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Banking, Commerce and Insurance Committee
February 03, 2015

[LB180 LB298 LB458 LB464]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Tuesday, February 3, 2015, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB464, LB180, LB298, and LB458. Senators present: Jim Scheer, Chairperson; Matt Williams, Vice Chairperson; Kathy Campbell; Joni Craighead; Mike Gloor; Brett Lindstrom; and Paul Schumacher. Senators absent: Sara Howard. [LB464]

SENATOR SCHEER: Good afternoon. If I could ask you to please take a seat. Welcome to the Banking, Commerce and Insurance Committee hearing. My name is Jim Scheer, I'm from Norfolk, representing the 19th District. I serve as the Chair of this committee. The committee will take up the bills as they are in posted order. Our hearing today is your part of the legislative process. It's your opportunity to express your position on the proposed legislation being heard from us today. The committee members will come and go during the public hearing. We have to introduce bills in other committees and are called away. Please do not take this as an indication that we're not interested in the bill being heard at the time in the committee. It's just part of our legislative process. To better facilitate today's proceedings, I would ask that you abide by a few of the courtesies. Please silence or turn off your phones so that they are not distracting. When you are ready to testify, the front chairs are sort of a staging area so that we know how many would still be available to testify, so if you could come up if you're going to be testifying. The order of testimony will be the introducer, the proponents, opponents, those in a neutral capacity, and then a closing statement by the senator. Testifiers, I would like you to please fill out a pink sheet that are available back by either door. Please fill it out and when you come up to testify, first thing, give that to the clerk, Janice, over to my left, your right, in the red sweater. If you choose not to want to testify verbally but would like to record your approval or opposition to a bill, please sign in on the white piece of paper by both doors. You can indicate your name and support or objection to either...any of the bills being heard today. When you do testify, the first thing that I ask you to do is, please, pronounce your name and spell both your first and last names so the transcribers have the ability to pull that off immediately as they are. Please be concise. I would ask you, if at all possible, please don't be redundant. If somebody has already said what you are...some of what you are going to say, feel free to just say that you agree with them or that what you were going to say has already been said. It works the same as far as the record. Written materials that you would like to be distributed to the committee, we will need ten copies. If you do not have ten copies, please provide Jake with a copy and he will make that, preferably before you testify so that we have that information available to us while you are testifying. I would introduce the committee counsel, to my right, to your left is Bill Marienau, a short timer of 27 years. And our committee clerk, again almost equally a novice, Jan Foster, in the red sweater, only being here for 25 years. So we'll have to bear with them, they're still learning their positions. I will ask the committee members to please identify themselves and we'll start with Senator Gloor.

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SENATOR GLOOR: Mike Gloor, District 35, Grand Island, six years.

SENATOR CAMPBELL: Kathy Campbell, District 25, Lincoln.

SENATOR CRAIGHEAD: Joni Craighead, District 6, Omaha.

SENATOR WILLIAMS: Matt Williams, District 36, Gothenburg.

SENATOR LINDSTROM: Brett Lindstrom, District 18, Omaha.

SENATOR SCHUMACHER: Paul Schumacher, District 22, Columbus.

SENATOR SCHEER: And Senator Howard will not be with us today. She is not feeling well and has gone home so that none of us will be contaminated by, perhaps, her illness. So I thank her for doing that. Our page today is Jake Kawamoto over behind Janice, and he will be taking care of anything that needs to be done for any of us this afternoon. Again, we will take up the bills as in order and, as I stated earlier, some of us will be leaving. I will be leaving. I have a bill across the hallway, the first bill they're going to hear, so I will turn it over to Senator Williams for the first bill. Thank you. [LB464]

SENATOR WILLIAMS: Thank you, Chairman Scheer. We will call together the hearing for LB464. Senator Harr, if you'd like to open. [LB464]

SENATOR HARR: Thank you, Senator Williams and members of the...or Vice Chair Williams and members of the Banking, Commerce and Insurance Committee. My name is Burke Harr, H-a-r-r, I represent Legislative District 8 which is Omaha, and I'm here on LB464 regarding effective financing statement. Currently, Nebraska law requires that the Secretary of State collect a social security number and Internal Revenue Service taxpayer identification number or TIN or an approved unique identifier when an effective filing statement is filed by a secured party. Effective financing statements or filings are financing statements related to farm products. The Secretary of State has now implemented a unique identification number for the debtor and they are no longer accepting social security numbers or TINs. However, they would be required under current law to accept a filing with a debtor's social security number or tax identification number should the debtor choose not to use the unique identification number. LB464 would remove the language regarding the use of the social security number and the taxpayer identification number from state law. If LB464 becomes law, everyone who files an effective financing statement would be issued an approved, unique identification number and the Secretary of State would no longer be required to collect social security numbers or IRS TINs in public records maintained

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by their office. Passing LB464 would result in better business practices for the Secretary of State and additional security for consumers who file effective financing statements. A representative of the Secretary of State's Office will testify after me in order to provide additional information regarding the necessity of this legislation and to answer any additional questions you may have. For the record, I did bring this on behalf of the Secretary of State's Office. Any questions?
[LB464]

SENATOR WILLIAMS: Thank you, Senator Harr. Questions for Senator Harr? Seeing no questions, I'm assuming you will stay to close. [LB464]

SENATOR HARR: Yes. [LB464]

SENATOR WILLIAMS: Thank you. [LB464]

SENATOR HARR: Thank you. [LB464]

SENATOR WILLIAMS: We would ask those that are going to speak as proponents to this piece of legislation to please move up towards the front of the room and invite the first one to the witness stand. [LB464]

COLLEEN BYELICK: Good afternoon, members of the Banking, Commerce and Insurance Committee. My name is Colleen Byelick, C-o-l-l-e-e-n B-y-e-l-i-c-k, I'm the general counsel for the Secretary of State's Office here on behalf of Secretary of State John Gale, testifying in support of LB464. First of all, I'd like to thank Senator Burke Harr for introducing LB464 on behalf of the Secretary of State's Office. The Secretary of State's Office maintains a central filing system for effective financing statements. As you heard, these are related to a variety of farm products, things like corn, wheat, soybeans, cattle and calves, hogs to name a few. This system is also certified by the U.S. Department of Agriculture. Filings received pursuant to this central filing system are maintained for public inspection at the Secretary of State's Office and typically are accessed on-line. These filing statements are also included in what's known as the master lien list, which is distributed quarterly to buyers of agricultural products. Historically, these statements have been filed with the social security number or federal tax identification number of the debtor named in the filing. And likewise, these numbers were included on the master lien list that was distributed to the buyers of agricultural products. In October of last year, the Secretary of State's Office implemented a unique identifier system for identifying the debtor named in these statements after receiving approval from the USDA. Having implemented this system we no longer wish to collect social security numbers or federal tax identification numbers and no longer wish to provide these numbers on the master lien list. LB464 removes references to the social security number and federal taxpayer identification number on the effective financing

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statements as well as removes the requirement to provide those on the master lien list. We think that removing these numbers is in the best interest of the public and prevents injury to individuals or businesses due to identity theft or other misuses of these numbers. LB464 does contain a safe harbor provision which indicates that financing statements, which were previously filed with a social security number or federal tax identification number as was previously the practice, continue their effectiveness regardless that these numbers will no longer be accepted on these statements. Thank you for allowing me to testify before you today. I'd take any questions you may have. [LB464]

SENATOR WILLIAMS: Thank you. Questions? Senator Craighead. [LB464]

SENATOR CRAIGHEAD: Thank you, Senator Williams. Hi. [LB464]

COLLEEN BYELICK: Hi. [LB464]

SENATOR CRAIGHEAD: What is your definition of a farm product? What does that include? [LB464]

COLLEEN BYELICK: Actually, it is defined, and on the effective financing statement there is a complete list of farm products. And I actually have a financing statement with me today if the committee would like to see that. [LB464]

SENATOR CRAIGHEAD: What's some examples, just... [LB464]

COLLEEN BYELICK: Okay, sure. Let me pull it up for you. [LB464]

SENATOR CRAIGHEAD: Thank you. [LB464]

COLLEEN BYELICK: So we've got corn, wheat, sorghum grain, soybeans, oats, barley, rye, dry beans, popcorn, flax seed, potatoes,... [LB464]

SENATOR CRAIGHEAD: Crops. [LB464]

COLLEEN BYELICK: ...sugar beets, sunflower seeds. You have crops and there's also cattle and calves,... [LB464]

SENATOR CRAIGHEAD: Livestock. [LB464]

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COLLEEN BYELICK: ...hogs, sheep and lambs, horses, chickens, turkeys, fish, eggs. It goes on and on. [LB464]

SENATOR CRAIGHEAD: Thank you. [LB464]

COLLEEN BYELICK: Yep. [LB464]

SENATOR CRAIGHEAD: That's what I thought, but I thought maybe there was something that I didn't know about. Thank you. [LB464]

COLLEEN BYELICK: Yep. [LB464]

SENATOR WILLIAMS: Additional questions? Senator Schumacher. [LB464]

SENATOR SCHUMACHER: Thank you, Senator Williams. And thank you for your testimony. [LB464]

COLLEEN BYELICK: Sure. [LB464]

SENATOR SCHUMACHER: This is in chapter 52. Is there something similar to this set up under the UCC for just regular filing statements? [LB464]

COLLEEN BYELICK: There's really not. The UC...at one point, UCC financing statements did require social security numbers at one point. About 2011, the UCC-1 Form was changed and so social security numbers are no longer collected on UCC filings. So they're no longer required, no longer collected, but it was not replaced with a unique identifier system. That only pertains to EFS filings or effective financing statements. [LB464]

SENATOR SCHUMACHER: Why wouldn't you do it on just for all commercial things? [LB464]

COLLEEN BYELICK: For all of them? [LB464]

SENATOR SCHUMACHER: As a security measure. [LB464]

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COLLEEN BYELICK: Well, yeah. Well, we're not accepting social security numbers on UCC financing statements at this point in time, so we're not getting social security numbers for UCC statements. And as part of this and part of the fact that we no longer receive social security numbers on UCC statements, we're also going to redact social security numbers from UCC statements and we can do that based upon current public records laws. So we're going to be in the process of redacting social security numbers on existing filings as well. [LB464]

SENATOR SCHUMACHER: Is there a section of the statute somewhere else that authorizes the Secretary of State to approve...to create this unique identifier system? [LB464]

COLLEEN BYELICK: It is in the statutes regarding the effective financing statements. Right now it says that the filing can either contain the unique identifier or it can contain the social security number. So because it can contain either, we have moved to implementing the unique identifier system. But we want to clarify that we don't want to be receiving social security numbers going forward. [LB464]

SENATOR SCHUMACHER: But there's no statutory guidelines for what a unique identifier has to be? [LB464]

COLLEEN BYELICK: That's true. Unique identifier is not defined. But the unique identifier had to be approved by the U.S. Department of Agriculture because this is actually part of a federal program--it's called the Clear Title filing system--that emanates from federal law. So initially, the USDA promulgated a regulation that allowed for the creation for states that have a central filing system to create a unique identifier. And our state then went into law and put in the EFS statute that we could have either the unique identifier or the social security number. Well, now we've got to the point where we've got the unique identifier, we've got the system created, we no longer want to collect the social security numbers. [LB464]

SENATOR SCHUMACHER: But we don't have any specific authority for the...or criteria other than what guidance the feds may have given for this unique identifier? [LB464]

COLLEEN BYELICK: That's true. I mean, there was no specific guidance in statute regarding what the unique identifier should look like. [LB464]

SENATOR SCHUMACHER: Is the feds, are they very specific of how it should be created or...? [LB464]

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COLLEEN BYELICK: No, they were not very helpful. Actually, what we ended up doing was looking at other states that created a unique identifier and talking with them and finding out what worked in another state. And the system that we implemented came from Idaho. It was implemented in Idaho two years before. Then we asked the USDA to implement that in Nebraska. [LB464]

SENATOR SCHUMACHER: And so basically, without any legislative guidelines or criteria, this was done as part of the internal workings of your office sort of. [LB464]

COLLEEN BYELICK: That's true. [LB464]

SENATOR SCHUMACHER: And if there were a new Secretary of State they could have different internal workings. [LB464]

COLLEEN BYELICK: Well, I think that that would be difficult because you'd have to go back and get recertified through the USDA. So...and I don't know what...why you would...what would prompt you to want to do. [LB464]

SENATOR SCHUMACHER: Well, as long as we're messing in this area of the statutes, wouldn't it be wise for us to give legislative authority to the Secretary of State to do what he's done so we don't reach these issues? You say, here's what we do, here's our criteria. We very easily could set up a subparagraph that said, the unique identifier shall have these criteria and clear up any of these issues. [LB464]

COLLEEN BYELICK: I think that would be fine. From the perspective of our office, we haven't had any concerns with the creation of the unique identifier. And we already had the legislative authority to accept the unique identifier and seek certification of the unique identifier in law, so it hasn't been an issue. But out of an abundance of caution, if you want to put some parameters in there that meet the parameters we're already using for the unique identifier, I don't think that would be a problem. [LB464]

SENATOR SCHUMACHER: Could you provide us with those criteria in case we want to look that way? [LB464]

COLLEEN BYELICK: Yes, I could. [LB464]

SENATOR SCHUMACHER: Okay, thank you. [LB464]

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COLLEEN BYELICK: Yep. [LB464]

SENATOR WILLIAMS: Other questions for our witness? Seeing none, thank you. [LB464]

COLLEEN BYELICK: Thank you. [LB464]

SENATOR WILLIAMS: Invite the next witness testifying for (LB)464. [LB464]

ROBERT HALLSTROM: Vice Chairman Williams, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as registered lobbyist for the Nebraska Bankers Association in support of LB464. You've already heard what the bill does. I will probably confine my remarks maybe to addressing some of Senator Schumacher's questions and giving some background with regard to this issue and why it's probably very important to be careful if you're going to put things into state law because ultimately everything boils down to having to be approved by the Department of Agriculture. All of the issue of our central filing system and effective financing statements came about from the Food Security Act of 1984. And prior to that time, buyers of farm products were purchasing farm products that were subject to a lien. And when they paid for those products, if they didn't have the bank's name on the check, they were subjected to what we referred to commonly at that time as double jeopardy. The buyers of farm products didn't like that. Federal law was passed that said, we'll eliminate that double jeopardy situation by creating two opportunities or options for banks to follow when they have a secured interest. The first is a central filing system or the effective financing statement system that we adopted in Nebraska. And the second is a prenotification system which doesn't work near as well. The Food Security Act required the Department of Agriculture to approve the specific effective financing statement system or central filing system that I referred to. And years later we came back before this committee when there was an indication that instead of using social security numbers, the Department of Agriculture, under the Food Security Act, would also approve an approved unique identifier in lieu of the social security number, designed primarily to address the potential for identity theft. And many years in the making, as the witnesses have already indicated, we finally came about with a system that was approved by the Department of Agriculture and thus this bill was introduced. We passed a law initially to allow approved unique identifiers. Once the Department of Agriculture approved the system that the Secretary of State had proposed, we were good to go. And now that we are good to go and have that system in place, we can remove the statutes...remove from the statutes any remaining references to social security numbers. I do appreciate...we asked the Secretary of State to put that savings clause provision in there because there will no doubt be paper filings that continue to reflect a social security number, and we didn't want to face the prospect of somebody raising a defense that the statute was violated because there was a paper EFS filing out there that contained a social security number. And so that, to be clear on the record, is designed to address that. Years ago in

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the UCC we had a similar social security number requirement and there was a similar savings clause that said, if you transpose the numbers wrong on the social security number, that did not affect the effectiveness of your filing. And that's the same concept that we have with the savings clause here. And with regard to putting the criteria in, Senator Schumacher, probably now that we've been approved, as long as it specifically and succinctly identifies what those criteria are, it's presumably not problematic. But I really don't know that anybody is going to go back after what they've gone through to get the U.S. Department of Agriculture to approve it, to go back and try and change that or change the criteria for what they already had approved. The system should work and it should be in place and not be disturbed in the future. I'd be happy to address any questions you may have. [LB464]

SENATOR WILLIAMS: Questions for Mr. Hallstrom? Senator Schumacher. [LB464]

SENATOR SCHUMACHER: Thank you, Senator Williams. As far as you know, Mr. Hallstrom, nowhere in the statutes does it say, I mean, is defined what approved unique identifier of the debtor is, who approves it, what it is? It may be something his wife approved. Is there anyplace where that's set down? [LB464]

ROBERT HALLSTROM: There's not a reference in the state statutes. But the bottom line is, nothing within this system gets adopted unless the U.S. Department of Agriculture approves it. [LB464]

SENATOR SCHUMACHER: Shouldn't we say, approved by the U.S. Department of Agriculture then, approved by the Secretary of State, approved by somebody? [LB464]

ROBERT HALLSTROM: From my... [LB464]

SENATOR SCHUMACHER: Approved by the Bankers Association. [LB464]

ROBERT HALLSTROM: Well, from my historical knowledge, when the statute was first adopted there was a great deal of time and effort put in with every word meaning something because you had to get it approved by the U.S. Department of Agriculture. And in many respects, they don't want any substantive changes from that statute lest you might have to go back and get "Mother, may I?" blessing again. So in this area, we've generally...we got it right, at least right in terms of getting it approved by the U.S. Department of Agriculture the first time. And so we've been historically somewhat reluctant to go in and make any substantive changes that might force the hand of the Secretary of State to go back and say "Mother, may I?" again. [LB464]

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SENATOR SCHUMACHER: Thank you. [LB464]

SENATOR WILLIAMS: Other questions? Seeing none, thank you, Mr. Hallstrom. [LB464]

ROBERT HALLSTROM: Thank you. [LB464]

SENATOR WILLIAMS: Other witnesses testifying in favor of LB464? Any opponents to (LB)464? Anyone who would like to testify neutral? Senator Harr, we invite you to close. [LB464]

SENATOR HARR: Yes, just quickly. Senator Schumacher, to address some of your issues: First of all, I brought it to get the unique identification number request. It's pretty difficult. It's your first name, last name, and the last four digits of your social security number. And that's the process we've chosen to use. It is...it has been approved by the U.S. Department of Ag. What you're recommending would be fine. It's a belt/suspenders issue because it already is. And if you read through the statute, there is in here--and I need to find it--that it already is required to be approved by the U.S. Department of Agriculture. On page...I'm trying to find it; I saw it a couple of minutes ago and I can't find it, but I'll get that information for you. I don't think it's a substantive change. I don't think the Department of Ag is going to complain if we say, subject to approval by the U.S. Department of Agriculture, but it is already, as I said, required. And let me just turn for a second and see if Ms. Byelick knows where that is in here. It's on page 6, line 13: "The Secretary of State shall apply to the Secretary of the United States Department of Agriculture for (a) certification of central filing system and (b) approval of the system or method of selecting an approved unique identifier." So we can put it somewhere else, but it's kind of belt/suspenders which I'm not adverse to, especially in this area of the law when you're dealing with secured interests. With that, I would entertain any other questions anyone might have. [LB464]

SENATOR WILLIAMS: Any further questions for Senator Harr? Senator Schumacher, any more on those? [LB464]

SENATOR SCHUMACHER: Would you like me to come up with some? [LB464]

SENATOR HARR: He's good at it. [LB464]

SENATOR WILLIAMS: Well, I'm not begging. [LB464]

SENATOR SCHUMACHER: No, I don't have anything else. [LB464]

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SENATOR WILLIAMS: Thank you, Senator Harr. [LB464]

SENATOR HARR: Thank you. I appreciate your time. [LB464]

SENATOR WILLIAMS: We'll close the hearing on LB464. Next bill up is LB180. We'd invite Chairman Scheer to the witness box. [LB464]

SENATOR SCHEER: Vice Chair Williams and committee members, my name is Jim Scheer, S-c-h-e-e-r, representing District 19 in the Legislature. I'm here before you today to introduce LB180. I introduce this legislation on behalf of the Director of Insurance to change the definition of title insurance to include personal property title insurance. Currently in Nebraska, title insurance is limited to only real property. In a number of other states, title insurers also want to sell separate insurance products insuring or indemnifying owners of personal property or secured parties against loss or damage pertaining to claims of title, liens, or security interests in personal property or fixtures. LB180 would allow title insurers in the state to sell such insurance in Nebraska. I know the director and other representatives from the insurers will testify behind me. If there is a simplistic question, I'd be glad to try to answer it. If it is technical, I would suggest that we wait for the department or one of the insurer representatives. [LB180]

SENATOR WILLIAMS: Thank you, Senator Scheer. Questions for the senator? No questions at this point. I'm assuming you will stay to close. [LB180]

SENATOR SCHEER: I will. I might run across the hall because I haven't closed there yet. [LB180]

SENATOR WILLIAMS: We will wait for you then. We would invite those who will be speaking in favor of this bill to find a spot in the front row, if possible, and invite our first witness to the stand. [LB180]

BRUCE RAMGE: (Exhibit 1) Vice 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 would like to first thank Senator Scheer for introducing LB180 on behalf of the Nebraska Department of Insurance. Although on its face it may seem complicated, LB180 is a relatively simple piece of legislation. In Nebraska insurance law we have what is called a monoline restriction for title insurers. This means title insurers can only write title insurance. Title insurers cannot write life insurance, property and casualty insurance, etcetera. This also means life insurers and property and casualty insurers cannot write title insurance. In Nebraska, title insurance is limited to insurance guaranteeing or indemnifying

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owners of real property or others interested against loss or damage caused by liens, encumbrances upon, defects in, or the unmarketability of title to real property. One of the main goals of the Nebraska Department of Insurance is to encourage the growth of our already robust domestic insurance industry and with the help of a favorable regulatory and business environment due in part to the Nebraska Legislature and other elected officials, the department has been able to attract some of the largest title insurers in the nation to Nebraska, including Fidelity National Title Insurance Company and First American Title Insurance Company. In the department's role as chief regulator of these title insurance companies, our examiners noticed a product being sold in other states that is best described as personal property title insurance. This would be insurance guaranteeing or indemnifying owners of personal property or secured parties against loss or damage pertaining to title, liens, encumbrances upon or security interests in personal property or fixtures. This includes existence or nonexistence of attachment, perfection, or priority of security interests in personal property or fixtures under the Uniform Commercial Code or other laws establishing procedures relating to security interests or other public registries establishing security interests in personal property. Such a product, under the monoline restriction, would be prohibited from being sold by title insurers to customers in Nebraska. As the lead regulator of these insurers, I want the department to be sure that the product is understood by our examiners and properly reserved for by the companies. Also, as the Director of Insurance for Nebraska, I want to be sure that Nebraskans that have need for this product are able to purchase it in an admitted line. Currently, if a Nebraska individual or company wants to buy an insurance product outside of an admitted line, they would likely have to access the product in the surplus lines market, which does not have the robust regulatory protections of normal insurance. This has been a long-winded explanation of a simple question, why LB180 is needed. LB180 will allow title insurers to sell personal property title insurance on the admitted market in Nebraska. If LB180 passes in its current form, real property title insurance policies and personal property policies would be distinct, separate policies. Because of this distinction, agencies selling title insurance on real property will not be required to run personal property lien searches, as an example. If the customer for some reason wanted the personal property title insurance on some personal property located on the real property, they would need a separate policy. Put more simply, LB180 will allow title insurers to write either real property title insurance policies or personal property title insurance policies, but not in the same policy. Again, I would like to express my gratitude to Senator Scheer for introducing LB180 and I would gladly answer the committee's questions. Thank you. [LB180]

SENATOR WILLIAMS: Questions for the director? Senator Craighead. [LB180]

SENATOR CRAIGHEAD: Thank you, Senator Williams. Hi, Mr. Ramge, thanks for being here. [LB180]

BRUCE RAMGE: Good afternoon. [LB180]

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SENATOR CRAIGHEAD: Okay. You know in real estate personal property is called chattel. And that is always under a homeowner's policy as far as insurance. [LB180]

BRUCE RAMGE: Yes. [LB180]

SENATOR CRAIGHEAD: I'm a little confused again, you know, being from the real estate industry. [LB180]

BRUCE RAMGE: Certainly. [LB180]

SENATOR CRAIGHEAD: So then do...would the insurance agent who writes the personal property rider be in conflict or would it be a duplication of services if we pass this new one? [LB180]

BRUCE RAMGE: It would be a completely different type of coverage. It would not cover the perils that are typically found in a property and casualty policy, such as wind, hail, or theft, those types of...this would only cost...cover loss because there might have been a lien against that personal property. And it's only covering the guarantee of ownership. So, for example, if someone were to obtain a loan from the bank and used personal property or chattel for collateral, then perhaps this type of coverage could ensure that there aren't other parties out there who would have a first priority or lien on that property that is being held as collateral. [LB180]

SENATOR CRAIGHEAD: Does that happen? [LB180]

BRUCE RAMGE: You know, there are individuals here from the title insurance who specialize in this. And if you don't mind if I would punt that to them, because they're a lot more familiar with the real world applications. [LB180]

SENATOR CRAIGHEAD: Sure. Thank you. Sure. [LB180]

BRUCE RAMGE: You're welcome. [LB180]

SENATOR WILLIAMS: Senator Gloor. [LB180]

SENATOR GLOOR: Thank you, Senator Williams. So as a couple of examples, could we be talking about jewelry, maybe the provenance of artwork, anything of that sort? [LB180]

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BRUCE RAMGE: I think one could go down...if there were a desire for that type of title policy for something very expensive that someone wanted to have the ownership checked to make sure there are not any other liens or perfections against the ownership of that property. I think that as we learn more, the larger applicability of this product is in the market of like commercial property and commercial real estate with loans, secondary loans, mezzanine loans, that type of thing. So...yes. [LB180]

SENATOR GLOOR: Okay, thank you. [LB180]

SENATOR WILLIAMS: Other questions of the director? Seeing none, thank you for your testimony. [LB180]

BRUCE RAMGE: Thank you. [LB180]

SENATOR WILLIAMS: We'd invite the next witness to come forward. [LB180]

GARY ZIMMERMAN: Good afternoon and thanks for having me here. My name is Gary Zimmerman, Z-i-m-m-e-r-m-a-n, and I'm the senior vice president and chief underwriting counsel for the UCCPlus Division of Fidelity National Title Group. The Fidelity National Title Group is the parent of the three underwriters which you know as Fidelity National Title Insurance Company, Chicago Title Insurance Company, Commonwealth, Alamo, and one other who I don't remember. And what we do is, our group underwrites and produces all of the personal property title insurance companies for all the direct operations and agents of the Fidelity family. And as I go through this, I'll always talk about the Fidelity family being the composite of Chicago, Fidelity, and Commonwealth. We've basically been doing this since 2002. There's about 36 other states where we're allowed to write this policy. The Fidelity National Title Group and the reason I'm here is we're wholly supportive of LB180 as it will obviously eventually allow our UCC policies and our division to write UCC policies for our agents in the state of Nebraska. And to answer your question, Senator Craighead, it's a commercial product. Basically, when we talk about Uniform Commercial Code, Article 9 is the article in secured transactions, Article 8 is the article on securities. Those two things interweave with each other. And in the marketplace it is probably commonly called UCC insurance, personal property insurance. We both have our brand names for it. But a typical loan would be a small-, medium-size business that needs a working capital loan. If you're a manufacturer, all of your money is tied up in inventory, work in process, raw products. Of course, people don't pay you with cash the minute you sell. You know, terms net 60, net 90, net 120, those are accounts receivable. And the typical loans that we do or the typical loans that are made to commercial businesses are secured loans and those secured loans are secured by a company's accounts receivable inventory, equipment, general, and tangibles. Other kinds of loans, there's real estate mezzanine loans,

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there's energy loans, anything out there on a commercial basis that might be deemed personal property as opposed to real property. And again, it's strictly a commercial play. Individuals don't...you know, if you're making...if you're buying a set of golf clubs, the lender is not going to make you sign a loan agreement and file a financing statement. What's going to happen is you're going to pay cash, credit, check, you know, or something off your phone now however that works. But we just think that commercial lenders who are making loans to Nebraska businesses and, again, who are securing those loans with personal property in accordance with the Uniform Commercial Code, will benefit for the protections afforded. And by comparison, for a very long time Nebraska's real estate lenders have utilized title insurance companies to insure that when they're making a loan and they're securing that by real property and filing a mortgage against that property, that the title insurance company comes around and says, we're going to insure the...you know, you, Mr. and Mrs. Lender, that you have a valid perfected first mortgage on that property. There's no other encumbrances. Likewise, we're doing the same thing. We are telling those commercial lenders that they properly attach perfected and they have a first priority security interest in that personal property collateral that they're taking for their loans. I've gone on too long. Again, Fidelity National Title Group supports this bill and hopes that the bill is passed. [LB180]

SENATOR WILLIAMS: Questions for Mr. Zimmerman? Yes, Senator Craighead. [LB180]

SENATOR CRAIGHEAD: Thank you, Senator Williams. So we would mainly be talking things like very large, expensive pieces of equipment in a manufacturing company. Correct? [LB180]

GARY ZIMMERMAN: Yes, if a lender was making a loan for someone to purchase a piece of equipment and taking a security interest, that equipment would be, again, equipment and we could write a policy telling the lender that they had a perfected first security interest in that equipment as the borrower pays them back for the purchase of that. [LB180]

SENATOR CRAIGHEAD: So basically, it's collateral then. [LB180]

GARY ZIMMERMAN: Yes, it's collateral. Absolutely, ma'am. [LB180]

SENATOR CRAIGHEAD: Okay. And then you mentioned wind. [LB180]

GARY ZIMMERMAN: Wind? [LB180]

SENATOR CRAIGHEAD: Wind. Didn't you mention wind? [LB180]

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GARY ZIMMERMAN: Oh, maybe I was too windy. [LB180]

SENATOR CRAIGHEAD: I was going to say, how can you put collateral on wind. I was just... [LB180]

GARY ZIMMERMAN: You know what? In the energy business we...a lot of components in an energy project. Some of those, you know, we have them all over. I'm from Illinois, so we have all those turbines flying around. Some of that can deem to be personal property as opposed to real property and we insure that, but not a large part of our business. [LB180]

SENATOR CRAIGHEAD: So like the turbines and things like that, the equipment. [LB180]

GARY ZIMMERMAN: Yeah, turbines. Yeah. Anything that would be easily removable. Yes, ma'am. [LB180]

SENATOR CRAIGHEAD: Thank you. [LB180]

GARY ZIMMERMAN: Okay. [LB180]

SENATOR WILLIAMS: A real simple question: We run a banking operation. Our bank, let's assume, is making a loan to a small business that has inventory, equipment, and those kind of things. We could come to your company and buy title insurance on that personal property, just like we currently would on the real estate that we are also taking as security. Right? [LB180]

GARY ZIMMERMAN: Yes, sir. We would ensure that you had a...I'm sorry. [LB180]

SENATOR WILLIAMS: You would ensure that we had good title to that. [LB180]

GARY ZIMMERMAN: For a security interest. [LB180]

SENATOR WILLIAMS: Who would we buy that product from? [LB180]

GARY ZIMMERMAN: Currently...again, Brad Gibson will testify behind me. But the two companies that I'm aware that issue this is Fidelity Family and First American. [LB180]

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SENATOR WILLIAMS: Okay. And I'm assuming they are licensed to do business in Nebraska. [LB180]

GARY ZIMMERMAN: Yes, I hope they are. Yes, yes, yes, yes, I'm not on the regulatory side. That's...yeah. I'm...yeah. Gee, I hope so. I've got my car handy, I could leave quickly. [LB180]

SENATOR WILLIAMS: And are the licensing requirements for agents that would be selling these products similar to the requirements for those that are currently selling title insurance covering real property? [LB180]

GARY ZIMMERMAN: I believe so. What our company requires, because this is such a specialized area of knowledge...you know, if you're a real estate attorney or real estate underwriter, you don't necessarily know the rules of Article 9 and Article 8. So what our company does is, if you want to get a policy, they require our agents, the Fidelity agents to use our division. And that business comes into us--we're located in Chicago--and we underwrite it. And that generally is done because most of the states don't want people that don't know anything about personal property underwriting these because the incidence of claims would be very high. [LB180]

SENATOR WILLIAMS: It could be very similar to how title insurance on real property is handled, yeah. [LB180]

GARY ZIMMERMAN: Okay. Okay. [LB180]

SENATOR WILLIAMS: Other questions? Senator Schumacher. [LB180]

SENATOR SCHUMACHER: Thank you, Senator Williams. Thank you for your testimony. I'm trying to picture how life would be very different from what it is now if you ran a lending operation and somebody said, I want to borrow some money. And you said, that's fine. And then you talked to Mr. Hallstrom and he says, got to have a lien and it's got to be a good lien. And you say, well, that's fine. And right now you would do a UCC search of some type to...and you would hire probably the title insurance company to do the UCC search and prepare a title document. Either that or have it in-house, some kind of in-house search. And you would get an opinion from either in-house or the title company that said, yeah, there's no tax liens, no liens filed with the Secretary of State's Office, it looks clean to us. If you make a loan on this you'll be number one in line. And then you pay him for that opinion or that title report. Now, how does that differ from what would happen now? You just buy a policy that guaranteed that? [LB180]

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GARY ZIMMERMAN: I think the best answer to that is in the days before real estate title insurance, there were people called abstracters out there. And people wrote abstracts of title. And through custom and practice, people--at least from my experience at the title company--like to do business with a title insurance company that maintains claims reserves that each state prescribes. And the other example could be is, you would rely upon the legal opinion of the borrower's counsel. But again, if the borrower's counsel opinion is incorrect, you have the law firm to stand behind that, but you don't have a title insurance company that's set up with reserves to be able to handle claims if, indeed, the title company is wrong. What you're really doing, Senator, is shifting that risk from the abstracter, the person rendering that opinion, to the title company. [LB180]

SENATOR SCHUMACHER: But the abstracter or the current person doing the title search, chances are, has got some type of E&O or malpractice insurance, probably with the same company that's insuring the title. [LB180]

GARY ZIMMERMAN: Well, I don't know. That would be a different...that's a regulatory question. I don't know, I'm not the expert to answer. [LB180]

SENATOR SCHUMACHER: Okay. Right, but there's usually an insurance company somewhere behind everybody who gives an opinion. [LB180]

GARY ZIMMERMAN: I don't think you'd...my gut, and again this is not from much knowledge, I don't think an errors and omissions policy would or would not cover it. Like, obviously, you know... [LB180]

SENATOR SCHUMACHER: Or a professional liability policy of some kind. [LB180]

GARY ZIMMERMAN: It might. You know, again, if a law firm has that in their opinion, that's fine. [LB180]

SENATOR SCHUMACHER: And now would this also be somebody went out to a farm sale...there's a...or found something on the Internet, a big tractor of some kind or even a small tractor and said, gee, how do I know that this person didn't steal this thing or that it doesn't have liens on it in another state? Let's suppose they found it on the Internet in Kansas. Would this...would they buy from a Nebraska insurance company the policy that says, the guy that's selling this tractor really owns it and won't be somebody coming back at you? [LB180]

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GARY ZIMMERMAN: Well, the primary policy that we sell is a lender's policy, not really an owner's policy because of the fact that again we don't have a recordation statute to cover the transfer of title to personal property, so it is a lending property. But to answer your question, that would be very difficult for us to do. You'd have to find the name of the entity that owned that tractor, where it was located. And if it was an individual, you'd have to go by the rules of Article 9. If it's an individual you would have to do a UCC search in the state of that individual's principal residence. If it's an entity, you have to do a UCC search in the state of formation of that entity. But the risk of that, that's not the kind of transaction that we really would do on a tractor because we would be insuring...we wouldn't be able to figure out who originally owned it. You have to remember to ask me that when you get up here, too. I don't think we'd handle that. [LB180]

SENATOR SCHUMACHER: Well, on page 4 of the bill, I mean, it talks about this insurance is insurance guaranteeing or indemnifying owners of personal property or secured party--so it covers both the bank situation or the owner situation--or others interested therein against loss pertaining to adverse title. So this would cover both then, wouldn't it? [LB180]

GARY ZIMMERMAN: And if a title insurance company wanted to go into that field, they certainly would be able to do it under this enabling statute. Right now, the only type of owner's policy that I'm aware of that's out there is policies that insure...buyer's policy or owner's policy that insures an interest in a limited liability company, a limited partnership, or a corporation in a transfer of that. Our particular company does not issue owner's policies beyond transfers of interest of an LLC, an LP, or a corporation. But again, under the terms of your statute, if another title company wanted to come in and do that, they could do that. We have chosen not to do that. [LB180]

SENATOR SCHUMACHER: Thank you. [LB180]

SENATOR WILLIAMS: Other...Senator Craighead. [LB180]

SENATOR CRAIGHEAD: Thanks, Senator Williams. I'm intrigued by this. So do lenders who are going to loan against this collateral, this chattel, do they not research this out and do their due diligence to make sure that things are paid for and that the equipment is good? Do they not do that on their end? [LB180]

GARY ZIMMERMAN: They do do that. But what they do by buying a policy from us is, they do what those lenders' real estate departments have been doing for, again, 50 years. They're shifting the risk to the title company. And again, the global argument is, is it makes the lender's job easier to lend that money to the borrower because there's a third party shifting that risk or taking that

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risk from the lenders. And again, they've been doing it for real estate their whole life, so that is sort of the theoretical proposition behind it. [LB180]

SENATOR CRAIGHEAD: Okay. It's interesting. I'm still trying...I mean, you know, a house. It's there. Or a building, it's there. And you can go back and retrieve that. And that's why I'm just trying to get my arms around what is included in the personal property. You know, is it fixed? Can it be removed? You know what I'm saying, because you're getting a lot of real estate law in with this as far as... [LB180]

GARY ZIMMERMAN: And remember, our insurance, like real estate title insurance, is not value of collateral insurance. Like I mean, the title company doesn't insure...you know, when someone makes a real estate loan, that's a \$10 million loan, the real estate side of the company doesn't say, gee, that property is worth \$10 million. Nor do we see on our side that that personal property you've taken as collateral that's worth \$10 million. It does tell the lender that they have a valid, perfected, first security in that. So if they come...and all the inventory, the warehouse is empty, that's not our risk, that's the bank's risk. That's the best way. [LB180]

SENATOR CRAIGHEAD: Okay. Thank you. [LB180]

GARY ZIMMERMAN: Thank you. [LB180]

SENATOR WILLIAMS: Other questions from Mr. Zimmerman? Seeing none, thank you. [LB180]

GARY ZIMMERMAN: Thank you very much. [LB180]

SENATOR WILLIAMS: You're welcome. Next testifier. [LB180]

KIM ROBAK: Good afternoon, Senator Williams and members of the Banking, Commerce and Insurance Committee. My name is Kim Robak, R-o-b-a-k, I'm here today on behalf of the Nebraska Land Title Association. The Title Association consists of title insurers and title agents who provide land title insurance in the state of Nebraska. And the confusion that is happening here this morning is also something that happened at our association meeting earlier this year when we saw the bill had been introduced. And we had some questions about what was going on. I want to thank the department and the counsel for the department for visiting with us and working through our concerns because we had many questions. And Director Ramage was very helpful in insuring--excuse the pun--ensuring a couple of comments to make the folks in the Nebraska Land Title Association comfortable. First of all, the distinction between land title

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insurance and UCC title insurance which has been discussed here. Somebody mentioned earlier the fact that there used to be abstracts. My father was a small town attorney and he would bring home a big pile of papers and he would be going through it at night and that was an abstract. And what he was making sure was that there were no defects in that title so that when someone bought the property that they were getting what they thought they were getting. And it used to be that people relied on abstracters when they bought their land. But over time, title insurance came to replace an abstracter, so people bought title insurance. There is still a situation that occurs-- and this was an example that was given at our association meeting--where you might sell a piece of real estate that has a center pivot on it. And that center pivot is actually attached to the land, but it's personal property not real property. So when you're selling this massive piece of property, you buy land title insurance or title insurance. And there will be a new title insurance that you can insure that that pivot that's on that property, if there are any liens on it, that you would be first in right or that that lien would be appropriately perfected. Right now today, title insurance doesn't cover that pivot. What you have to do is, you have to go get an abstracter's opinion on that piece of personal property. So this process would allow you to have two separate types of insurance, one to cover the land and one to cover the personalty. What was mentioned before by the gentleman from Fidelity is that that's not the type of insurance that they--they, personally--sell, their company. They generally sell what's called a lender's policy, so it would be for the bank, Senator Williams, where the bank would want to make sure that all of its liens were in proper priority and that they were all perfected. Bottom line from the Nebraska Land Title Association, we are of the belief that the department has made clear that there will be two separate types of policies, that the agents who sell land title insurance understand that distinction and, as a result, we support the bill. [LB180]

SENATOR WILLIAMS: Questions for Ms. Robak? Senator Gloor. [LB180]

SENATOR GLOOR: Thank you, Senator Williams. So why would items of worth...and maybe I need to have them attached to the property such that you buy a home, but within the home is statuary or artwork or something. [LB180]

KIM ROBAK: I'm not an expert by any stretch of the imagination, but I don't think that generally, when you're buying title insurance you're not buying insurance that something bad is going to happen to that or that you're going to replace the property. What you're buying is assurance that there are no liens that someone is going to come ahead of you in the process so that when you buy this land that someone isn't going to come after you with some kind of a lien on the property, that it's free and clear, that there's no boundary disputes, that there is not some easement across your land you didn't know about. When you have a piece of art, what you're insuring against is fire damage or theft. And that's a completely different type of insurance than what we're talking about here. Now maybe there's some sort of title personal property insurance that I'm not aware of, but I don't think it would cover that type of property. [LB180]

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SENATOR GLOOR: Well, I understand that you're not covering it for loss, but there are issues of who owned this. And when it comes to artwork from the '30s and '40s in Europe, as an example, the provenance of a lot of artwork now is...we read about being subject to, this really wasn't owned by who sold it to you. Anyway, perhaps somebody to follow you might be able to follow through. [LB180]

KIM ROBAK: I think that under the statute, you could sell that type of insurance. I don't have enough background to be able to answer the question, but I believe that the language of the statute would allow that type of insurance to be sold. [LB180]

SENATOR GLOOR: Yes. Okay, thank you. [LB180]

KIM ROBAK: Okay. [LB180]

SENATOR WILLIAMS: Senator Craighead. [LB180]

SENATOR CRAIGHEAD: Thank you, Kim. Okay. Obviously, we're talking apples and oranges and bananas here because we're talking residential, commercial, and land. But you mentioned the cone or whatever was on land. Okay? It wasn't insured. Okay. And again, apples and oranges, but the residential, if something is attached, say a light fixture or something, that is considered part of the property. [LB180]

KIM ROBAK: Yes. [LB180]

SENATOR CRAIGHEAD: So help me make the correlation with the attached part in a residential unit versus the cone in the land. What's different about that? [LB180]

KIM ROBAK: I don't believe--and again, someone behind me can verify this--but I don't believe that separate items of a fixture in a home, for example, that you would borrow money against that particular fixture. So the likelihood of there being a lien against that chandelier is probably small. When you have a large piece of a center pivot in the middle of a field, there is...it is possible, in fact likely, that you would have a loan or a lien on that particular piece of equipment. [LB180]

SENATOR CRAIGHEAD: Thank you. [LB180]

SENATOR WILLIAMS: Additional questions? Senator Schumacher. [LB180]

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SENATOR SCHUMACHER: Thank you, Senator Williams. And thank you for your testimony, Kim. Somebody goes and buys a \$3,000 refrigerator, finances it in a purchase money security interest, and then sells the house with all the appliances, but the refrigerator isn't paid off yet. And the store stops getting payments because the couple broke off and went to different parts of the world and thinks they should get the refrigerator back. Is that what...could you buy a policy when you bought the house that not only insured your title to the house, but to all appliances in the house? [LB180]

KIM ROBAK: I think technically you could, Senator, based on the language of the statute. I don't think anyone would sell that policy. I just don't think that there is a market for that type of policy. What these companies are talking about that will be testifying are different types of transactions, generally larger transactions, that deal with larger sums of money. But I believe that you could possibly sell that policy. [LB180]

SENATOR SCHUMACHER: So if you were dealing with...right now, how do they handle it? They just do a search of the tax records and a search of the UCC records? They usually hire a title company to do it and they get a report that says, we didn't find any liens? [LB180]

KIM ROBAK: That's correct and because it's land title insurance, Senator, you wouldn't be covering that refrigerator because it's title insurance to the land. [LB180]

SENATOR SCHUMACHER: But on these big deals that we were talking about, whatever big...you know, all the equipment inside of a factory or something like that. Right now if you were going to make a loan on it or if you were going to buy it, you'd have a record search done, probably by the title company, to give you an opinion. [LB180]

KIM ROBAK: The title company would not do the search on the personal property. [LB180]

SENATOR SCHUMACHER: That's not been my experience. [LB180]

KIM ROBAK: Really? Well, that's what I'm told, that they don't...they oftentimes will argue with their customers because they only do land title searches. But if you have experience otherwise, then I'd stand corrected. [LB180]

SENATOR SCHUMACHER: Maybe they're just desperate for money where I'm from. [LB180]

KIM ROBAK: Maybe they're very good at what they do, Senator. [LB180]

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SENATOR SCHUMACHER: Oh. That too. Thank you, Kim. [LB180]

SENATOR WILLIAMS: Any additional questions? Thank you, Kim. [LB180]

KIM ROBAK: Okay. [LB180]

SENATOR WILLIAMS: Next testifier, please. [LB180]

BRADLEY GIBSON: Thank you. Good afternoon. My name is Bradley Gibson, I'm with First American Title Insurance Company. I am...pardon me. My name is spelled B-r-a-d-l-e-y G-i-b-s-o-n. I am associate general counsel for the UCC Division at First American. I appreciate the opportunity to be here in support of the Director of Insurance and his staff with respect to LB180. We are, of course, in favor of this legislation for many reasons, many of which have already been addressed. As mentioned, UCC insurance insures the attachment, perfection, and priority of security interests in personal property or it also insures the lien status in identified collateral or personal property. The passing of this legislation will allow us to offer the UCC insurance products to the residents of Nebraska and we would be able to issue that through Nebraska agents. The underwriting similar, as was mentioned with Fidelity, would be done in our home office in Santa Anna as it is done for all of our UCC policies, but we would be able to offer these products through Nebraska title agents. To address several of the questions that arose during prior testimony, with respect to Senator Schumacher's question about the E&O insurance of people, the abstracters or attorneys who may be preparing these opinions with respect to prior liens on personal property, the benefit of UCC insurance in this respect is that it would just be a strict liability standard. In other words, if we insure that there are no prior liens on a piece of equipment and a lien pops up, that would be a claim on our policy and the policyholder would not need to prove negligence on our part in order to collect...for it to be reimbursed. Under an E&O policy most likely that would be a negligent standard which is much more difficult to establish. Oftentimes prior liens can be misindexed by the Secretary of State and that can lead to claims as well. So I just wanted to mention that there is a different level burden of proof or level of review for claims on this type of insurance. We are different from the land side in one important area and that is rights in the collateral or ownership of the collateral. As Mr. Zimmerman mentioned, there is no central registry for us to go consult who owns this tractor--well, pardon me--tractor maybe have a certificate of title with the DMV, but perhaps a piece of equipment. There's no central registry for us to go review. So our policy would ensure that there are no prior security interests filed against the owner of that equipment to the extent that the lender tells us the owner. The lender would do its due diligence to make sure that the borrower, in fact, does own that piece of equipment. And that's what our policy would do, would be to be sure that there are no prior liens against the equipment pledged by that particular borrower. With respect to the comments about artwork, we would...we have insured transactions involving very

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expensive pieces of art. We did not insure that the person pledging that artwork, in fact, owned it. So if there was a challenge or litigation surrounding the provenance of that artwork, we would not be...that would not be a covered claim. However, if a prior lienholder came forward and said, I have a senior lien on this painting, that would, in fact, be covered by our UCC policy. And I think as was mentioned earlier with, for example, a center pivot on a piece of farmland, that may or may not be deemed to be a fixture. I believe it would probably fall under equipment under Nebraska Law. And our policy would be able to insure that there are no prior liens against those fixtures on that piece of real property. So with that, I guess I will close and invite any questions. Thank you very much for the opportunity to come and support this legislation. [LB180]

SENATOR WILLIAMS: Questions for Mr. Gibson? No questions. Thank you. [LB180]

BRADLEY GIBSON: Thank you. [LB180]

SENATOR WILLIAMS: Any additional proponents? Is there anyone here to testify in opposition? Is there anyone here to testify neutral? Alrighty. Senator Scheer is out of the room at this point testifying at another hearing. Point of order, would we keep this hearing open and give him time and opportunity to come back? [LB180]

JAN FOSTER: They just went to the hearing room to see if he wanted to come back if he could. [LB180]

SENATOR WILLIAMS: Okay, we will just wait a few minutes here and see if Senator Scheer can come back. In fact, why don't we take our short break right now and we'll start again at...in five or six minutes, if that works for everybody. Thank you. [LB180]

BREAK

SENATOR WILLIAMS: Alrighty, if we could reconvene. Thank you all. We have received confirmation from Senator Scheer, since there was no opposition to his bill he is waiving closing on LB180 so we will close the hearing on LB180 and open the hearing on LB298 and invite Senator Schumacher to the stand. [LB180]

SENATOR SCHUMACHER: Thank you, Senator Williams, members of the Banking, Commerce and Insurance Committee, I'm Paul Schumacher, S-c-h-u-m-a-c-h-e-r, representing District 22 in the Legislature. And LB298 deals with the exciting subject matter of insurance, reinsurance and it even has, as you'll learn, international intrigue as the insurance department here in Nebraska works with international vendors of insurance and reinsurers to make it all

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work. Now they don't trust me to ad-lib this one so they've written a script for me. LB298 would update Nebraska's insurance law related to credit for reinsurance. This was introduced on behalf of the Director of Insurance. Credit for reinsurance is a statutory accounting practice that allows insurers to add to their assets or reduce from their liabilities the amount of the reinsurance due to the insurer from reinsurers. Reinsurance is essentially insurance for insurers and it helps protect insurers from catastrophic events and other high loss situations that happen from time to time. The updates reflect the latest changes to the model act adopted by the National Association of Insurance Commissioners. The NAIC is the United State's standard-setting agency and regulatory-support organization created and governed by the chief insurance regulators from the 50 states. Currently, for a domestic insurer to get the credit, reinsurance must fit into one of statutory categories. If a reinsurer is a foreign insurer, it must post 100 percent collateral for the domestic insurer to get the credit. LB298 adds a new category that would allow a credit from a foreign insurer if the foreign insurer meets certain criteria such as: being domiciled in a qualified jurisdiction, meaning a jurisdiction that has a similar regulatory scheme as Nebraska; maintaining minimum capital and surplus requirements; maintaining acceptable financial ratings from two or more rating agency; agreeing to be subject to Nebraska's jurisdiction; and agreeing to applicable filing requirements of the Department of Insurance. If a foreign insurer meets those requirements, then the Director of Insurance may allow a domestic insurer credit for reinsurance even if the collateral is not at the 100 percent level. This bill would allow our domestic insurers to have access to more and cheaper reinsurance. Again, reinsurance is important for companies when the catastrophic or unforeseen losses will happen. It will also allow a level playing field for Nebraska insurers when reinsuring foreign companies. Some European jurisdictions have placed retaliatory collateral requirements on U.S. reinsurers because of U.S. collateral requirements on foreign reinsurers. This should level that playing field. Finally, LB298 also requires domestic insurers to take steps to diversify their insurance portfolios so that a company's concentration of risk is not too high in any one reinsurer or group of affiliated reinsurers. The Director of Insurance and a representative of the Reinsurance Association of America will testify after me to provide you with all the details of this legislation. And after that, I think I know why they asked me to bring this bill, because they didn't want to listen to questions from me. Anyway, that's... [LB298]

SENATOR WILLIAMS: We were wondering if you had questions for yourself. [LB298]

SENATOR SCHUMACHER: I probably do. [LB298]

SENATOR WILLIAMS: Questions for Senator Schumacher? [LB298]

SENATOR CAMPBELL: We should all have like ten. [LB298]

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SENATOR WILLIAMS: No questions. And I'm assuming you will close. [LB298]

SENATOR SCHUMACHER: Right now? [LB298]

SENATOR WILLIAMS: We invite our witnesses that are going to testify in favor of this legislation to please take a front row seat and invite our first witness to the witness stand. [LB298]

BRUCE RAMGE: (Exhibit 1) Vice 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 would like to first publicly thank Senator Schumacher for introducing LB298 on behalf of the Nebraska Department of Insurance. LB298 updates the insurance code with the latest version of the Credit for Reinsurance Model Law adopted by the National Association of Insurance Commissioners or NAIC. The NAIC is the United State's standard-setting and regulatory-support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia, and five 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, form the national system of state-based insurance regulation in the United States. A number of insurance regulatory laws in Nebraska and other states are NAIC model acts and Nebraska's credit for reinsurance law is no different. In 2011, the NAIC updated its model credit for reinsurance to create a certification process for foreign reinsurers and to address concentration of risk. Before I get into what LB298 does, I will spend a little time explaining the concept of credit for reinsurance. In its most basic form, reinsurance is insurance for insurance companies. Insurance companies purchase reinsurance to protect against catastrophic and other high loss risk. As determined by an agreement an insurance company has with the reinsurer, the reinsurance would pay out after the company's loss reaches a certain predetermined level. So in Nebraska, as an example, reinsurance might pay out one of our local mutual property and casualty companies after a large scale weather event. A health insurer might utilize reinsurance to protect itself against a run on exceptionally costly payouts. The credit part of credit for reinsurance is an accounting practice that allows the ceding insurer, that is the insurance company purchasing the reinsurance, to indicate the reinsurance as an asset or a reduction in liability. Essentially, the credit for reinsurance allows companies to better manage both their balance sheet and risk. Credit for reinsurance is allowed when the reinsurance purchase meets any number of statutorily listed criteria. Important for the discussion of LB298 is the addition of a new concentration process for foreign reinsurers. Currently, foreign reinsurers are required to post 100 percent collateral before an insurer could count the credit. LB298 allows that collateral requirement to be lowered, how low to be dependent on the financial strength of the reinsurer, if the reinsurer meets several criteria established in LB298. First, the reinsurer must be domiciled in a qualified jurisdiction, meaning jurisdictions that possess stringent regulatory

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controls over reinsurers similar to Nebraska. The department will publish a list of jurisdictions that meet this requirement after consultation with the NAIC. Currently, NAIC has identified Bermuda, Ireland, Japan, France, Germany, Switzerland, and the United Kingdom as qualified jurisdictions. Second, the reinsurer must maintain minimum capital and surplus standards as established by department rules and regulations. Third, the reinsurer must maintain adequate financial strength ratings from two or more rating agencies deemed acceptable by rules and regulations. Fourth, the reinsurer must agree to submit to the jurisdiction of Nebraska and other United States jurisdictions. Finally, the reinsurer must abide by the filing requirements of the department. If LB298 passes into law, the Department of Insurance will establish a list of foreign reinsurers that meet the criteria of the law. Then domestic insurers will be able to purchase reinsurance from these reinsurers and indicate a credit on their balance sheets without the reinsurer having to post 100 percent collateral. As you might imagine, I believe that this will open up our state to new reinsurance business and allow Nebraska's domestic insurers to purchase more reinsurance and less expensive reinsurance, which is good for the financial health of our insurance industry. LB298 also makes another significant change to the credit for reinsurance law. It forces domestic insurers to take steps to diversify their reinsurance program if their risk becomes too concentrated on one reinsurer or a group of affiliated reinsurers. This is a financial safety mechanism that will help avoid situations where individual reinsurers have too much risk exposure in any one single event. Now that I have provided you with the exciting, technical details of credit for reinsurance, let me take a moment to explain why this is important to Nebraska. The first reason is a reason I have already touched on; LB298 will provide the Nebraska domestic insurance industry access to more reinsurance and less expensive reinsurance. Given the volatility of Nebraska weather, more access to reinsurance is a good thing. Second, LB298 is important in the international insurance marketplace. Insurance is becoming more and more global, and Nebraska is very fortunate to be the regulatory home of some very active international insurance players. In the past, the Legislature has provided the department some important regulatory tools that have benefited our international players. The prime example of this is the supervisory colleges Nebraska law allows for, which lets the department meet and share important information with other domestic and foreign regulators with an interest in a company. An unfortunate consequence of this international marketplace is that sometimes foreign regulators will retaliate against reinsurers if based in a jurisdiction that treats foreign differently than domestic ones, like the current scheme in Nebraska. LB298 essentially levels the reinsurance playing field and allows Nebraska reinsurers doing business in Europe to also lower the collateral amounts. The international flavor has also led to federal government involvement. The Federal Insurance Office is an entity at the United States Department of Treasury that was created by the Dodd-Frank Act and has become interested in reinsurance. To help preserve state-based regulation in this area is one of the primary reasons the NAIC passed the update to its model law in 2011. Currently, 23 states have passed all or significant portions of the NAIC model update since adoption in 2011. This sends a strong message to the federal government that states are up to date on reinsurance laws and that states

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are willing to change, if change is a financially sound idea for the insurance industry and consumers. Thank you for the opportunity to explain LB298 to you this afternoon. I would be happy to answer any questions. [LB298]

SENATOR WILLIAMS: Questions for Director Ramge? Senator Gloor. [LB298]

SENATOR GLOOR: Thank you, Senator Williams. Thank you, Director Ramge. I'm trying to get my mind around the business end of credit for reinsurance and I understand what we're doing for those foreign reinsurers. But is a credit for reinsurance also one of the ways that the department then can take a look at the balance sheet for an insurer that they have questions about and feel comfortable that that reinsurance has a dollar value attached to it, I'm assuming, that finds its way then to the balance sheet so that you're able to get a higher comfort level with an insurer who's just been making significant payouts for whatever has happened? [LB298]

BRUCE RAMGE: Yes, that's correct. For example, if a company, I mean a local insurance company were to write a block of business that covers weather-related events, the department would require that company to establish reserves in its accounting, in its books and records. And if there was valid reinsurance that we could rely on to step in and pay those losses after they reached a certain dollar threshold, then we'd know that that reserve could be set at a lower level so long as that reinsurance is there and able to pick up. [LB298]

SENATOR GLOOR: And is there some sort of a scale that's used based upon the level of reinsurance for different components of the industry, health versus property versus casualty? [LB298]

BRUCE RAMGE: There are calculations. It's basically risk-based capital calculations that get into the details on how those credits are determined. And then the company must meet those certain risk-based capital thresholds. And that gets all into the accounting... [LB298]

SENATOR GLOOR: Actuaries. [LB298]

BRUCE RAMGE: ...process and actuaries, yes, and... [LB298]

SENATOR GLOOR: Okay. Thank you. [LB298]

BRUCE RAMGE: Yeah. Thank you. [LB298]

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SENATOR WILLIAMS: Senator Campbell. [LB298]

SENATOR CAMPBELL: Thank you, Senator Williams. Director Ramge, is one of the criteria that the NAIC uses for the foreign countries listed here, that they won't retaliate against us? I mean, is that part of an agreement that they won't? [LB298]

BRUCE RAMGE: That is not part of the agreement that I'm aware of. There's a gentleman here from the Reinsurance Association of America and he might be able to speak more to the practical side of how this is being played out because it's been adopted in 20-plus other states. And he may have an idea of how this has benefited the companies. [LB298]

SENATOR CAMPBELL: Right. And we'll follow up and ask him... [LB298]

BRUCE RAMGE: Thank you. [LB298]

SENATOR CAMPBELL: ...in terms of the...how does the retaliation work, because... [LB298]

BRUCE RAMGE: Okay. [LB298]

SENATOR CAMPBELL: ...that's a part of this. That's part of the reason we're taking the action so we'll ask him that question. Thank you. [LB298]

BRUCE RAMGE: Sure. Thank you. [LB298]

SENATOR WILLIAMS: Any further questions? If not, thank you, Director Ramge. [LB298]

BRUCE RAMGE: Thank you, Senator. [LB298]

SENATOR WILLIAMS: We would invite the next proponent to the witness stand. [LB298]

MATT WULF: (Exhibit 2) Thank you. Senator Vice Chairman, members of the committee, my name is Matthew Wulf, W-u-l-f, and I am vice president of state relations, and assistant general counsel of the Reinsurance Association of America. The RAA is the national trade association that represents reinsurers who write U.S. risk. So our members are non-U.S. companies, U.S. companies, both life, property and casualty. We focus primarily on property and casualty, but we do have brokers as our affiliates, so we represent the entirety of the industry here in the U.S. As mentioned, I have been in most of the other--and I'm going to give a little bit of an update to

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Director Ramge--25 states. Massachusetts' governor recently signed it. And the District of Columbia, legislation was signed by the mayor, although it has to sit in Congress because there are some strange rules in D.C. So I'm going to say 25 even though it's probably officially 24 until the next 23 days after the time period runs in D.C., but we've essentially got 25 now. And I will say, in the rest of the states I have never had it described as containing international intrigue. So this is now my favorite introduction, Senator Schumacher. Thank you very much. You have my statement. I will not read through it. It repeats a lot of things already brought up. But let me highlight a few things and, Senator Campbell, answer your question. In fact, I'll just do that right off the bat. If you look at page 8 of the bill, I believe line 21, yes, there has, "consider the rights, benefits, and the extent of reciprocal recognition afforded by the non-United States jurisdiction" so that's kind of the code for, you've got to treat us the way we're treating you. As you know, in legislation those words were heavily debated at the NAIC and there were a lot of different versions. But what we ended up with there on page 8 is really the idea that this international pressure that's being brought to bear on the U.S. could result in unfavorable treatment to U.S. companies. And that language says, if we do this, in order to stay qualified you've got to be treating us essentially the same way we're treating you. So that's where that language ended up. And those international pressures are real. I think the U.S. regulators have done an excellent job pushing back where they need to push back. But in areas where there are good ideas out there in the rest of the world on regulation like leveling this playing field, they've adopted that and tried to push it through the states at the NAIC. The federal threat I think is a real one. The Dodd-Frank Act in creating the Federal Insurance Office gave it one authority and that was essentially a treaty authority. Covered agreement is the vernacular used in the Dodd-Frank Act. And that covered agreement has been discussed by the FIO as something that they want to explore using to address reinsurance collateral, and that would preempt state law in this area. The way I look at it is the Federal Insurance Office report says that they are going to use the NAIC model as a basis for their covered agreement if they do move forward with it, and there's a lot of procedural hurdles, so I don't want to make it sound like it's coming tomorrow. It's a long way away, if at all. But they're going to start with the NAIC model so, in my view, if you have the model passed in your state already your law wouldn't be preempted. It really would be, at that point, just addressing the states that haven't passed it unless, of course, there are significant changes. Touching on Nebraska itself, I think the mutual insurer is a big deal. I've seen that...I do work in Missouri as well and after the Joplin tornadoes, a large amount of money came in from non-U.S. reinsurers. When you look at risk in the U.S., most of it hovers around 52 percent to 56 percent is written by non-U.S. reinsurers directly. And when you consider ultimate controlling parents--so we have large members who have 51 U.S. licenses--but ultimately they're owned by a Bermuda or European reinsurer. That number goes to about 85 percent of the reinsurance that's actually being provided outside of the U.S. There are very few true U.S. reinsurers left, and one of them has a Nebraska connection. And the reason that the U.S. reinsurers support this is for those reasons about doing business abroad. It is a global market right now and they want to be able to go out and write cross-border business and they realized that the U.S. having different

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rules is going to be problematic to that. So that's why our U.S. members support this as well. People often look at this as taking something away. The collateral is there, it's tangible. It's really very additive when you look at the amount of information that the non-U.S. reinsurers would have to provide to the department, the amount of financial statements that now we don't see that these companies will be filing. There really is, I think, a bigger regulatory hook in this legislation and you rarely see the industry asking for more regulation. But I think in this case, it really will get a better sense of who the companies are doing business with by the provisions of this legislation. So it's an important piece for all those reasons. I think it will help the market in Nebraska as well. I'm happy to answer any questions you have. As I've said, I've had extensive knowledge of this having worked in most of the states. So I'll close with that. [LB298]

SENATOR WILLIAMS: Senator Campbell. [LB298]

SENATOR CAMPBELL: Thank you, Senator Williams. Sir, is most of the reinsurance then written on like the...property related to weather was the example that both the Director and Senator Schumacher. Is that what it's mostly involving? [LB298]

MATT WULF: You hear a lot of reinsurance on catastrophes and that is a big part of our business. If you look at the utilization rates, it goes everywhere from life reinsurance--actually in aviation is almost entirely reinsured--down to auto insurance which is barely reinsured at all. The insurers know how to write auto. They can figure those out with the actuary tables and they keep that risk because they know how to make money on it. But some of the things that are less predictable, especially involving weather catastrophes, they are heavily reinsured. [LB298]

SENATOR CAMPBELL: And if I could follow up, is there much in health? [LB298]

MATT WULF: You know, health is something that some of our members do write. There is a lot on the very high end in health. So I would say when you're looking at the real high risk stuff, there is a lot of health reinsurance there. Some of the Affordable Care Act touches on that and sets up some state pools that they call reinsurance that really aren't reinsurance. But our members do play in the health space as well. [LB298]

SENATOR CAMPBELL: Thank you. [LB298]

SENATOR WILLIAMS: Senator Gloor. [LB298]

SENATOR GLOOR: Thank you, Senator Williams. Thank you, Mr. Wulf. I think I'm connecting...finally starting to connect the dots. This really has nothing to do with any changes

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in the credit for reinsurance. What we're talking about here is removing a barrier that winds the market for us to bring in foreign reinsurers that help in that calculation of credit for reinsurance. Is that... [LB298]

MATT WULF: Absolutely. I would call credit for reinsurance indirect regulation. The reinsurers aren't necessarily regulated by Nebraska, but the way you can do it is you tell the cedent, you can't take credit unless you do business with reinsurers that meet these criteria. This adds another criteria for that exactly opening up the market. [LB298]

SENATOR GLOOR: Okay. And I think to Senator Campbell's question, although it's been some years back, 15 or so, my organization had an HMO license. And we had reinsurance through Lloyd's for our HMO, but I also know there weren't many places we could turn to get reinsurance for healthcare. And it seems to me that Lloyd's may have been the only place that really was available to us. [LB298]

MATT WULF: Yeah. The market has opened up a bit. But there is a lot of captive reinsurance in the health space, you know, different types of vehicles being set up, acting like reinsurance, but using hedge fund or pension fund money to do it. So, you know, it's something that the traditional reinsurers are looking more at now as the market has changed, but I think you're probably correct. In that area it was probably some of the more specialty like Lloyd's that were providing it. [LB298]

SENATOR GLOOR: Thank you. [LB298]

SENATOR CAMPBELL: Thank you. [LB298]

SENATOR WILLIAMS: Further questions? Thank you, Mr. Wulf. [LB298]

MATT WULF: Thank you. [LB298]

SENATOR WILLIAMS: (Exhibits 3 and 4) Any other proponents? If not, we do have two letters, one from Lloyd's, their associate general counsel, Sabrina Miesowitz, supporting LB298 and also, the general counsel from Pacific Life. I'd like to pass those around. Is there anyone here to testify in opposition? Anyone to testify neutral? Senator Schumacher waives closing. We'll close the hearing on LB298 and we will open the hearing on LB458 and ask Senator Kolterman to come to the table. [LB298]

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SENATOR KOLTERMAN: (Exhibit 1) Thank you, Chairman Williams. My name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n, I represent the 24th District of Seward, York, and Polk Counties, and I'm pleased to be here today to introduce LB458. LB458 would adopt model language that was developed by the National Conference of Insurance Legislators or NCOIL and the National Association of Insurance Commissioners or NAIC related to the licensure or procedure for the sale of travel insurance. In the modern marketplace, travel retailers may do business in one state or many. In fact, travel agents cannot reasonably predict the state or states outside of their state of residence in which they might do business because they could get a call from anywhere for travel services. This is a change from years ago when travel retailers generally served only their local communities. The NAIC standard in the NCOIL Model Act establish a licensing framework that reflects a unique distribution system of travel insurance in the travel industry and appropriately places much of the regulatory burden not on the retail travel agent who is not, after all, an insurance agent, but on the insurer or the managing general agent who develops and distributes the product. LB458 will improve consumer protection by requiring clear accountability and notice to the consumer and regulator with respect to who's responsible for the sale. It also helps bridge the gap between widely accepted regulatory practices in the states and the actual state rules. Finally, it more clearly distinguishes licensable and nonlicensable activities for limited lines products such as travel insurance and it promotes uniformity to help states more effectively govern these products. Since 2010, more than 30 states have adopted this language either through legislation or rule and regulation, including all of Nebraska's bordering states. And the legislation is either pending or being introduced in all the remaining states this year. I've given you a copy of all the states that currently have this type of legislation and those that are working on it and those that are pending in various state legislatures. On a more personal note, I would say that as an insurance agent, we sell very, very little travel insurance. Most of it's done through travel agencies. They're the experts in that area. And so what this bill does, it just regulates what they're marketing and how they're marketing it. So thank you very much for your time and consideration. I'd love to answer any questions about LB458. [LB458]

SENATOR WILLIAMS: Thank you, Senator Kolterman. Questions for the senator? Senator Gloor. [LB458]

SENATOR GLOOR: Thank you, Senator Williams. Thank you, Senator Kolterman. And welcome to the Banking, Commerce and Insurance Committee. So, I don't understand. I have purchased travel insurance before. So are we saying that when I have purchased that travel insurance, I've had to purchase it from an insurer that is domesticated outside of Nebraska? [LB458]

SENATOR KOLTERMAN: In many cases, that's the case. [LB458]

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SENATOR GLOOR: And this law would change it in what ways? [LB458]

SENATOR KOLTERMAN: If they're going to do business in Nebraska, they'd have to work through the Department of Insurance and become licensed in the state of Nebraska. So it's a regulation that protects the consumer. [LB458]

SENATOR GLOOR: Okay. I have been purchasing insurance, but it hasn't been regulated in this state. Maybe it's been regulated by California if that's where the insurance came from, but it's not been regulated. [LB458]

SENATOR KOLTERMAN: That's my understanding. [LB458]

SENATOR GLOOR: Okay. [LB458]

SENATOR CAMPBELL: Okay. [LB458]

SENATOR GLOOR: Thank you. [LB458]

SENATOR WILLIAMS: Other questions for Senator Kolterman? Mark, I've got a couple of questions. I'm not spotting in the legislation, and maybe you can help me with this, what the education requirements would be for someone licensed to sell travel insurance. [LB458]

SENATOR KOLTERMAN: I don't have a firm answer, but I would assume that they'd have to...as an example, I have a health license and I believe that takes care of travel insurance or there might even be...I took my licenses so many years ago. But there is a specific license. [LB458]

SENATOR WILLIAMS: Yeah, it's coming under one of the existing licenses though? [LB458]

SENATOR KOLTERMAN: Correct. Correct. [LB458]

SENATOR WILLIAMS: Okay. It's not an additional, as far as you know? [LB458]

SENATOR KOLTERMAN: No, it's not. [LB458]

SENATOR WILLIAMS: Other questions for the senator? Thank you, Senator Kolterman. And I'm assuming you will stay to close? [LB458]

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SENATOR KOLTERMAN: Thank you. I will. [LB458]

SENATOR WILLIAMS: Thank you. We would invite any proponents of this legislation to the front row, please, and then to the witness stand. [LB458]

KORBY GILBERTSON: Good afternoon, Vice Chair Williams, members of the committee. 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, appearing today as a registered lobbyist on behalf of the United States Travel Insurance Association in support of LB458. I'm going to jump in and try to answer a couple of the questions just so I don't forget the question. There, first of all, is a general exemption for having continuing education for the sales people of this type of insurance. And part of the reason why this legislation makes sense is because--and I know you've talked about some other limited lines since the session began--this is obviously a very unique limited line type of insurance. And what this legislation does is, it gives a place for the Department of Insurance or a consumer a place to go to find someone, rather than going back and trying to figure out who on Travelocity you contact to get...find out problems or any questions you have about the insurance. And furthermore, it gives somewhere for the Department of Insurance to go to because the actual producer is licensed, not the agent or the travel agent selling it, if that helps clarify that for you at all. This kind of goes back clear to 1999 when Gramm-Leach-Bliley was passed and we started doing reciprocity across the country for general lines of insurance, so for people that sell property/casualty, healthcare type insurance. Obviously, travel insurance doesn't fit into that because it is such a limited line, and so the result of that was you had 41 different regulatory schemes going on across the country. And then as on-line travel agencies started becoming more popular and going down to your corner travel agent office became a thing of the past, it became evident to both NAIC and NCOIL that something needed to be done. And that's why this legislation was created. And like Senator Kolterman said, it has passed in over 30 states already. I believe in the last week it's been passed and now sitting waiting for signatures in two more and it is pending in the rest of the 50. So with that, I would be happy to answer any questions. And I hope that you see fit to advance the bill. [LB458]

SENATOR WILLIAMS: Questions for Ms. Gilbertson? Yes, Senator Schumacher. [LB458]

SENATOR SCHUMACHER: Thank you, Senator Williams. How does this interact with some credit cards you have if you use a credit card to buy an airline ticket or so, you got so much travel insurance. Will they have to be licensed under this now? [LB458]

KORBY GILBERTSON: Most likely, they probably are in whatever state that they are domiciled in, would be my guess. I'm assuming you're talking about your MasterCard or things like that that just provide an automatic coverage. They would have to follow general rules across the

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country. What this is more akin to dealing with is when you are going through a questionnaire when you buy a trip and you buy an airline and the hotel room and things, and then it asks you if you would like to then buy the travel insurance, then that's when this kicks in more so than something that you automatically are given. [LB458]

SENATOR SCHUMACHER: So it's not the intent of this bill to require American Express or MasterCard or whatever who may be sitting in the East Coast domiciled in Delaware someplace to have to do anything extra in order to give their customers a benefit? [LB458]

KORBY GILBERTSON: Absolutely not. This is intended to provide for reciprocity so that you don't have to go get licensed in every state. [LB458]

SENATOR SCHUMACHER: Thank you. [LB458]

SENATOR WILLIAMS: Other questions? Thank you, Ms. Gilbertson. [LB458]

KORBY GILBERTSON: Thank you. [LB458]

SENATOR WILLIAMS: Any other proponents? Anyone to testify in opposition? Anyone to testify neutral? [LB458]

BRUCE RAMGE: (Exhibit 2) Good afternoon, Vice Chairman Williams and the Banking, Commerce and Insurance Committee. My name is Bruce Ramge, for the record, that's B-r-u-c-e R-a-m-g-e, and I'm the Director of the Nebraska Department of Insurance. I won't read through my testimony, it's fairly straightforward. But I thought I would first of all, just like to let you know that the Department of Insurance is capable of doing the administration that would be necessary if this bill were to proceed and to be here to answer any questions you might have. I would also like to address Senator Gloor's question from earlier if I may, in that, typically, what we have found is that the insurance companies who were offering the travel insurance are licensed. But this gets to where it's the licensing of the individual who is making the sale. Before the department...a person who was selling this now would have to get a license that's much more in-depth than what is necessary to sell this just limited type of insurance. And this would ease the process for someone who would only like to sell the coverage as outlined in the bill. [LB458]

SENATOR WILLIAMS: Senator Schumacher. [LB458]

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SENATOR SCHUMACHER: Thank you, Senator Williams. If one were really a pessimist, could one buy this travel insurance and the funeral insurance from the same agent? [LB458]

BRUCE RAMGE: If they've got two limited lines licenses, yes. [LB458]

SENATOR SCHUMACHER: Thank you. [LB458]

SENATOR WILLIAMS: And crop insurance. [LB458]

BRUCE RAMGE: It might not be the trip you'd want to take, but... [LB458]

SENATOR WILLIAMS: Other questions? But I am understanding this right, Director Ramge, that this license for the individual that would be selling the product would be completely exempt from any education on the front end and continuing education? [LB458]

BRUCE RAMGE: That's correct, because of the limited nature. For example, loss of luggage or the cost of a trip is far less devastating than a home, for example, or something like that for a homeowner's policy. So it is viewed as a limited line and it's a convenience type of coverage. Although many trips are getting expensive, so it's... [LB458]

SENATOR WILLIAMS: And the fact that it doesn't require the education and licensing is not offensive to the Department of Insurance? [LB458]

BRUCE RAMGE: It is not. [LB458]

SENATOR WILLIAMS: Any further questions? Thank you, Director Ramge. [LB458]

BRUCE RAMGE: Thank you. [LB458]

SENATOR WILLIAMS: Any other testifiers neutral? If not, we would invite Senator Kolterman to close. [LB458]

SENATOR KOLTERMAN: Thank you once again, Senator Williams. One thing I do want to make clear is, it does not preclude me from having to fulfill my continuing education as a licensed agent, nor the other agents in the state. We're just putting a different layer in for different people. And the managing general agents are really responsible for the people that

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we're talking about. So thank you for listening today. I hope you'll give us the green light and we can talk about this on the floor of the Legislature. Thank you. [LB458]

SENATOR WILLIAMS: Any further questions for the Senator? If not, thank you, Senator Kolterman. And we'll close the hearing on LB458. That does end the hearings that are scheduled for today. I'll turn it back over to Senator Scheer. [LB458]