

February 21, 1991 LB 237

SENATOR LANDIS: ...securities exchange, securities review to give a yes/no designation; yes, it's an acceptable investment; no, it's not an acceptable investment and you could have 5 percent of the no bonds. But from among the yes bonds there are bonds that if you then analyze it against other standards, are junk bonds. Now on the yes part of a package there is no limitation under our existing law. If you had it such that you had a great deal of assets in yes designations, the old system that was used, but those particular yeses happened to be bonds which analyzed against the one through six standard that we're now moving to are threes and, therefore, below investment grade, you could have a system now in which you could have...

SPEAKER BAACK: Time.

SENATOR LANDIS: ...a great deal amount, a great deal of below investment grade bond holding by a company. I hope I have made that clear.

SENATOR BEUTLER: I understand in part anyway.

SPEAKER BAACK: Senator Abboud, on the bill.

SENATOR ABOUD: Yes, just quickly, Mr. President, I think that how Senator Landis has described this bill is my understanding of it as well. It shows that there has been changes in the way investments have been analyzed and I think that's probably more of the clarification of this bill than anything else. It looks, reexamines on how investments are defined and then attempts to put limitations on those new definitions and I think that the junk bond area is probably as clear as anything. Obviously junk bonds are relatively new in the entire investment spectrum and while there have been some problems in some parts of the country with this particular investment, and while we do have some protection in the insurance industry in Nebraska with domestic insurance companies in this particular area, because of the changing definition of this low grade investment bonds, the insurance department felt that redefining it in statute would offer the best protection for individuals that invest in our domestic insurance companies. And that is probably the main reason for this particular bill is the redefining of these investments. We're rather fortunate to have an insurance director. Mr. McCartney, that is very close to being the leader in the insurance industry regulation. He'll soon be president of a national organization that regulates state insurance