

in number and then I'll talk about the provisions of the bill. The first change is in Section 21 and it is basically in response to a federal act. That federal act is the Secondary Mortgage Market Enhancement Act of 1984 and this federal act preempts state regulation with respect to the investments of domestic insurance companies on a certain category of investments, mortgage investments which should be treated, says this law, for state investment purposes as if the obligations were issued or guaranteed by the United States or an agency or instrumentality thereof except that these mortgage transactions are not, in fact, guaranteed by the United States or an agency or instrumentality thereof. Now, there is a provision in this federal act that says if a state wishes to it may opt out of the application of the federal law and be capable of writing its own rules on how domestic insurance companies will treat these kinds of investment transactions with respect to its own investment code. By adopting this committee amendment Nebraska will retain the power rather than cede it to the federal government to make public policy decisions on these kinds of investments. The second amendment by the committee is on Section, I think 24, and in that section there is a limitation on investments in state and municipal obligations, but it also appears in Section 28, so by striking the section in 24 that makes this reference, we'll have one and not two references to these limitations. It's just good bill drafting. Third, Section 52 which regulates below investment grade obligations was sent to the bill drafters with a preliminary and not the appropriate number for that limitation at 10 percent. In fact, all parties including the Insurance Department's recommendation was for a 15 percent limitation on below investment grade obligations and we simply misdrafted the bill with the 10 percent number in it and the Insurance Department requested these committee amendments at the time of the hearing and this is a change from 10 to 15 percent for investment grade obligations as the maximum below investment grade obligations that a domestic insurance company may invest in. I move the adoption of the committee amendments and then I'll return to the discussion of the bill.

SPEAKER BAACK: Thank you, Senator Landis. Before we proceed I would like to introduce some guests of Senators Coordsen and Moore. They are in the south balcony. They are 11 students from the Exeter High School Senior Government Class and their teacher. Would you folks please stand and be welcomed by your Legislature. Thanks for being with us. Discussion on the committee amendments. Senator Lynch, do you wish to discuss the