

NINETY-NINTH LEGISLATURE
FIRST SESSION
LEGISLATIVE RESOLUTION 183

Introduced by Beutler, 28

Read first time May 18, 2005

Committee:

PURPOSE: The goal of this interim study is to examine the Motor Vehicle Service Contract Reimbursement Insurance Act.

In June of 2003, National Warranty Insurance Company (hereinafter National Warranty) filed for the Cayman Islands' version of bankruptcy protection. National Warranty was a risk retention group that maintained its headquarters in Lincoln, but was organized under the laws of the Cayman Islands and the federal risk retention act. The company insured several hundred group members, most of which sold a variety of motor-vehicle related services including motor vehicle service contracts.

In August of 2003, a court in the Cayman Islands determined that National Warranty's assets should be liquidated. As the liquidation progressed, the company, its members, and dealers disagreed as to who was responsible for the claims of individual vehicle owners. As a result, many Nebraska consumers and other consumers across the country found that their vehicle services contracts were essentially worthless.

In the wake of National Warranty's collapse, which was one of several industry failures, the Legislature's Banking,

Commerce and Insurance Committee conducted an interim hearing to study various issues regarding the operation of risk retention groups and the regulation of motor vehicle service contracts. After this interim hearing, the Department of Insurance continued its investigation of National Warranty and its evaluation of Nebraska's Motor Vehicle Service Contract Reimbursement Insurance Act. LB 652, as modified by an amendment presented at the committee hearing, was the result of the department's efforts to protect Nebraska consumers by strengthening this act.

LB 652 was heard by the Banking, Commerce and Insurance Committee on February 8, 2005. After the hearing, the department worked with the bill's opponents to craft language that was acceptable to the motor vehicle service contract industry while still serving to protect the public. Over the course of several months, the interested parties met and exchanged drafts. Despite these efforts, a compromise has not yet been reached, and the committee has not yet advanced LB 652 to General File. There does, however, appear to be some consensus that the current regulatory scheme is inadequate and needs to be strengthened.

It is the intent of the Legislature that this interim study will consider ways to improve the Motor Vehicle Service Contract Reimbursement Insurance Act to reduce the public's risk in the event of another large-scale failure within the industry.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NINETY-NINTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Banking, Commerce and Insurance Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.