



Hundredth Legislature - First Session - 2007
Introducer's Statement of Intent
LB 119

Chairperson: Rich Pahls
Committee: Banking, Commerce and Insurance
Date of Hearing: January 23, 2007

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 119 was introduced by the Banking, Commerce and Insurance Committee, at the request of the Nebraska Department of Insurance, and would do the following:

The bill would define “obligation” for purposes of the Insurers Investment Act to include within that definition, in conformance with the National Association of Insurance Commissioners model act, participations and certificates and would remove the specific limitation on participations out of the investment code, relying instead on the general requirements on specific types of investments. (Sections 44-5103 and 44-5110 of the Insurers Investment Act.) (Sections 1 and 2 of the bill.)

The bill would set the statutory valuation of an investment as the lower of the actual cost of the investment or the admitted value. (Section 44-5111 of the Insurers Investment Act.) (Section 3 of the bill.)

The bill would adopt language from the National Association of Insurance Commissioners Model Act allowing consideration of “the liquidity needs of the transaction” in securities lending transactions to allow insurers increased flexibility with the cash collateral during the period the securities are lent. The bill would repeal the aggregate threshold for replenishment of collateral in a securities lending transaction. (Section 44-5120 of the Insurers Investment Act.) (Section 4 of the bill.)

The bill would adopt standards more closely related to those adopted by the National Association of Insurance Commissioners and allow Nebraska insurers greater latitude to make foreign investments. The bill would provide that the specific foreign currency denominated investments limitations do not apply to investments if the acquiring insurer enters in a contract which provides that the value of the return on the investment will be insulated against currency price fluctuations. (Section 44-5137 of the Insurers Investment Act.) (Section 5 of the bill.)

The bill would adopt standards more closely related to those adopted by the National Association of Insurance Commissioners and increase the investment limitation in preferred stock from ten to twenty-five percent of a life insurer’s admitted assets, and would limit a life

insurer's investments under this section which are not rated P1 or P2 by the Securities Valuation Office to ten percent of its admitted assets. (Section 44-5140 of the Insurers Investment Act.) (Section 6 of the bill.)

The bill would repeal the restriction on purchase of common stock of foreign corporations, and subject such investments to the investment restrictions applicable to common stock investments as well as those applicable to foreign investments. (Section 44-5141 of the Insurers Investment Act.) (Section 7 of the bill.)

The bill would amend the investment limitations applicable to medium and lower grade securities to value these investments at the time they were purchased rather than at a subsequent point in time to bring these standards more closely into line with the standards adopted by the National Association of Insurance Commissioners. (Section 44-5152 of the Insurers Investment Act.) (Section 8 of the bill.)

The bill would amend section 44-5153 of the Insurers Investment Act to clarify the relationship between subsections of this section to be clear that the investment authority under (2)(a) is in addition to the authority granted in (1)(a)(i), and not merely to exceed the authority granted in (1)(a)(i). Similar clarification would be made to the relationship between subsections (1)(a)(ii) and (2)(b). The bill would define annual net written premiums for purposes of calculating the additional investment authority. (Section 44-5153 of the Insurers Investment Act.) (Sections 9 of the bill.)

Principal Introducer:

**Rich Pahls, Chairperson
Committee on Banking, Commerce and Insurance**