

# **One Hundred Third Legislature - Second Session - 2014**

## **Introducer's Statement of Intent**

### **LB715**

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**Chairperson: Senator Mike Gloor**

**Committee: Banking, Commerce and Insurance**

**Date of Hearing: January 28, 2014**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB715 is a bill introduced at the request of the Nebraska Department of Insurance. It would do the following:

The bill would amend the Producer-Controlled Property and Casualty Insurer Act, Chapter 44, article 57, to repeal the exemption of risk retention groups from the act. This would adopt recent amendments to the National Association of Insurance Commissioners model act as required by accreditation standards. The model act regulates the relationship between risk retention groups and insurance producers adopted to address situations in which an insurer becomes so dependent on a producer to channel business to the insurer that the insurer writes business in a way that endangers the financial health of the insurer. The bill would apply the provisions of the act to risk retention groups, requiring that the relationship be set out in a written contract specifying the responsibilities of each party, requiring meeting of an audit committee, and filing an independent actuary opinion. This would provide an additional solvency regulation tool to the Director of Insurance. (Section 44-5702) (Section 1 of the bill.)

The bill would amend the Insurers and Health Organizations Risk-Based Capital Act, Chapter 44, article 60, to adopt recent amendments to the National Association of Insurance Commissioners model act as required by accreditation standards. Risk Based Capital Analysis is a tool used by insurance regulators to assess financial health of insurers. The bill would apply the provisions of the act to risk retention groups, giving the Director of Insurance greater tools for assessing the financial health of risk retention groups which have been exempt from the provisions of the act. (Section 44-6008) (Section 2 of the bill.) The bill would also increase the risk-based capital trend test trigger for life and health insurers from 2.5 to 3.0 and apply a trend test that would trigger a company action level event to health organizations; a similar trend test is currently applicable to life insurers and property and casualty insurers. (Section 44-6016) (Section 3 of the bill.)

**Principal Introducer:** \_\_\_\_\_

**Senator Mike Gloor**