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FLOOR DEBATE

February 8, 2006    LB 875

SENATOR CUDABACK: Senator Beutler, to open on AM2190 to LB 875.

SENATOR BEUTLER: Senator Cudaback, members of the Legislature, I hope you'll listen to this discussion fairly carefully because it involves the repair of a system that has collapsed. It involves a small repair, but important repair, because we cannot make the larger repair. And I'm talking about National Warranty, and I'm talking about all those Nebraska people, somewhere in the neighborhood of \$2 million dollars' worth of them, who had automobile repair contracts that in the end were not honored by the insurance companies, the risk retention group that was supposed to honor them. I will tell you later, in explaining the whole thing, that many of those contracts were honored by the automobile dealers in Nebraska, who did it for a variety of reasons, including their own good reputation. And I would like to start off by saying I'm thankful that they did honor so many of those contracts. But the fact is that a system collapsed. It was the risk retention group system that had been put in place by the federal government, but it also bleeds over into an entirely different system of insurance, where we're competing with other states and certain entities. Certain states have chosen to go to the lowest common denominator and create precarious situations across the country. Early in the 1980s, Senator Landis and myself, Senator Chambers and a few others, were in this body when a catastrophe called Commonwealth came around, and the Legislature in that case had set up a system that just didn't work, and had made certain representations about a fund that was going to be there to reimburse Commonwealth depositors in event that the system...one of the banks, an Industrial bank system, should go under. That fund was woefully inadequate, didn't have proper reserves. People had notice that it wasn't FDIC covered, but that notice was not required to be conspicuous in any way, and so most all of them felt they had never gotten any notice that they were relying exclusively on a particular fund. Bottom line is, the Legislature tried to clean that up as best we could. We shut down Industrial banks, we attempted to have all of the depositors compensated. Part of that was struck down by the courts. But we changed the system entirely, entirely. Now you're asked to be responsive to a catastrophe that's actually