

**ONE HUNDRED FOURTH LEGISLATURE - FIRST SESSION - 2015**  
**COMMITTEE STATEMENT**  
**LB213**

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**Hearing Date:** Tuesday February 17, 2015  
**Committee On:** Banking, Commerce and Insurance  
**Introducer:** Schumacher  
**One Liner:** Provide for withholding of insurance proceeds for demolition purposes

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

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**Vote Results:**

|                            |   |  |
|----------------------------|---|--|
| <b>Aye:</b>                | 6 | Senators Campbell, Craighead, Gloor, Lindstrom, Scheer, Williams |
| <b>Nay:</b>                | 2 | Senators Howard, Schumacher                                      |
| <b>Absent:</b>             |   |  |
| <b>Present Not Voting:</b> |   |  |

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**Verbal Testimony:**

**Proponents:**

Senator Paul Schumacher  
Joe Mangianelli  
Ben Gray  
Gary Krumland

**Representing:**

Introducer  
City of Columbus  
Omaha City Council  
League of NE Municipalities and City of Hastings

**Opponents:**

John Chatelain  
Dan Friedman  
Michael Falleson

**Representing:**

Statewide Property Owners Association  
NATA  
Seldin Co. and NE Assn of Commercial Property Owners  
Independent Insurance Agents of NE  
American Insurance Association

**Neutral:**

**Representing:**

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

This bill would enact a new insurance section to provide for the withholding by a property and casualty insurer of insurance proceeds in a demolition cost reserve for the benefit of a city, village, or county if damaged real property is located within the city or village or within the county outside a city or village.

The new section would provide as follows:

Subsection (1) would provide that after an insurer makes payment to all mortgagees on a fire and casualty insurance policy on any real property covered by such policy, the insurer shall reserve ten thousand dollars or ten percent of the coverage limit, whichever is greater, to be held as a demolition cost reserve if (a) the real property is located within the limits of a city or village or within a county outside of a city or village, including within the zoning jurisdiction of such city or village, (b) the damage to the real property renders the property uninhabitable or unfit for its intended use without repair, and (c) proof of loss has been submitted by the policyholder to the insurer for a sum in excess of seventy-five percent of the face value of the policy.

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Subsection (2) would provide that if the insurer receives proof of loss, it shall notify the clerk of the city, village, or county of the existence of the demolition cost reserve.

Subsection (3) would provide that the city, village, or county shall release all interest in the demolition cost reserve within 180 days of notice unless the city or village has instituted legal proceedings or issued a demolition order.

Subsection (4) would provide that a demolition cost reserve shall not be required if (a) the insurer has received notice from the insured and the city, village, or county that the real property has been replaced or rebuilt, repairs have been completed, or demolition has been completed, or (b) the city or village has failed to notify the insurer that it has instituted legal proceedings or issued a demolition order.

Subsection (5) would provide that if the city, village, or county has instituted legal proceedings, issued an order for demolition, undertaken emergency action, or is required to demolish the real property at its expense, the city, village, or county shall present to the insurer a report of demolition costs. Upon receipt of the report, the insurer shall compensate the city, village, or county up to the amount in the demolition cost reserve. Any amount remaining shall be paid to the insured if the insured is entitled to it.

Subsection (6) would provide that the insurer is not liable for any demolition costs (a) not covered under the policy, (b) in excess of policy liability limits, or (c) to the extent the demolition cost reserve amount is needed to pay any interest of a mortgagee on the policy.

Subsection (7) would provide that an insurer and its agent that complies with this section shall be immune from any civil liability.

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Jim Scheer, Chairperson