

constitutes recognition of that transference, what constitutes the appropriate set of obligations for both parties, that is at the heart of our credit for reinsurance law. The third one is the Risk Retention Act and this seeks to give as much as possible state authority over purchasing groups of insurance. Generally speaking, these are groups of purchasers of insurance who have little relationship to state law. Generally speaking, they are regulated by the Federal Liability Risk Retention Act of 1986. There is a certain ability of the states to regulate. We want to make that as strong as possible. These, by the way, are those offshore insurance purchasing groups which are not as well regulated as other kinds of risk control devices. And, lastly, our own Supervision, Rehabilitation and Liquidation Act, the powers of our own insurance department to regulate, to step in, if necessary, and put a company on notice to tell them to change their practices, to stop doing certain things, to start doing others, to send it in to rehabilitation by appointing a manager, or, in fact, if necessary, if they can't simply step in and run a company, to, in fact, liquidate the company if it's insolvent. By the way, the State of Nebraska is now running an insurance company that is in trouble. We are providing the management staff to undertake the day to day decisions of that company in an attempt to bring it back from the edge of insolvency, make it an effective taxpaying, solvent company so that the public and the policyholders have no risk and no loss involved. Now, what do we do in these areas? In the Insurance Holding Company Act area, we basically require reporting of transactions inside the holding company with respect to the flow of money from one part of the holding company to another. In some cases, we ask them to report those transactions. In other situations, we require them to get prior approval of those transactions with our state. We also expect them to report and, if necessary, obtain approval for extraordinary dividends. We define what extraordinary dividends are and we allow them to obtain permission before they give those extraordinary dividends. We also attempt to regulate the incestuous relationships of the boards of directors of one company to another. Now, I will give you notice that it's possible that we have overstated the case in this area and have tied up domestic insurers who are not part of holding companies in who can be on their board of directors, we'll examine that and it's possible there will be a Select File amendment in that area. We will require information on the pledging of an insurer's stock, including the use of a subsidiary's stock in the making of any loan made by a member of a holding company to another member of