

February 19, 1992 LB 1C06

make circular transactions conducted for the purposes of distorting financial statements illegal and subject to the regulation of the department. Once we adopt these three amendments, I will explain the bill in its entirety. I ask for the adoption of the committee amendments.

PRESIDENT MOUL: Thank you, Senator Landis. Does anyone wish to address the committee amendments? Seeing none, we will now vote on the motion to adopt the committee amendments. All those in favor please vote aye, opposed nay. Have you all voted? Please record, Mr. Clerk.

CLERK: 26 ayes, 0 nays, Madam President, on the adoption of the committee amendments.

PRESIDENT MOUL: The committee amendments are adopted. Senator Landis, would you like to open on the bill itself?

SENATOR LANDIS: Thank you, Madam President, and members of the Legislature, there are five major areas of regulation contained in this bill. Let's go to the first one that I talked about in the committee amendments and that's the Surplus Lines Act. These are amendments to our Surplus Lines Act which outlines the regulation of nonadmitted companies, companies that can write business here if you can't find an insurer that we're currently regulating in this state and is an admitted company. Somebody who needs to get insurance who can't find it from one of the businesses that is admitted can go to a nonadmitted company but we want to make sure that that happens with some guarantee of that nonadmitted company's physical or financial strength, rather. I told you about the Lloyd's operation with the obligation of a trust fund. This basic amendment requires \$2.5 million of assets to be held in trust. This idea comes to us from the National Association of Insurance Commissioners. It's model legislation and it specifically addresses a problem in Nebraska because in Nebraska we are under a legal attack by an insurance company who claims that our provision is currently void for vagueness. Our current position simply says that one of these nonadmitted surplus lines writers has to have adequate comp...adequate guarantees of strength and that, according to the lawsuit, is not a sufficient standard. So we're replacing an ambiguous standard with a clear standard suggested by the NAIC. Secondly, in the area of Medicaid supplement...or Medicare supplements, these are suggested to us in the Omnibus Budget Reconciliation Act of 1990 that the federal government