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FLOOR DEBATE

January 24, 2006    LB 875

Insurance Committee. The bill was advanced to General File. I do have committee amendments pending, Mr. President. (AM1901, Legislative Journal page 407.)

SENATOR CUDABACK: Thank you, Mr. Clerk. Senator Mines, Chairman of the Banking, Commerce and Insurance Committee, you're recognized to open.

SENATOR MINES: Thank you, Mr. President, colleagues. LB 875 is the bill before you. It's a relatively short bill, as department bills go, but it includes some very important safeguards, first, for older Nebraskans. LB 875 would adopt the National Association of Insurance Commissioners, which I will refer to as NAIC from here on, senior protection in annuity transactions models. Annuities are a fairly complex and sometimes confusing product which have lately come under a good deal of scrutiny because of accusations that they're inappropriately marketed to seniors. These are often inappropriate investments for seniors for a number of reasons. One of the major ones is that annuities often involve a period in which withdrawals of the principal is only possible after payment of a stiff penalty. Because of some unscrupulous agents encouraging seniors to put an unreasonably high percentage of their assets in these vehicles, the surrender period can leave even well-to-do seniors in a bad financial position. Further, once the agents have identified a senior as a potentially good customer, the senior is approached for frequent transactions sold on spurious grounds that have no other economic use to generate...other than to generate commissions. These transactions cost the senior a significant amount in surrender charges. Our Department of Insurance has monitored this issue for a number of years and it appears that the abusive market practices are only increasing; thus, the reason for this bill. Suitability review by the insurer will prevent much of this harm. Again, with the NAIC, or National Association of Insurance Commissioners, as a model act--we're adopting a model--we can make it easier for insurer compliance and thereby minimize unnecessary regulatory complications. LB 875 would also regulate the conduct of managing general agents. Specifically, the changes adopt a clear definition of the business entity, and set specific standards for managing general