Banking, Commerce and Insurance Committee February 5, 2019

WILLIAMS: --committee hearing. My name is Matt Williams and I'm from Gothenburg and I represent Legislative District 36 and I have the privilege of serving as chairman of the committee this year. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. It is your opportunity to express your position on proposed legislation before us today. The committee members may come and go during the hearing. We have to introduce bills in other committees. It is not a sign that we are not interested in your bill, but it's just a part of the process. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please silence or turn off your cell phones. Move to the front row when you are ready to testify. The order of testimony will be the introducer first, followed by proponents, opponents, in a neutral testimony and then a closing from the senator introducing the legislation. Testifiers sign in, please. Hand your pink sign-in sheet to the committee clerk when you come up to testify. And please, when you come up to testify, state your name and spell your name for the record. Please be concise. We will limit your testimony to five minutes, and we will be using a clock. It will be green for four minutes, yellow for one minute, and then the red sign will come on. And please, conclude your testimony at that time. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white tablets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. Written materials may be distributed to committee members only while your testimony is being offered. Hand them to the page for distribution to committee and staff when you come up to testify. We will need 10 copies. If you do not have 10 copies, please raise your hand now so that the page may make copies for you. To my immediate right is Committee Counsel Bill Marienau. To my left at the end of the table is Committee Clerk Natalie Schunk. The committee members with us today will introduce themselves beginning at my far right with Senator McCollister.

McCOLLISTER: I'm John McCollister, and I represent District 20 in central Omaha.

QUICK: Dan Quick, District 35, Grand Island.

LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

La GRONE: Andrew La Grone, District 49, Gretna and northwest Sarpy County.

HOWARD: Sara Howard, District 9, midtown Omaha.

WILLIAMS: And Senator Kolterman will be joining us shortly. Our page today is Kylie. Thank you, Kylie. And we will begin our hearing process today with the opening on LB380 by Senator La Grone, change provisions of the Nebraska Property and Liability Insurance Guaranty Association Act. Senator La Grone, you're invited to open.

La GRONE: Thank you, Chairman Williams, members of the committee. I brought LB380 on behalf of the Nebraska Department of Insurance. This bill amends Nebraska Property and Liability Guaranty Association Act which provides protections for Nebraskans who have purchased property or liability pro-- policies from an insurer that has gone insolvent by paying the policyholders' claims up to certain limits. LB380 amends the act to ease the property and liability guaranty associations' administration of claims from policyholders due to insolvent insurers. The changes bring the Nebraska act closer to uniformity with the model act from the National Association-- Association of Insurance Commissioners adopted in other states. This helps the association in two ways. First, the more uniform the measures are across states, the easier the administration of the claims is for all parties involved. This will be especially helpful here in Nebraska where our guaranty association is managed by Western Guaranty Fund Services out of Colorado who manages multiple funds. Second and more importantly, by allowing claims under the-- under the deductible to be considered covered claims, the guaranty association can manage them instead of turning them back to the employer if a workers' comp company goes insolvent. This is a problem for large de-- deductible workers' comp policies. This eases administration and helps policyholders get their benefits more quickly. And the director will be testifying behind me, but I'd be happy to answer any questions you may have.

WILLIAMS: Thank you, Senator La Grone. Are there questions for the senator? Senator McCollister.

McCOLLISTER: Yeah, thank you, Chairman Williams. You said in your testimony, Senator, up to certain limits. Can you explain what you meant by saying that?

La GRONE: So when there's a claim filed, there's a certain limit associated with that. The specific provision, let me see if I can find it in the bill. You know, I can't find that specific provision right at this moment, but I-- if the director can't answer that, I can definitely find it for you.

McCOLLISTER: Thank you.

WILLIAMS: Additional questions? Seeing none, thank you, Senator.

La GRONE: Thank you.

WILLIAMS: We would invite our first proponent. Welcome, Director Ramge.

BRUCE RAMGE: Thank you, Chairman Williams, and members of the Banking, Commerce and Insurance Committee. My name is Bruce Ramge, spelled B-r-u-c-e R-a-m-g-e, and I'm the Director of Insurance for the state of Nebraska. I'm here today to testify in support of LB380 and I would like to express my gratitude to Senator La Grone for introducing LB380 on the Department of Insurance's behalf. LB380 would adopt the amendments to the Nebraska Property and Liability Insurance Guaranty Association Act. The changes to the act are based upon a model law adopted by the National Association of Insurance Commissioners known as the NAIC. The NAIC is the United States standard setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia, and 5 United States territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate the regulatory oversight. NAIC members, together with the central resources of the NAIC formed the national system of state-based insurance regulation in the United States. Insurance guaranty associations are statutory entities that provide payment of certain claims of insolvent insurers. All licensed insurers in the state of Nebraska are required to be members of these associations. In Nebraska, two types of associations exist, the Life and Health Insurance Guaranty Association which guarantees claims of insolvent life and health insurance companies, and the Property and Liability Insurance Guaranty Association which guarantees claims of insolvent property and casualty companies. Both associations assess member companies of the association to pay for the claims of the insolvent insurers within the line of insurance. The amount of these assessments can then be utilized as a credit against future premium tax payments. The changes in LB380 are relatively minor and are intended to ease the administration of claims by the property liability association. Nebraska's association is administered by an organization named Western Guaranty Funds which administers a number of state guaranty associations. These changes were made in consultation with the Nebraska Guaranty Fund and the association board of directors. Most if not all insolvencies involving property liability insurers are multi-state in nature. Board uniformity between the Nebraska act and other states' acts related to how the claims are paid by the association is beneficial to the policyholder or claimant because it streamlines claims payments by the association. The act exists for the protection of the policyholder, a claimant, so anything that can be done to ease the administration and to speed up payments is good for Nebraskans. One of the more significant changes made by LB380 is the elimination of the provision that a claim under a deductible cannot be paid by the association. While intuitively it makes sense not to pay a claim under the deductible, it becomes an unnecessary burden on the policyholder, claimant and the association when this becomes an impediment to the payment of large claims. In particular, this provision causes issues related to large deductible workers' compensation policies. When the association cannot pay a significant medical expense, it must send the injured worker to the employer to seek payment, which is in conflict with provisions of the Nebraska Workers' Compensation Act. A better solution and one proposed in LB380 is to allow the association to pay the claim and then seek reimbursement from the party that owes the deductible whether or not that is the insured or a pro-- in a property case or the insured employer in the worker's compensation scenario. In recent years, two known insolvencies have been of insurers that write large deductible workers' compensation policies. So the remedy in LB380 may be beneficial in the event of future such instances. Thank you again for the opportunity to testify in support of LB380. I'll be happy to answer any questions the committee might have. And Senator McCollister, the-- the cap on those reimbursements, going to your earlier question, is $300,000 per claimant currently.

McCOLLISTER: May I follow up with another question for the director?

WILLIAMS: Thank you, Director Ramge.

McCOLLISTER: These are licensed associations, these-- these companies that-- that you're speaking of, are they not?

BRUCE RAMGE: The-- the-- the companies are licensed. Yes. The association itself is-- the board is comprised of members of licensed insurance companies and they then in turn hire the administrator.

McCOLLISTER: But during licensure, do you examine the financial fitness of those companies?

BRUCE RAMGE: Yes, we do.

McCOLLISTER: Thank you.

BRUCE RAMGE: Yes.

WILLIAMS: Additional questions for the director? Senator Quick.

QUICK: Thank you, Senator Williams, Chairman Williams. One of my questions on the workmen's comp, just so I understand how that--

BRUCE RAMGE: Yes.

QUICK: --would work, 'cause that's-- that's more or less like if-- if they default or can't pay it, is that what-- is that?

BRUCE RAMGE: Yes, that-- that's correct. For-- for instance like if you had a very large company with a lot of workers, they might use the deductible as a way to bring down their ultimate premiums.

QUICK: Yeah. Yeah. OK. Yeah.

BRUCE RAMGE: They're self-insuring in effect and the company will often get a-- put money in a trust fund and pay those initial claims out of that trust fund. And that-- those funds would also then be an asset that would carry over to the liquidator.

QUICK: Okay. Okay. So it wouldn't really affect so much the employee that's receiving work comp compensation, it would-- it's more for the employer than.

BRUCE RAMGE: Cor-- correct.

QUICK: OK. All right. Thank you.

WILLIAMS: Additional questions? Seeing none, thank you for your testimony.

BRUCE RAMGE: Thank you very much.

WILLIAMS: I would invite the first proponent--or the second proponent, excuse me. Welcome.

CHAD ANDERSON: Thank you, Mr. Chairman. My name is Chad Anderson, and I'm here to speak as a proponent for LB380 regarding the Insurance Guaranty Association Act. I work--

WILLIAMS: Mr. Anderson, would you please spell your name for the record? Thank you.

CHAD ANDERSON: Oh, yes. Yes. C-h-a-d A-n-d-e-r-s-o-n. I am currently the President of Western Guaranty Fund Services that the director mentioned who serves as the administrator providing all of the claim handling services for the Nebraska Property and Liability Insurance Guaranty Association. We also handle six other states out of an office in Denver. I am also on the board of directors of the National Conference of Insurance Guaranty Funds and the International Association of Insurance Receivers. The NPLGA Act, as we refer to it as NPLGA Act, has not been updated since the year 2000, and the need to update this act was highlighted by the large deductible issue that the director spoke of. Ninety percent of the claims that we handle right now are workers' compensation, and the clear trend in the last 10 years has been that more and more companies are writing large deductible policies. By a large deductible, we consider that low of $100,000. We have also seen $1.5 million deductibles throughout the country in recent times. Now it is not necessarily a problem to not pay under a deductible if you're talking about an auto claim, a homeowner's claim. It makes sense that the insurer or in this case the guaranty association wouldn't pay the first $1,000 of an auto claim for instance. The problem is when you have a third-party claimant who's not the policyholder here whose benefits are determined by this insurance policy that now the insurer no longer exists. So what we've had to do in 16 claims in the last few years is hand over the claim-handling along with the payment of those claims to the employer. Now oftentimes there is a collateral account that the deduct-- that the director had mentioned that can be paid off of. There are a number of concerns that happen when-- when these kinds of circumstances occur. Number one is the conflict with the Nebraska Workers' Comp Act. The act says in part that the deductible form shall provide that the workers' compensation insurer shall remain liable and pay the entire cost of benefits, claims, and expenses. So our role, as stepping into the shoes of the insurer, should translate to match what that Worker's Comp Act says. So we should be able to pay those claims and step into the shoes of the insurer to make sure that we are in line with Workers' Comp Act in Nebraska. The big concern that I have is what happens if one of these employers goes bankrupt. So we've handed off the claim handling to that employer. And the last thing that any of us want is to have a claimant who's an injured worker who now has no more benefits because we can't cover it under the act and the employer no longer exists to give them coverage. The NAIC Model Act does not have this exclusion, and we would like to get our act in line with the NAIC model Guaranty Association Act. And aside from the large deductible exclusion, the different provisions and changes within this act would continue to get us in line with the model act, clarify various issues that we deal with when working with receivers and winding up a receivership estate, and removes outdated items like a $100 deductible for a property claim. That's a minuscule amount and causes undue administrative burden on the guaranty association so. Mr. Chairman, that concludes my testimony and if there are any questions?

WILLIAMS: Questions for Mr. Anderson? Senator McCollister.

McCOLLISTER: Yeah. At one time, and thank you for your testimony, there was a lead smelter in Omaha. And when that facility closed, I am sure the company went bankrupt. When you have a lead smelter you probably have numerous kinds of health issues, even worker comp issues. What-- explain to me in simple terms your role when something like that would occur.

CHAD ANDERSON: Sure. Assuming the insured for that lead smelter went insolvent, we would pick up and pay any of the claims that had been made prior to that insolvency. So if there is a person injured on the job or who has an exposure injury, they were receiving benefits before their insurance company became insolvent, we take over the claim file and continue the handling of that claim.

McCOLLISTER: So as Senator Quick indicated, the worker him or herself would not be harmed.

CHAD ANDERSON: Correct.

McCOLLISTER: Hmm.

CHAD ANDERSON: And to add one thing to what the director had said, there is a $300,000 cap on claims, but that cap does not apply to workers' comp. Workers' compensation is uncapped benefit under the act.

McCOLLISTER: Thank for your testimony.

CHAD ANDERSON: You're welcome.

WILLIAMS: So we are-- Mr. Anderson, so we are only talking about a situation where the guaranty fund is called into play because you started with an insolvency of whoever the primary carrier is.

CHAD ANDERSON: Yes, sir.

WILLIAMS: And the guaranty fund is funded by all of the property casualty in that case or the health and life coverage in those cases in our state. Is that correct in the way it is?

CHAD ANDERSON: Yes, sir.

WILLIAMS: Thank you. Any additional questions? Thank you--

CHAD ANDERSON: Thank you.

WILLIAMS: --for your testimony. Additional proponents? Welcome, Mr. Bell.

ROBERT BELL: Thank you, Chairman Williams. Chairman Williams, and members of the Banking, Commerce and Insurance Committee, my name is Robert Bell. My last name is spelled B-e-l-l. I am the executive director and registered lobbyist for the Nebraska Insurance Federation. I am here today to testify in support of LB380. Since this is the first time I've been before this committee, I thought I might take just a second here and explain what the Nebraska Insurance Federation is. It is the primary trade organization of insurers domiciled in or with a significant economic presence in Nebraska. Currently the federation consists of 26 member companies and 7 associate members representing a spectrum of insurers from small insurers to Fortune 500 companies. Members in this association or Federation write all lines of insurance property and casualty, life and health, title; you name it, they write it. One of the goals of the Federation is to promote the concepts and importance of insurance products to the public. Nebraska insurers provide high-value, quality insurance products to

Nebraskans that help protect Nebraskans during difficult times. Not only do Nebraska insurers provide protections to Nebraskans but they also-- the companies also provide high-paying jobs. A 2016 UNL study commissioned by the Federation found that the insurance industry employs approximately 33,000 people in Nebraska with an average salary of nearly $65,000. Insurance is important to Nebraska. To the heart of LB380, a number of my member insurers are also-- serve on the board of directors for the Nebraska Property and Liability Insurance Guaranty Association. As the senator and director and Mr. Anderson pointed out already, LB380 seeks to bring Nebraska law closer to the model from the National Association of Insurance Commissioners to ease administration of insolvent insured claims on a property casualty site. Additionally the changes in LB380 fix a conflict of laws between the insurance code and the Workers' Compensation Act which is a good thing benefiting the injured worker. For these reasons, the Nebraska Insurance Federation supports LB380. That's all I have. Thank you.

WILLIAMS: Thank you, Mr. Bell. Any questions? Seeing none, thank you for your testimony.

ROBERT BELL: Thank you.

WILLIAMS: I'd invite the next proponent. Welcome, Ms. Nielsen.

COLEEN NIELSEN: Thank you. Good afternoon, Chairman Williams and members of the Banking, Commerce and Insurance Committee. My name is Coleen Nielsen. That is spelled C-o-l-e-e-n N-i-e-l-s-e-n, and I'm the registered lobbyist for the Nebraska Insurance Information Service. The Nebraska Insurance Information Service is an association of property casualty insurers doing business in Nebraska. And the members of that association is-- have asked me to register their support for LB380 today. So I'd be happy to answer any questions.

WILLIAMS: Any questions for Ms. Nielson? Seeing none, thank you for your testimony. Any additional proponents. Seeing none, is there anyone here to testify in opposition? Seeing none, is there anyone here to testify in a neutral capacity? Seeing none, Senator La Grone waives closing. That will end our public hearing on LB380.

LINDSTROM: We'll now open the hearing on LB159 introduced by Senator Williams. And Senator Williams, happy birthday.

WILLIAMS: Thank you,--

LINDSTROM: Whenever you're ready.

WILLIAMS: --Senator Lindstrom. It is my birthday, and I'm happy to be here on my birthday. I'm happy to be anywhere on my-- on my birthday actually. My name is Matt Williams, M-a-t-t W-i-l-l-i-a-m-s, and thank you to the Banking, Commerce and Insurance Committee for hearing this afternoon LB159. LB159 is introduced on behalf of the Department of Insurance and amends the Nebraska Life and Health Insurance Guaranty Association Act to reflect the latest updates to the model law adopted by the National Association of Insurance Commissioners also known as NAIC. You heard about a lot of this on the last bill. This is a little bit similar. The NAIC is the United States standard setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, District of Columbia, and five United States territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. The Life and Health Insurance Guaranty Association is the statutory entity-- entity that provides protection to Nebraska policyholders during an insolvency of a health insurer or life insurer. The association is made up of all licensed health insurers and life insurers who fund the association during an insolvency through assessments. Assessments paid become premium tax credits in later years. The changes in LB159 add health maintenance organizations, HMOs, to the protection of the guaranty association, and split the cost of the assessments of long-term care insolvencies through a 50-50 split between health insurers and life insurance-- life insurers. Currently health insurers bear the entire burden of the assessment. Director Ramge will testify behind me to provide more thorough explanation, but I would be happy to attempt to answer any questions you might have at this point.

LINDSTROM: Thank you, Senator Williams. Any questions from the committee? Seeing none, thank you, Senator Williams. First proponent.

BRUCE RAMGE: Good afternoon, Vice Chairman Lindstrom, and members of the Banking, Commerce, and Insurance Committee. My name is Bruce Ramge, spelled B-r-u-c-e R-a-m-g-e, and I'm the Director of Insurance for the state of Nebraska. I'm here today to testify in support of LB159, and I would like to express my gratitude to Senator Williams for introducing LB159 on the Department of insurance's behalf. LB159 would adopt amendments to the Nebraska Life and Health Insurance Guaranty Association Act. The changes to the act are based upon a model law adopted and subsequently amended by the National Association of Insurance Commissioners known as the NAIC, and are vital to the department's continued accreditation through the NAIC. The NAIC is the United States standard setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia, and 5 United States territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members together with the central resources of the NAIC formed a national system of state-based insurance regulation in the United States. Insurance guaranty associations are statutory entities that provide payment of certain claims of insolvent insurers. All licensed insurers in the state of Nebraska are required to be members of these associations. In Nebraska, two types of associations exist, the Life and Health Insurance Guaranty Association which guarantees claims of insolvent life and health insurance companies, and the Property Liability Insurance Guaranty Association which guarantees claims of insolvent property and casualty companies. Both associations assess member companies of the association to pay for the fees of-- excuse me, pay for the claims of the insolvent insurers within the line of insurance. The amount of these assessments can then be utilized as a credit against future premium tax payments. The care of the aging population of the United States continues to pose issues for the nation. To address the need to finance the care of aging individuals, insurance companies developed long-term care insurance decades ago. However, issues related to policyholder longevity and costs of care has put a significant strain on the writers of long-term care insurance. Some writers have gone insolvent. In 2017, a Pennsylvania court placed a long-term care insurer, Penn Treaty, into insolvency. This insolvency is one of the largest insurance insolvencies in the history of the United States. While insurance regulators and the insurance industry continue to work to address problems of the long-term care insurance industry, the insolvency of Penn Treaty exposed a fundamental imbalance related to life and health guaranty associations. Health companies bear the burden of the assessments as long-term care is classified as health, but life insurance companies primarily marketed the long-term care products. Because of this imbalance, the NAIC has revised its model Life and Health Insurance Guaranty Association Act to provide a 50-50 split of a long-term care assessments between life and health companies. This change reflects both the health-life resemblance of long-term care insurance and the fact that the policies themselves were often written by life insurance companies. The change also reflects a nationwide compromise between health insurers and life insurers on a long-term care insurance issue. Additionally the amendments will provide for the inclusion of health maintenance organizations or HMOs into the Life and Health Insurance Guaranty Association. HMOs have long been exempt from the Nebraska Life and Health Insurance Guaranty Association Act unless an HMO is controlled by an insurance company licensed in Nebraska. The logic behind the exemption was when HMOs first started doing business, their business model and structure were very different from insurance companies, however, over time HMOs have begun to look and act more and more like insurers. In fact, it is doubtful that a consumer could tell the difference between an HMO and a health insurer. The NAIC has worked with HMO industry, life insurers, and health insurers to include HMOs in the state insurance guaranty associations. The reasons are twofold. First, HMOs are essentially acting as insurers but without the guaranty association protections for their members. Second is the increased concern for additional long-term care insurance insolvencies. Bringing in HMOs to the association will provide a larger base to spread the assessments related to any future long-term care related insolvencies. HMOs involved in Medicaid programs will continue to be exempt. Thank you again for the opportunity to testify in support of LB159. I would be happy to answer any questions the committee might have.

LINDSTROM: Thank you, Director Ramge. Any questions from the committee? Senator McCollister.

McCOLLISTER: Yeah. Thank you, Senator Lindstrom. Life insurance companies can or cannot offer disability insurance. This is a long-term care insurance, correct?

BRUCE RAMGE: That-- that is correct.

McCOLLISTER: Some do, some don't.

BRUCE RAMGE: Some do, some don't. Yes.

McCOLLISTER: How about with the health insurers?

BRUCE RAMGE: They also may write both of those types of coverage.

McCOLLISTER: And they still continue to do that?

BRUCE RAMGE: Yes.

McCOLLISTER: I didn't think that there were very many active HMOs left in Nebraska. Is that a correct statement?

BRUCE RAMGE: They're-- not in the traditional sense other. Years ago there used to be more clinical models where you would go to the HMO clinic to-- to receive your primary care. But now some of the larger insurers have both a life insurance or health insurance charter and an HMO charter. And the HMO products have evolved to become almost like a point-of-service--

McCOLLISTER: OK.

BRUCE RAMGE: --contract where if you go in network, it will act more like a traditional HMO. But if you go outside the network, then you would be subject to higher coinsurance or copayments.

McCOLLISTER: In the last part of your testimony, you mentioned that they also provide Medicare coverage?

BRUCE RAMGE: Some of them do-- are contracted with either Medicare or Medicaid. And the reason for excluding them is that by federal law, a premium tax is not applicable to those products, and the consumers who are getting those services would be getting the full faith and guarantee of the government behind them. So there would be not a need for a second insurer.

McCOLLISTER: Thank you, Director Ramge.

LINDSTROM: Thank you. Any other questions? OK. Seeing none, thank you Director.

BRUCE RAMGE: Thank you.

LINDSTROM: Next proponent. Good afternoon.

ROBERT CORN: Hello, Senator Lindstrom, members of the committee. Good afternoon. My name is Robert Corn. That's R-o-b-e-r-t C-o-r-n, and I'm Director of Regulatory Relations for Mutual of Omaha Insurance Company and its affiliates. I'm here to testify in support of LB159. For at least the last 15 years, I've served on the board of directors of the Nebraska Life and Health Guaranty Association. I currently serve as Chairman of the Kansas and South Dakota Life and Health Guaranty Associations. I'm also on the board of directors of the Arizona and New Mexico associations, as well as the board of directors of the National Organization of Life and Health Guaranty Associations or NOLHGA. NOLHGA serves as the coordinating body for the various impacted state associations when there's a multi-state insolvency. As the director's indicated, when an insurer is determined to be insolvent and placed in a court-ordered liquidation, other insurers are assessed to fund the covered policy obligations of the insolvent insurer up to specified statutory limits. Penn Treaty Network America Insurance Company and America Network Insurance Company are two affiliated Pennsylvania-domiciled companies that issued a significant amount of long-term care insurance in many states including Nebraska. Their recent insolvency pointed out an inequity in the current assessment mechanism. Under the current system, health insurers are responsible for the assessment and liability of health insurance insolvencies, life companies are responsible for the assessment and liability of life insurance comp-- insolvencies, and annuity writers are responsible for the assessment and liability of annuity-related insolvencies. Since long-term care insurance is considered a form of health insurance, major medical and other health insurers were responsible for the assessments needed to fund the liability of Penn Treaty's covered contract obligations. This was true even though most of these insurers don't write and never have written long-term care insurance. Recognizing that this was inequitable, the life insurance industry and certain major medical companies began negotiations which resulted in the recent adoption of several amendments to the National Association of Insurance Commissioner's life and health insurance guaranty association model law. Nebraska's life and health guaranty association law is based on the NAIC model, and LB159 would amend Nebraska's current law to conform to the amendments recently made to the model law. And to recap the key changes that this legislation would bring about, the first thing is, instead of health insurers being responsible for 100 percent of the assessment and liability for long-term care insurance-related insolvencies, the assessment liability would be split so that health insurance companies would pay 50 percent of the assessment and life insurance companies and the annuity writers would pay 50 percent of the assessment. And as indicated now if this is enacted, HMO members will be-- will be provided coverage through the association if your HMO plan becomes insolvent, and HMOs will become members of the association and subject to assessments for long-term care-related insolvencies. Enactment of this bill would broaden the assessment base and bring more equity and fairness to help cover policy obligations of insolvent long-term care insurers who are funded through assessments on life and health insurance companies. The guaranty association system works most effectively and efficiently when the guaranty association laws of the various states are uniform and consistent. Enactment of this bill will further the goal of promoting uniform and consistent guaranty association laws across the country. Thank you for the opportunity to testify, and I'll be happy to try to answer any questions anyone may have.

LINDSTROM: Thank you, Mr. Corn. Any questions from the committee? Seeing none--

ROBERT CORN: Thank you.

LINDSTROM: --next proponent.

JIM HALL: Thank you, Mr. Chairman, members of the committee. My name is Jim Hall, J-i-m H-a-l-l. I'm with the American Council of Life Insurers. The ACLI is a national trade association representing the life insurance industry. We have 480 member companies, 451 of which are licensed to do business here in the state of Nebraska. The ACLI members hold over 90 percent of the life insurance and annuities in force in America today. I won't repeat all the good information we've already heard from the department and from Mutual of Omaha. Simply will say that the guaranty association is there for consumer protection in the event that there's a failure of a life insurer. Or I should say life insurance company; it's what I'm used to dealing with. But in the event of a failure of an insurance company-- and what LB159 does is by realigning and broadening the assessment base, it enhances the consumer protection afforded to consumers who have purchased policies from a company that may end up failing because their will then-- with a broadening of the base there will be adequate capacity for all the companies to be able to contribute and have adequate funds available to pay the obligations of the failed insurer. And so with that, I would simply urge the committee to favorably report the bill.

LINDSTROM: Thank you, Mr. Hall. Any questions from the committee? Seeing none, thank you.

JIM HALL: Thank you.

LINDSTROM: Next proponent.

ROBERT BELL: Vice Chairman Lindstrom, and members of the Banking, Commerce and Insurance Committee, my name is Robert M. Bell, last name is spelled B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation. I'm here today to testify in support of LB159. I'm not going to rehash everything that was just told to you about guaranty associations and their importance. But one thing I did want to mention is accreditation, as this is an accreditation standard through the National Association of Insurance Commissioners. And I-- I wanted to explain why accreditation is important to the members of my organization. Insurance is a state-based regulatory system, so all of the states work together, all 50 of them and then various territories, to properly regulate the financial solvency of the insurers based in their state. So with Nebraska being a robust state for insurance companies, the companies of Nebraska rely on the Nebraska Department of Insurance to be accredited through the NAIC so that other states can rely on the financial examination done by the Nebraska Department and don't have to send in their own examiners. So Iowa examiners don't have to come across or New York or California to be scarier than Iowa examiners. This would be at great expense to Mutual of Omaha and other companies that are members of-- of the Federation. Back in the '80s, there was a rash of insurance company insolvencies, and the NAIC at that point decided to look at-- to see what standards need to be in place so that we are doing a better job, or they are-- so regulators are doing a better job of monitoring the solvency and making sure that they're aware if risk-- if companies are at risk of going insolvent. And so they've put these standards in place, determined what should be and-- in the law or what they would recommend for the states to put in the law, and would also recommend, you know, what type of staff should work for departments of insurance so that they can remain accredited. So there's really two pieces to accreditation. There's the law provision and then there's the staffing provision. In Nebraska-- fortunately in Nebraska, through the work of this committee and the legislature as a whole and the various administrations from the '90s through the present, Governor Ricketts-- or Governor Rickett's administration and the great work of the Department of Insurance and its examiners, you know, the department has maintained its accreditation. It has a great reputation. And it's in the interest of my members that they maintain that accreditation and that reputation. And it's helpful for me, selfishly, because members-- there's always new members looking to move to Nebraska with such a great department and-- and a great regulatory environment here in Nebraska. So I just wanted to mention that to this committee, the importance of NAIC accreditation. In as much as my members include both health insurers and life insurers, we are supportive of the adoption of the provisions of LB159. And with that, thank you

LINDSTROM: Thank you, Mr. Bell. Any questions from the committee? Seeing none, thank you. Next proponent.

COLEEN NIELSEN: Good afternoon, Vice Chairman Lindstrom, and members of the Banking, Commerce and Insurance Committee. My name is Coleen Nielsen, spelled C-o-l-e-e-n N-i-e-l-s-e-n, and I am the registered lobbyist for the Nebraska Insurance Information Service in support of LB159. The Nebraska Insurance Information Service is a property casualty organization, but many of the members do sell-- sell life products. And those members wish me to come in and register their support for LB159. And I'd be happy to answer any questions.

LINDSTROM: Thank you. Any question? Seeing none, thank you.

COLEEN NIELSEN: Thank you.

LINDSTROM: Next proponent. Seeing none, we'll move to opponents. Seeing none, any neutral testifiers. Seeing none, Senator Williams, you're welcome to close.

WILLIAMS: The irony of talking of long-term insurance on your 70th birthday. [LAUGHTER] First of all I would, I would like to really applaud our Department of Insurance which is one of the leading departments of insurance in the United States and creating an atmosphere of good nature and good economic conditions for insurance companies. And looking in the future and the concerns that are there for the long-term care insolvencies that may happen because of underwriting that was done properly on the front end, but then people living longer, health and cost-- insurance-- costs going up at the same time. And what we're really talking about is the guaranty fund which is there to protect the consumer that buys these products. And what we're doing with LB159 is helping spread the risk, recognizing that it should not just be the health insurance companies, it should also be the life insurance companies that participate in that. And as you've heard the life insurance companies are all on board with doing that. So with that, I would encourage the committee to advance LB159. Thank you.

LINDSTROM: Thank you, Senator Williams. Any final questions? Seeing none, thank you. And that'll close the hearing on LB159.

WILLIAMS: We will now open the public hearing on LB469 with Senator Lindstrom. You're invited to open.

LINDSTROM: Thank you, Chairman Williams and members of the Banking, Commerce and Insurance Committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. Director Bruce Ramge asked that I introduce

LB469 on his behalf. It provides for the creation of domestic surplus line-- lines insurers in Nebraska under the Surplus Lines Insurance Act. Surplus lines insurance is insurance for specialized risk that cannot be found on the admitted market in Nebraska. As created under LB469, a domestic surplus lines insurer would be able to sell surplus lines insurance on the nonadmitted market to Nebraskans despite being a Nebraska company. This provides Nebraskans with the opportunity to purchase from a surplus lines insurer located in Nebraska subject to the financial and solvency regulations of Nebraska Department of Insurance. LB469 also eliminates unneeded statutes from their pertinent Insurance Code to allow for the elimination of unneeded and obsolete rules and regulations. Also one provision from the rules and regulations on qualified and multi-state commercial policyholders is added to the statute that will then permit the repeal of the rule and regulation. Director Ramge will follow me after this introduction and I'm sure he'd be happy to answer any questions that I cannot answer. So with that, I'd be happy to answer--

WILLIAMS: Thank you, Senator Lindstrom.

LINDSTROM: -- questions you may have.

WILLIAMS: Are there questions for the senator? Seeing none,--

LINDSTROM: Thank you.

WILLIAMS: --we'll invite the first proponent. Welcome again, Director Ramge.

BRUCE RAMGE: Thank you, Chairman Williams and members of the Banking, Commerce and Insurance Committee. My name is Bruce Ramge, spelled B-r-u-c-e R-a-m-g-e, and I'm the Director of Insurance for the state of Nebraska. I'm here today to testify in support of LB469. Thank you to Senator Lindstrom for introducing LB469 on the department's behalf. This bill addresses two separate issues. First, it adopts provisions allowing for the creation of a surplus lines insurer. Second, it eliminates unneeded statutes from the Insurance Code. For some insurance customers, surplus lines insurance is an important backstop with the unique regulatory structure from traditional insurance, but traditional insurance policies sold in Nebraska must be sold by companies licensed by the Nebraska Department of Insurance. This is called the admitted market. However, sometimes a consumer-- they have a risk that is so specialized, large, or risky, that traditional Nebraska licensed insurers will not accept the risk. This forces the consumer to seek insurance in the nonadmitted market. This is called surplus lines insurance. Policies sold on a nonadmitted market are not regulated by the Department of Insurance and do not enjoy all the consumer protections of products in the traditional market. Such policies are sold by companies not licensed to do business in Nebraska. If a Nebraska insurer sells surplus lines insurance and wants to sell to Nebraskans, it would be forced to form another insurer in another state and sell surplus lines policies back to Nebraskans. This leads to a system that is needlessly complicated and burdensome especially in the amount of capital that is tied up to properly capitalize to insurers. Instead LB469 proposes to allow for the creation of domestic surplus lines insurers which can sell surplus lines insurances in both other states and its home state. Similar legislation has been passed in 16 other states. To become a domestic surplus lines insurer, an insurer must meet certain criteria including a policyholder surplus of at least $15 million, being eligible to sell surplus funds insurance in at least one other state, a resolution passed by the board of directors, and written authority from the Department of Insurance. A domestic surplus--plus lines insurer will be subject to the financial and solvency regulation of the Nebraska Department of Insurance but will not be subject to the duties or protections of the guaranty funds. LB469 provides Nebraskans with two advantages. First, Nebraskans who need surplus lines insurance will have the ability to buy surplus state insurance from a company based in Nebraska and regulated by Nebraskans as opposed to being forced to use a foreign insurer. Second, LB469 gives Nebraska an economic advantage over other states for the creation of domestic surplus plans insurer. With other states already passing this law, it does not make sense for a surplus lines insurer to form an estate without the law because it would be forced to create another insurer just to sell it to its home state. Nebraska is an insurance hub nationally and internationally due to many factors, and the addition of LB469 should enhance the state's ability to attract and retain insurers. In addition to the provisions regarding surplus lines insurance, LB469 proposes to amend the Insurance Code in 3 areas to allow the department to repeal these rules and regulations. First is the outright repeal of Neb. Rev. Stat. 44-7512. This statute from the Property and Casualty Insurance Rate Reform Act requires the department to issue rules and regulations to disapprove subjective rating systems that were in place on January 1, 2001. This was intended to aid in the movement of insurance rating systems from subjective criteria to objective criteria due to the passage of the act in the year 2000. The work is complete, and the statute and the accompanying regulation are both outdated and need to be repealed. The second change is also in the Property and Casualty Insurance Rate and Form Act specifically Neb. Rev. Stat. 44-7514 and applies commercial risk of qualifying multistate commercial policyholder. Neb. Rev. Stat. 44-7514 requires the department to adopt rules and regulations related to the criteria for a qualifying multistate commercial policyholder. The proposal is to take the 3 criteria from the regulation and place it in the statute allowing the department to repeal rule and regulation. Finally, the department has statutory requirement to issue rules and regulations governing the approval of domestic insurer employee benefit plans. This requirement is outdated given federal ERISA requirements. The proposal is to eliminate both the statutes Neb. Rev. Stat. 44-213.01 through 44-213.07, and the accompanying rules and regulations. Neb. Rev. Stat. 44-213 is left in place to allow the department to have the ability to examine employee benefit plans within the scope of financial examinations. Thank you for the opportunity to testify in support of LB469. I'll be happy to answer any questions.

WILLIAMS: Questions for the director? Senator McCollister.

McCOLLISTER: Thank you, Chairman Williams. Director Ramge, I read through Section 2 of the bill, and I'm still at a loss to come up with a concise definition of a surplus line. What is the product that the surplus line insurer sells?

BRUCE RAMGE: It-- the product could be really any type of property and casualty product. I'll give a-- an extreme example. Suppose I had a business that worked with dynamite, very risky, and no admitted companies wanted to write that risk. Well, then I would go seek insurance through a surplus lines broker--

McCOLLISTER: So--

BRUCE RAMGE: --who might find a company, you know, perhaps Lloyd's of London or another company that specializes in these high risk areas.

McCOLLISTER: Is Berkshire Hathaway a surplus lines seller?

BRUCE RAMGE: They do have surplus lines companies as well as traditional admitted market carriers.

McCOLLISTER: Thank you, Director.

BRUCE RAMGE: You're welcome.

WILLIAMS: Additional questions. So if this were to happen, Director, if we pass this, it's still those companies that would be selling in Nebraska are under your scrutiny. They have to have your written author-- authority to conduct this type of business. Is that true?

BRUCE RAMGE: Yes, and we-- and the Department of Insurance would conduct periodic financial examinations like-- like the department does of-- of all other domestic companies. There would still be no oversight over the policy forms.

WILLIAMS: Okay. But-- but the financial stability of the company is something that you would look at.

BRUCE RAMGE: Yes.

WILLIAMS: Additional questions? Seeing none, thank you--

BRUCE RAMGE: Thank you.

WILLIAMS: --for your testimony. We'd invite the next proponent. Welcome, Ms. Gilbertson.

KORBY GILBERTSON: Good afternoon, Chairman Williams, and happy birthday. Session birthdays are the best. Not.

WILLIAMS: You should know.

KORBY GILBERTSON: Good afternoon. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the American Property Casualty Insurers Association in support of LB469. I first want to thank Senator Lindstrom for introducing the legislation and the department for working with some members from PCIA over the interim to discuss this issue. Since people before me did a very good job, I thought I'd just elaborate a little bit on Senator McCollister's question. Some of the risks obviously are things that are hard to cover, so primary examples would be like amusement park, carnival, companies that go place to place. Even some states will consider gig economy or like Uber, Lyft, things like that, that have higher risks that normal company-- that regular submitted companies don't write coverage for. So this would just allow those companies that are currently domiciled in Nebraska to offer both lines of products. And I'd be happy to try to answer any questions if I can.

WILLIAMS: Any questions of Ms. Gilbertson? Seeing none, thank you for your testimony.

KORBY GILBERTSON: Thank you.

WILLIAMS: I'd invite the next proponent.

BRENNAN NEVILLE: Good afternoon, Senators. Thank you for this opportunity to speak. My name is Brennan Neville, spelled B-r-e-n-n-a-n N-e-v-i-l-l-e. I am Senior Corporate Counsel at National Indemnity Company, and I'm here to offer our support for LB469, the support of National Indemnity and its other affiliates in Omaha as well as other affiliates in the Berkshire Hathaway organization. I won't rehash what the director has already said regarding the benefits of LB469 as a whole to our industry, but I thought perhaps an example or two of how this bill might benefit our particular organization might be helpful. We have a group of affiliates called the Devon Park Specialty Insurance group based out of Pennsylvania, but they recently domesticated a couple of insurance companies to the state of Nebraska one of which is a surplus lines carrier. So if they were to try to write surplus lines insurance, they could not do so in Nebraska under existing law. So in order to write a surplus line to risk in the state they would have to form a company in another state, capitalize it, comply with multiple regulations, and so forth. LB469 would allow them to consolidate their operations and have oversight under one-- one simple com-- single company. Likewise for the National Indemnity group we do have, as Senator McColl-- McCollister asked, a surplus lines company called National Fire & Marine Insurance Company. It's a very large, one of the largest surplus lines carriers in the country I'm told, but to write surplus lines insurance in the state of Nebraska we have to use a much smaller company that is currently domiciled in the state of Iowa. So if our Nebraska company were permitted to off-- offer surplus lines insurance in Nebraska, we could take on much larger risks for the benefit of Nebraska businesses. So with that, National Indemnity would like to request that the committee move LB469 forward. And I can answer any questions there may be.

WILLIAMS: Thank you, Mr. Neville. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Chairman Williams. Is that an ongoing effort? If this bill was passed with an E clause, would that aid your efforts to consolidate and move to Nebraska?

BRENNAN NEVILLE: I wouldn't speak on behalf of other companies throughout our organization, but I do know of, in addition to Devon Park, another company that is exploring moving a company to Oma-- to Nebraska from-- from our organization. But I couldn't say that there are others that are specifically waiting for this to happen.

McCOLLISTER: But it would help your company?

BRENNAN NEVILLE: It certainly would help our company. Yes.

McCOLLISTER: Thank you.

WILLIAMS: Additional questions? Seeing none, thank you for your testimony.

BRENNAN NEVILLE: Thank you.

WILLIAMS: Invite the next proponent. Welcome, Mr. Bell.

ROBERT BELL: Thank you, Chairman Williams. Happy birthday, again. I could think of no better day than insurance day--

WILLIAMS: Your name has a great ring to it today.

ROBERT BELL: --to have a birthday. [LAUGHTER] Chairman Williams, and members of the Banking, Commerce and Insurance Committee, my name, again, is Robert M. Bell. Last name is spelled B-e-l-l. I'm executive director and registered lobbyist for the Nebraska Insurance Federation, and I am here today to testify in support of LB469. It's-- it's an interesting bill. It's a bill I think of economic development for our state. And if-- essentially what you've heard from Director Ramge and Ms. Gilbertson, and Mr. Neville is that there's no reason, if you had all the states to choose in, to form a surplus lines insurer in Nebraska if you could do it in Illinois or another state that has this law because basically you're-- you preventing the situation, now let's explain that, having to form another company just for the simple fact to write surplus lines business back into Nebraska. And my understanding is that the Nebraska surplus lines, we have some interesting risk in our state. We have some large manufacturers and transportation companies and things like that that might be interested in surplus lines because they're not-- unable to get it on the normal market. And then just touching briefly on the other provisions, of course, the federation would support the efforts of the department to remove unneeded rules and regulations and eliminate unneeded provisions that are federally preempted from the Insurance Code. And with that, thank you.

WILLIAMS: Thank you, Mr. Bell. Questions? Seeing none, thank you for your testimony.

ROBERT BELL: Thank you.

WILLIAMS: Invite the next proponent. Welcome back, Ms. Nielsen.

COLEEN NIELSEN: Good afternoon, again, Chairman Williams, and members of the Banking, Commerce and Insurance Committee. My name's Coleen Nielsen, spelled C-o-l-e-e-n N-i-e-l-s-e-n, and I am the registered lobbyist for the Nebraska Insurance Information Service. The Nebraska Insurance Information Service is a property casualty association here in Nebraska, and they wish to support LB469. And I'd be happy to answer any questions.

WILLIAMS: Any questions? Seeing none, thank you for your testimony.

COLEEN NIELSEN: Thank you.

WILLIAMS: Additional proponents? Seeing none, is there anyone here to testify in opposition? Seeing none, is there anyone here to testify in a neutral capacity? Seeing none, Senator Lindstrom waives closing. That will close the public hearing on LB469. I would ask the committee members that we will have a short executive session after the room is cleared.