

**ONE HUNDRED FIRST LEGISLATURE - FIRST SESSION - 2009**  
**COMMITTEE STATEMENT**  
**LB484**

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**Hearing Date:** Tuesday February 10, 2009  
**Committee On:** Banking, Commerce and Insurance  
**Introducer:** Stuthman  
**One Liner:** Provide for partial payment of insurance policy proceeds to a city or village by ordinance

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**Roll Call Vote - Final Committee Action:**  
Indefinitely postponed

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**Vote Results:**

**Aye:** 8 Senators Christensen, Gloor, Langemeier, McCoy, Pahls, Pankonin,  
Pirsch, Utter

**Nay:**

**Absent:**

**Present Not Voting:**

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**Proponents:**

Senator Arnie Stuthman  
Lynn Rex  
Brett Baker  
Jack Cheloha

**Representing:**

Introducer  
League of NE Municipalities  
League of NE Municipalities  
City of Omaha

**Opponents:**

Coleen Nielsen  
James Cavanaugh  
Korby Gilbertson  
Janis McKenzie  
Tad Fraizer

**Representing:**

NE Insurance Information Service  
Independent Insurance Agents of NE  
Property Casualty Insurers Association of America  
NE Insurance Federation  
American Insurance Association

**Neutral:**

Jerry Stilmock

**Representing:**

NE Bankers Association

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**Summary of purpose and/or changes:**

OVERVIEW

LB 484 (Stuthman) would enact seven new sections to provide that cities and villages are authorized to adopt ordinances which would require that up to 15 percent of insurance proceeds for damage to or loss of a building or other structure caused by or arising out of any fire, explosion, windstorm, or other natural disaster would be withheld by the insurer and paid to the city or village to be used, if necessary, to demolish the building or other structure.

SUMMARY

The bill would provide, section by section, as follows:

Section 1 would provide that: (1) a city or village may adopt an ordinance to establish a procedure for the payment of not more than 15 percent of the proceeds of any insurance claim payment for damage or loss to a building or other structure caused by or arising out of any fire, explosion, windstorm, or other natural disaster, and the ordinance shall apply only to a claim payment which is in excess of 75 percent of the face value of the policy; (2) the insurer shall first

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pay all amounts due the first mortgage holder and then shall withhold from the proceeds a sum not to exceed the amount authorized by the ordinance and pay it to the city or village except as otherwise provided in section 3 of the bill; and (3) the city or village shall release the proceeds within 30 days unless the city or village has instituted proceedings to repair, rehabilitate, or demolish and remove the building or structure, and if the city or village has instituted such proceedings, all proceeds in excess of that necessary for removal shall be paid to the insured.

Section 2 would provide that every city or village that adopts an ordinance under section 1 of the bill shall notify the Department of Insurance which shall prepare and distribute a list of such cities and villages to all insurance companies that issue policies insuring buildings and other structures against loss by fire, explosion, windstorm, or other natural disaster, and that an insurance company so notified shall establish procedures for such cities and villages to carry out the act.

Section 3 would provide that if any city or village that has adopted an ordinance under section 1 of the bill is satisfied that the insured has or will remove debris and repair, rebuild, or otherwise make the premises safe and secure, the city or village shall issue a certificate to permit the proceeds to be paid to the insured without deduction.

Section 4 would provide that the act shall apply to fire, explosion, windstorm, or other natural disaster claims arising on all buildings or structures.

Section 5 would provide that the act shall not make any city or village a party to any insurance contract nor is the insurer liable to any party for any amount in excess of the proceeds otherwise payable.

Section 6 would provide that insurers complying or attempting in good faith to comply with the act shall be immune from civil and criminal liability and such actions shall not be deemed in violation of the Unfair Insurance Trade Practices Act.

Section 7 would provide that the Director of Insurance has rule and regulation authority to carry out the act.

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Rich Pahls, Chairperson