then, the shop says what they generally think the problem is, and gives you an estimate of what the repair would cost. Later, they go inside the car and find other problems. I talked with a person from Champion Chevrolet today, and he says often they find major problems that they did not anticipate until they actually got in and started working on the car. In that case, under existing law, they have to contact you and get your consent, unless the amount is 20 percent of the estimate or \$100, whichever is less. If it is more than that amount, then they have to contact you again and get your consent before they can do the repairs. A lot of times people say they cannot pay the extra amount, so the shop closes up the car and lets you take it away without paying anything at all.

Assemblyman Anderson:

You and I did talk about the nuances of the bill. Are you of the opinion in Section 1, subsection 2, lines 10 and 11, that the language would not cover a situation that is normal practice? I recently had an experience with my own vehicle. I took it in to a repair shop, and they called me to tell me what the problem was. Then I went down and got the car back. Is that type of scenario covered by the bill?

Mr. Sande:

As I read this section, I have a difficult time because on one side the insurance industry is talking about the repair shop performing the repairs in accordance with what they said they would do, but it does not talk about dollar amounts in section 1 of the bill. This is what made my reading of the bill difficult. I was trying to figure out if they were referring to the cost of the repair, or were they referring to the quality of the repair.

As I read subsection 2 of Section 1, it says the customer has been given a written statement of the repair costs, and those are the repairs the shop is required to complete, unless the shop says they are not capable of performing those repairs because they lack expertise or some other reason. It does not say they cannot perform the repairs for the amount quoted. That is why I am confused. I do not understand the intent of the language. We need to talk to the insurance industry and see if we can draw up some language that accomplishes their purpose. My clients are not opposed to the concept of the bill, but the drafted language makes it very difficult to understand.

Assemblyman Anderson:

I want to make sure the consumer is protected. I trust the garage that I use. If I leave my vehicle there for repair, they call me and tell me how much it is going to cost. I will agree or not with the price, and I can shop around for comparable prices, if necessary. Insurance companies used to ask clients for three written estimates. Then, if they were happy with them, you could move ahead with the repairs. How does this scenario prevent the consumer from being protected? It appears to me protection is already in place.

Mr. Geeser:

As I read it, the language in section 1 conflicts with NRS 597. If you look at the Legislative Counsel Digest, and the *Nevada Administrative Code* (NAC) 487.255, it is confusing to many of the car dealers as to how the language would be interpreted. We need to sit down and look at the language so we can address the issues. We are not opposed to the concept of the bill. It is just the language that is confusing.

Assemblyman Mabey:

It appears to be a simple bill, but the more you read it, it is not. My question is on Section 1, subsection 2, where it says, "If the garage is not able to perform the repairs" What if the garage decides it does not want to do the repairs? The garage is able to do the work, but decides not to do it. Would the garage still be obligated to provide those services? Under the language as it currently stands in the bill, the garage would have to perform the repairs, because it is able to perform the work, even if it does not want to do it.

Mr. Geeser:

I should also point out there is another conflict that could happen if the repair was \$50. Section 2 addresses a repair costing more than the estimate or what you anticipated it to be. Under the current language, you would have to get the consent of the customer to proceed with the work. Under NRS 597.510, NRS 597.520, and NRS 597.540, the language says if it is more than 20 percent or \$100, whichever is less, then you have to get the consent of the customer. We need to make sure the language makes sense all the way through the bill.

Assemblyman Manendo:

I was confused about whether or not we would be eliminating NRS 597.510, NRS 597.520, and NRS 597.540, saying instead there is zero tolerance on any cost increase above the estimate. At the company I work for, if the cost exceeds the estimate by \$20 or \$30 they will call the customer, but if it is \$5 they just do the work and absorb the additional cost themselves. It is quicker to

operate this way than to spend half a day trying to contact a customer for approval. I am not sure if we are changing, or eliminating the existing statutes.

Chair Ocegüera:

Let us go ahead and hear the concerns of Mr. Krueger and of the Nevada Department of Motor Vehicles.

Peter D. Krueger, AMS Government Relations, representing the Independent Garagemen and Emission Testers Council:

We, too, share the concerns of Mr. Sande, and we would like to add some more. There is a big difference between the current statutes and regulations that cover garages as opposed to those covering body shops. I believe this is where the conflict exists. Garages are far more regulated than body shops. For example, garages have a Customer Bill of Rights, which is very consumer-driven, and they have a Board of Automotive Affairs.

I have a couple of specific questions. The bill appears to be unclear about a work order signed by the insurance company, or by the customer. Typically, there would be a number of items listed on the work order. Currently, the generally accepted practice is to give an estimate for the total cost of the entire work order. It is unclear if this bill would require each of those repairs to have a cost listed on the estimate. We would not be in favor of getting down to that level of minutia in our estimates.

As Mr. Sande did mention, currently under NRS 597 there is the requirement for garages to provide a written estimate, and to notify the customer, or get a waiver for extra costs. On behalf of my clients, I look forward to working with the Committee on the language of the bill.

Chair Ocegüera:

Is there any testimony in opposition to the bill? I do not see anyone here to testify in opposition, so we will hear from the Nevada Department of Motor Vehicles.

Troy L. Dillard, Administrator, Compliance Enforcement Division, Nevada Department of Motor Vehicles:

With me today is Allen Byers, Supervising Investigator, from our Reno office. Mr. Byers is responsible for the staff who actually perform the investigations in relation to this particular area of statute.

The Nevada Department of Motor Vehicles has a neutral position on this bill. Our concern is more for an analysis of how the bill reads and how enforcement

would take place. We also have some additional comments that the Committee may want to consider.

First, we are in agreement with the amendatory language, which removes Section 3 and Section 9 of the bill, as the existing statutes already cover the criminal and civil penalty structure.

We would like to give our interpretation of the current statute, which has been testified to by Mr. Sande. We would like to cover what this bill would do and how it has been interpreted by our department for enforcement action. In NRS 597.510 a written estimate is currently required if the repairs are going to be \$50 or more. If there is a 20 percent or \$100 increase over the written estimate, there is language requiring notification of the customer and authorization by the customer.

Through regulation the notification is required to be in writing. This is to prevent the "he said," "she said" type of cases, which are very difficult to resolve for one side or the other. This bill does not have that requirement in the statutory portion.

In discussing this problem with the bill sponsor, it was our intent to pursue regulation to determine how this notification would take place, so we would not have as many of the "he said," "she said" type cases. The sponsor felt it would be appropriate to bring this issue before the Committee for your consideration, and for the Committee to determine whether regulation or statute would be the more effective method to state how notification would take place.

The fiscal difference is already accounted for in existing statute under NRS 597.510 and NRS 597.520. There is also a provision for a waiver of that written estimate under NRS 597.530. That is the choice the consumer gets to make. It is our interpretation that Section 1, subsections 1 and 2, of this bill would not be applicable if, in fact, consumers choose to exercise their right of the waiver that currently exists in NRS 597.530. We do see a lot of signed waivers when there is any change from the original estimate. It is imperative that it be understood. If that interpretation is incorrect, it would need to be clarified from a legal perspective.

In addition, the department feels that section 1 relating to NRS 597, and section 6 relating to NRS 487 are duplicative in nature. Currently, NRS 487 regulates the body shop, whereas NRS 597 is the primary chapter for the garages. In NRS 487, there is authority for the department to take action against body shops that do not comply with the requirements in NRS 597. Therefore, the amendatory provisions in section 1 of this bill would be placed in

NRS 597, and the body shops would be held accountable to those requirements in NRS 597. It is unusual to have the duplicative language in two separate chapters of the NRS, when they point to one another. That was an issue that Mr. Compan also brought forward in his testimony. Are there any questions?

Assemblyman Settlemeyer:

My question is if, for example, garage "x" requests an estimate from garage "y"; as a subcontractor, is garage "y" also required to give an estimate? Or is that not a common practice?

Mr. Dillard:

We do not see it as a common practice. The way we interpret the law is, if you receive an estimate from a garage, and the repairs exceed 20 percent or \$100 more than the original estimate, the customer must be notified. It does not address subcontracting work. If you do not receive an estimate, or they fail to notify you that the charges exceed the estimated amount, they lose the ability to place a lien against your vehicle.

Assemblyman Anderson:

When a garage has to utilize the services of another garage to complete the repairs, because the garage does not work on that type of vehicle, does the first garage estimate stand as the only estimate, since that is the only garage the customer has a relationship with? Mr. Conklin mentioned he had a subsequent bill to pay for repairs to his vehicle. Would he have a legitimate complaint?

Mr. Dillard:

That is our interpretation. The initial estimate is what stands. In the case of Mr. Conklin's vehicle, it would be a case we would investigate. Based on what was presented here today, the finding would go in his favor against the repair shop.

Assemblyman Anderson:

How many body shops has your agency filed against under the existing statutes?

Mr. Dillard:

Under what specific provisions?

Assemblyman Anderson:

Under the provisions of the existing laws where there may have been fraudulent activity, or misrepresentation of the estimate? This bill recognizes that there are two agents involved—the repair shops and the body shops.

Mr. Dillard:

I do not have the specific numbers, but it is something we have in our database, and it is not a huge number. The insurance companies had some misunderstanding about the type issues that could be brought to our department, because we do have jurisdiction over those issues, and previously they were not covered by our jurisdiction. I have been informed by the insurance companies that they will be on our doorstep shortly.

Assemblywoman Buckley:

The beginning of the automotive repair section in NRS 597.480, states that for purposes of this section, "garage" has the meaning that is ascribed to it in NRS 487.540. That definition is separate from the definition of body shop, which is found in NRS 487.600. Therefore, it would seem that NRS 597.480 applies to automotive repairs shops and not body shops. Your observation is that existing language already covers this issue. I am having trouble understanding that.

Mr. Dillard:

The grounds for suspension are covered in NRS 487.650, for revocation, denial, and refusal to renew regarding body shops. Section 1 specifically identifies the body shop, and it further says that the body shop must comply with certain NRS laws, inclusive of NRS 597.480 to NRS 597.590. Our interpretation and application of the law is that body shops must comply with those sections in NRS 597.

Assemblywoman Buckley:

What was that citation?

Mr. Dillard:

It is NRS 487.650.

Chair Ocegüera:

Mr. Dillard, please make yourself available to Mr. Anderson on your issues. One more question and then we end this discussion.

Assemblyman Manendo:

In your interpretation, which estimate takes precedence, the insurance company or the body shop?

Mr. Dillard:

I am not sure that there is a precedence issue. There should only be one estimate. Whoever authorizes the repairs to be done is the individual who has the authority to be notified, and has the authority to waive the additional fees and charges. In this particular bill, the fees and charges do not apply. If the estimate states a new part, and the shop cannot get one so they substitute a used part, they would have to notify that authorized person before they could obtain a used part. It is not fiscally related, unlike the existing statutes that are fiscally related.

Assemblyman Manendo:

I take my car in, and I get an estimate from the body shop. What if the insurance company comes out, and says the estimate they got is going to be \$500 less than what the body shop quoted. I am still unclear about which estimate should be used.

Chair Ocegüera:

Let me remind the people in the audience if you are going to testify, you need to sign in so the staff can contact you next time we talk about the bill. I do see Mr. Wadhams signed in. Would you like the opportunity to come to the witness table and speak?

Jesse A. Wadhams, Attorney at Law, Jones Vargas, representing the Nevada Franchise Auto Dealers Association:

I would simply reiterate the points made by Mr. Sande.

Chair Ocegüera:

We are closing the hearing on A.B. 2 and opening the hearing on Assembly Bill 9.

Assembly Bill 9: Authorizes the licensure of a mortgage agent on behalf of a corporation or limited-liability company. (BDR 54-729)

Assemblyman David Parks, Assembly District No. 41:

I requested this bill on behalf of the Nevada Association of Mortgage Professionals. Joining me at the witness table is Robert Crowell, who will provide you with an explanation of the bill.

Robert L. Crowell, Attorney at Law, Kummer Kaempfer Bonner Renshaw & Ferrario, representing the Nevada Association of Mortgage Professionals:

I am speaking in support of A.B. 9, and have provided the Committee with a summary of my testimony ([Exhibit H](#)). Ms. Cathie Jackson, the legislative director of the Nevada Association of Mortgage Professionals (NAMP), and a

mortgage broker in Carson City; and Ms. Marcie Benven, president of NAMP, and a mortgage broker in Reno, are joining me at the table.

As Mr. Parks stated, the NAMP requested this bill be drafted. This proposed legislation would allow a natural person, otherwise qualified to be licensed as a mortgage agent, to be licensed on behalf of the corporation of that person, or limited-liability company, where the person is the sole shareholder of the corporation, or the manager of a limited-liability company.

Under current law, NRS 645B.410, there is a requirement that one of the qualifications to be a mortgage agent is a person must be a "natural person." In turn, under present law, NRS 645B.0125 defines a mortgage agent as an employee or independent contractor of a mortgage broker.

This bill, if enacted, would allow an independent contractor, otherwise qualified for licensing, to conduct business as a corporation or limited-liability company. The language is patterned after similar language and requirements for real estate salesmen licensing, which is found in NRS 645.387. I would like to briefly summarize this bill.

Section 1, subsection 1, of this bill provides that the sole shareholder or managing member of a limited-liability company may be licensed on behalf of the business entity. Subsection 2 also provides that the community interest of a spouse of a licensee does not make the spouse a shareholder for licensing purposes, unless the spouse is a voting member of the organization.

Subsection 3 provides that the sole shareholder, if so licensed, can only act on behalf of the licensee business entity, and not on his or her individual behalf. Subsection 4 describes the information to be provided by the business entity when it applies to the Division of Mortgage Lending for licensing, to document the sole shareholder status of the business organization.

Section 5 provides that the licensing status of a business entity ceases to exist if the sole shareholder dies, or if the business entity adds additional voting members or owners. Section 6 provides that the licensee remains subject to all of the requirements of a mortgage agent imposed by NRS 645B.

Section 2 clarifies that the holder of a mortgage agent license is not a mortgage broker. Section 3 provides the effective date of this legislation, namely, July 1, 2007. We would be happy to answer any questions the committee might have on behalf of this bill, or any other issues you may wish to talk to us about with respect to the mortgage agent or broker business.

Chair Oceguela:

Are there any questions? Is there anyone else who would like to testify in favor of the bill?

Scott Bice, Commissioner, Nevada Department of Mortgage Lending:

Our position on the bill is neutral. We are happy to discuss anything you would like to ask us.

Chair Oceguela:

We appreciate your coming to testify, since this bill may have generated questions for your department. Are there any questions for Mr. Bice? Is there anyone else who would like to testify in favor of or in opposition to this bill? We are closing the hearing on A.B. 9.

This meeting was adjourned at 2:41 p.m.

RESPECTFULLY SUBMITTED:

Judith Coolbaugh
Committee Secretary

APPROVED BY:

Assemblyman John Oceguela, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Commerce and Labor

Date: February 7, 2007

Time of Meeting: 1:34 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Rosters
	C	Chair Oceguela	Standing Rules of the Assembly Committee on Commerce and Labor
	D	David Ziegler, Committee Policy Analyst	Committee Brief
AB 2	E	Assemblyman Anderson	Proposed Amendment
AB 2	F	Michael Geeser, AAA Nevada	Letter in support
AB 2	G	Jeanette Belz, Property Casualty Insurers Association of America	Letter in support
	H	Robert Crowell, NAMP Lobbyist	Summary of Testimony