

February 21, 1991 LB 237

SPEAKER BAACK: Thank you. We will now vote on the adoption of the committee amendments. All those in favor vote aye, opposed vote no. We're voting on committee amendments. Have you all voted? Record, Mr. Clerk.

CLERK: 25 ayes, 0 nays, Mr. President, on adoption of committee amendments.

SPEAKER BAACK: The committee amendments are adopted. We will now go to the bill. Senator Landis, on the bill as amended.

SENATOR LANDIS: Thank you, Mr. Speaker, members of the Legislature, again, we're discussing the updating of Nebraska's investment code for its insurance companies. It will apply to domestics. It will not apply to foreign insurance companies unless our director requires them to comply with the code. That, by the way, will be made clear on a Select File amendment which I will offer. The investment code does a number of things. Basically it sets some limitations of two different types. One limitation is on the amount an insurance company may invest in various kinds of instruments, common stock, corporate bonds, real estate. It sends percentage limitations on the assets of the company. Should a company invest in excess of the percentage limitations, that's not an illegal transaction, it's not a void transaction, but the company loses the right to treat that excess investment as an asset on its balance sheet. It's not an admitted asset and for that reason then it doesn't...it's not treated as an asset and it's not in any insurance company's interests to do that because they need their assets to balance their liabilities on the sheet. The second limitation is the limitation on an insurer's ability to invest in any one person or any one corporation or any one entity so that even though you have a percentage of your assets that you may use in a particular area of investment, there is an additional limitation that says you can't put all of that asset block with the same company or the same person. What's the goal? The goal is diversification and then balancing liberal return against conservative choices and reliable entities that you're investing in, trying to walk that tightrope that gets you a safe but very good return on your investment. Some of the most noteworthy provisions is a requirement that certain types of investments have minimum quality assurance by commercial investment rating services such as Standard and Poor's or Moody's or the NAIC-SVO. There are limitations placed on the amounts that can be invested