

**ONE HUNDRED SIXTH LEGISLATURE - SECOND SESSION - 2020**  
**COMMITTEE STATEMENT**  
**LB1199**

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**Hearing Date:** Tuesday February 11, 2020  
**Committee On:** Banking, Commerce and Insurance  
**Introducer:** Lindstrom  
**One Liner:** Change provisions relating to motor vehicle service contract reimbursement insurance

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File

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**Vote Results:**

**Aye:** 8 Senators Gragert, Howard, Kolterman, La Grone, Lindstrom,  
McCollister, Quick, Williams

**Nay:**

**Absent:**

**Present Not Voting:**

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**Oral Testimony:**

**Proponents:**

Senator Brett Lindstrom  
Stephen McDaniel

**Representing:**

Introducer  
Service Contract Industry Council

**Opponents:**

**Representing:**

**Neutral:**

**Representing:**

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

This bill would amend sections 44-3520, 44-3521, and 44-3523 of the Motor Vehicle Service Contract Reimbursement Insurance Act and would enact a new section to be assigned within the act to change provision relating to motor vehicle service contract reimbursement insurance policies. The bill would provide, section by section, as follows:

Section 1 would amend section 44-3520 to provide that new section 4 shall be assigned within the act.

Section 2 would amend section 44-3521 to change the definition of "motor vehicle service contract reimbursement insurance policy" to provide that it means a policy of insurance issued to a motor vehicle service contract provider ("provider") to either provide reimbursement to the provider under the terms of the insured motor vehicle service contracts ("contracts") issued or sold by the provider or, in the event of the provider's nonperformance, to pay on behalf of the provider all covered contracted obligations incurred by the provider under the terms of the contracts issued or sold by the provider in this state.

Section 3 would amend section 44-3523 to provide that no motor vehicle service contract reimbursement insurance policy ("policy") shall be issued, sold, or offered for sale in this state unless it states that the insurer will either reimburse or pay on behalf of the motor vehicle service contract provider ("provider") any covered sums the provider is legally obligated to pay or, in the event of the provider's nonperformance, will provide the service the provider is legally obligated to perform according to the provider's contracted obligations under the motor vehicle service contracts ("contracts") issued or sold by the provider in this state. This section would further provide that if covered service is not provided by a provider within sixty days of proof of loss by the service contract holder, the service contract holder is entitled to apply directly to the insurer providing the policy. This section would also repeal provisions which provide that a policy shall reimburse the provider for all repair costs incurred under the contract from the first dollar of coverage. This

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section would also repeal provisions which provide that a policy shall not require or allow a provider to assume any portion of direct or first dollar liability for repairs under a contract. Finally, this section would also repeal provision which provide that a policy shall not include any provision whereby the insurer provides coverage in excess of reserves held by the provider or only in the event of the provider's insolvency or default.

New section 4 would provide that it is the responsibility of the motor vehicle provider ("provider") issuing a motor vehicle service contract ("contract") to file a true and correct copy of the contract form, motor vehicle service contract reimbursement policy, and the notice of filing form with the Department of Insurance. This section would provide for required provisions in a contract. This section would provide that if the Director of Insurance determines that a provider has failed to comply with the Motor Vehicle Service Contract Reimbursement Act, the director issue an order to a provider to cease and desist from selling or offering for sale any contracts.

Section 5 provides for an operative date of January 1, 2021.

Section 6 provides for the repealers of the amendatory sections.

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Matt Williams, Chairperson