

by blood or marriage, or represents an organization that does a significant amount of business with the firm, is incapable of making or acting upon critical appraisals of management. And, by the way, we have such companies in Nebraska where everybody on the board is a member of the same family, and they are family held corporations. Well, the ownership may be family held, but you still need an outside director to review management. The most critical argument comes from the same source in the George Washington Review. As corporate board independence increases, corporate financial performance tends to increase. As corporate board independence increases, corporate financial performance tends to increase. Why? Because you get diversity of opinion, you get greater attention to ideas other than what the management suggests, and you get stronger appraisal of performance of various parts of the corporation. The outside director is the wave of the future, it's a sensible mechanism to try to achieve better management, and it's a valuable tool, particularly with respect to financial management and strategies of a corporation. And this whole area is designed to increase solvency, best to have some outside directors as a check upon mismanagement, as a mechanism for sensible, personal...or personnel review of the leadership, to bring a variety of social concerns to the board, and, finally, to serve as a check on the financial activities of the corporation. I move for the adoption of the amendment.

PRESIDENT MOUL: Thank you, Senator Landis. I'll now recognize Senator Abboud, followed by Senator Wesely. Senator Abboud.

SENATOR ABOUD: Mr. President, colleagues, I serve on the Banking and Insurance Committee. And as I recall, LB 236 is, I think, a good piece of legislation. It's a bill that came from the Insurance Department, it's modeled after model legislation dealing with the...in the insurance area. And the Nebraska Insurance Department had a number of different...when they...when you're putting together model legislation, particularly brought to us from the NAIC group, they have guidelines. They realize that every single state is going to be a little bit different in how they want to take their approach with their insurance laws. But they give us model legislation. And in that model legislation they dealt with this specific issue. And the question is, really, when you have a board of directors of an insurance company, how many of them should be employees of the company? And you can either take the approach that all insurance companies in your particular state should