

One Hundred Second Legislature - First Session - 2011

Introducer's Statement of Intent

LB72

Chairperson: Senator Rich Pahls

Committee: Banking, Commerce and Insurance

Date of Hearing: January 18, 2011

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB72 is a bill introduced at the request of the Nebraska Department of Insurance. It would do the following:

PAYMENT OF LIFE INSURANCE PROCEEDS

The bill would change the penalty for violation of the requirement that life insurers pay interest on delayed life insurance policy proceeds from a Class III misdemeanor under section 44-394 to the penalties prescribed for a violation of the Unfair Insurance Claims Settlement Practices Act (Sections 44-3,143 and 44-1540) (Sections 1 and 5 of the bill).

SEPARATE ACCOUNTS

The bill would specify that creation of separate accounts by a domestic life insurer is subject to prior approval by the Director of Insurance rather than prior notice to the director. (Section 44-402.01) (Section 2 of the bill).

INSURANCE POLICY COMPLIANCE WITH FEDERAL LAW

The bill would require policies of sickness and accident insurance to include a provision providing that in the event of a conflict between the insurance policy and federal or state law, the policy is amended to conform to the minimum standards of the federal or state law. The bill would repeal the authority of a policy of sickness and accident insurance to include, at the discretion of the insurer, a provision providing that in the event of a conflict between the insurance policy and state statute, the policy is amended to conform to the minimum

standards of the state statute. (Sections 44-710.03 and 44-710.04) (Sections 3 and 4 of the bill).

INSURERS SUPERVISION, REHABILITATION, AND LIQUIDATION

The bill would define “netting agreement” as an agreement that provides for the netting of qualified financial contracts, and “qualified financial contract” as a commodity contract, forward contract, repurchase agreement, securities contract, swap agreement, and any similar agreement so determined by the director. The bill would specify that a person is not prohibited by a stay under the Nebraska Insurers Supervision, Rehabilitation, and Liquidation Act from exercising specified contracts under circumstances specified in the section. The bill would specify that the net or settlement amount owed by a non-defaulting party to an insurer against which an application or petition has been filed under the act shall be transferred to or on the order of the receiver for the insurer, and would require the receiver to use best efforts to notify parties to the contract. The bill would prohibit the receiver from voiding such a transaction that is made before a delinquency proceeding is commenced in the absence of intent to commit fraud. The bill would define “contractual right” for the purpose of the section. The bill would specify that all rights of a counterparty under the act would apply to netting agreements and qualified financial contracts entered into on behalf of the general account or separate accounts. (Section 44-4803 and 44-4862) (Sections 6 to 8 of the bill).

Principal Introducer: _____

Senator Rich Pahls