

SENATOR LANDIS: Thank you. Mr. Speaker and members of the Legislature, and I appreciate the Chair's indulgence. I do have to leave in a moment and then I will return as soon as I am able to do so. On your desks, you will find a letter from our new Commissioner of the Insurance Department. That is Bill McCartney and Bill has not only been in contact with the committee, Banking, Commerce and Insurance, he has also been in contact with the Chair pointing out that this is a very significant piece of legislation for the Department of Insurance. The Risk Retention Act is actually an outgrowth of federal legislation which in 1981 and then again through some amendments in 1986 created a federal recognition which preempted, I suppose is the best way to say it, some of the state oversight for certain kinds of insurance operations. Risk retention organizations are out there for the purpose of joint or group insurance in the liability insurance area for commercial carriers. These are for commercial carriers, remember. And at the time the federal government authorized some offshore operations in the Cayman Islands, in the Bahamas, to then operate inside the United States and, in essence, without a great deal of oversight by local state, or, rather, by state insurance departments. It is necessary to pass this bill to increase the amount of regulatory authority in Nebraska to deal with risk retention groups, as well as authorizing risk retention groups to begin here. Should a risk retention group want to begin in Nebraska, they would have to construct themselves under existing insurance law. It can be done. The...the law has been used in at least one case and there are a number of other applications out there. However, the existing insurance laws and rules are really premised on an offering to the public. They are there because they are, in essence, to control and support and defend unwitting consumers and that's really not what you are talking about in the risk retention area where businesses go together and pool their liability insurance interests and, in essence, self-insure, if you will, with their own corporation, or make a group purchase arrangement. So if you review Director McCartney's letter, it will tell you what the Risk Retention Act will mean to state authority. It will require that risk retention groups comply with our Unfair Claims Settlement Practices Act. And if you will look at the committee statement, you will see that there are individuals who have tried to get some relief from companies who have self-insured in this method and have had difficulty and the state department has had to say, I'm sorry, we can't help you with our Unfair Claims Settlement Practices Law because it doesn't apply to these kinds of companies. Well, with 514 it will. It also requires the