



Hundredth Legislature - First Session - 2007
Committee Statement
LB 119

Hearing Date: January 23, 2007

Committee On: Banking, Commerce and Insurance

Introducer(s): (Banking, Commerce and Insurance)

Title: Change the Insurers Investment Act

Roll Call Vote – Final Committee Action:

- X Advanced to General File
 - Advanced to General File with Amendments
 - Indefinitely Postponed
-

Vote Results:

8	Yes	Senators Pahls, Langemeier, Carlson, Christensen, Gay, Hansen, Pankonin, Pirsch
	No	
	Present, not voting	
	Absent	

Proponents:

Senator Rich Pahls
Tim Wagner
Galen Ullstrom
Tom Mays
Curt Bromm
Jan McKenzie

Representing:

Introducer
NE Department of Insurance
Mutual of Omaha Insurance Co.
Pacific Life Insurance
AFLAC, Inc.
NE Insurance Federation

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

LB 119 (Banking, Commerce and Insurance Committee), introduced at the request of the Director of Insurance, would amend sections 44-5103, 44-5110, 44-5111, 44-5120, 44-5137, 44-5140, 44-5141, 44-5152, and 44-5153 of the Insurers Investment Act to change provisions regarding authorized investments of Nebraska domestic insurers. The bill would provide, section by section, as follows:

Section 1 would amend section 44-5103 of the Insurers Investment Act to provide that the definition of “obligation” includes participations, certificates, or other evidences of an interest in a bond, debenture, note, or other evidence of indebtedness.

Section 2 would amend section 44-5110 of the Insurers Investment Act to remove the specific limitation on participations so the act can rely instead on the general requirements on specific types of investments.

Section 3 would amend section 44-5111 of the Insurers Investment Act to provide that with regard to investment limitations in the act based upon the amount of the insurer’s admitted assets or policyholders surplus, an investment shall be measured by “the lesser of” actual cost “or admitted value” at the time of acquisition, and that if there is no actual cost at the time of acquisition, the investment shall be measured at “the lesser of” fair value “or admitted value”.

Section 4 would amend section 44-5120 of the Insurers Investment Act to provide that any investment made by an insurer with cash received as collateral for loaned securities shall, in addition to being made in the same kinds, classes, and investment grades as those authorized under the act, be made “in a manner that recognizes the liquidity needs of the transaction or is used by the insurer for its general corporate purposes”.

Section 5 would amend section 44-5137 of the Insurers Investment Act, regarding foreign securities, to provide that (1) an insurer’s authorized investments in any one foreign jurisdiction whose sovereign debt has a 4, 5, or 6 designation from the National Association of Insurance Commissioners Securities Valuation Office “shall not exceed three percent of the insurer’s admitted assets” rather than shall include no such investments, and (2) an insurer’s authorized investments in foreign securities shall not exceed, in the aggregate, “twenty” rather than “fifteen” percent of its admitted assets. This section would further provide that an insurer’s authorized investments in foreign securities shall not be considered denominated in a foreign currency if the acquiring insurer enters into one or more contracts in hedging transactions to exchange all payments made on the foreign currency denominated investments for United States currency at a rate which effectively insulates the investment cash flows against future changes in currency exchange rates during the period the contract or contracts are in effect.

Section 6 would amend section 44-5140 of the Insurers Investment Act to provide that a life insurer’s authorized investments in preferred stock shall not exceed the greater of “twenty-five” rather than “ten” percent of its admitted assets or one hundred percent of its policyholders surplus, nor shall such investments that are not rated P-1 or P-2 by the National Association of Insurance Commissioners Securities Valuation Office exceed ten percent of its admitted assets.

Section 7 would amend section 44-5141 of the Insurers Investment Act to provide that an insurer may invest in equity interests or rights to purchase or sell equity interests in business entities, other than general partnerships, created or existing under laws anywhere and not just under the laws of the United States or Canada or any state or province thereof.

Section 8 would amend section 44-5152 of Insurers Investment Act to provide for restructuring of its provisions imposing limitations on an insurer’s investments in obligations having a 3, 4, 5, or 6 designation from the National Association of Insurance Commissioners

Securities Valuation Office and would delete provisions which provide that an insurer's investments in obligations having any combination of 4, 5, and 6 designations, in the aggregate, or having 5 and 6 designations, in the aggregate, shall not exceed four percent or two percent, respectively, of the insurer's admitted assets.

Section 9 would amend section 44-5153 of the Insurer's Investment Act to provide that an insurer other than a life insurer may make investments not otherwise authorized under the act in an amount not exceeding that portion of its policyholders surplus which is in excess of fifty percent of its annual net written premiums "as shown by the most recent annual financial statement filed by the insurer pursuant to section 44-322".

Section 10 would provide repealers.

Explanation of amendments, if any:

Senator Rich Pahls, Chairperson