

LEGISLATURE OF NEBRASKA
ONE HUNDRED SIXTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 774

FINAL READING

Introduced by Williams, 36.

Read first time January 08, 2020

Committee: Banking, Commerce and Insurance

1 A BILL FOR AN ACT relating to insurance; to amend sections 44-3520 and
2 44-3523, Reissue Revised Statutes of Nebraska, and sections
3 44-416.06, 44-416.09, and 44-3521, Revised Statutes Cumulative
4 Supplement, 2018; to change requirements regarding credit for
5 reinsurance as prescribed; to change provisions relating to fees for
6 dental services; to change provisions relating to motor vehicle
7 service contract reimbursement insurance policies and motor vehicle
8 service contract providers; to prohibit certain activities by
9 facilities as prescribed; to harmonize provisions; to provide a duty
10 for the Revisor of Statutes; to provide operative dates; and to
11 repeal the original sections.
12 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 44-416.06, Revised Statutes Cumulative
2 Supplement, 2018, is amended to read:

3 44-416.06 (1) Credit for reinsurance shall be allowed a domestic
4 ceding insurer as either an asset or a reduction from liability on
5 account of reinsurance ceded only when the reinsurer meets the
6 requirements of subsection (2), (3), (4), (5), (6), ~~or (7)~~, or (8) of
7 this section and any additional requirements contained in rules and
8 regulations adopted and promulgated by the Director of Insurance pursuant
9 to subsection (2) of section 44-416.09 relating to or setting forth (a)
10 the valuation of assets or reserve credits, (b) the amount and form of
11 security supporting reinsurance arrangements, or (c) the circumstances
12 pursuant to which credit will be reduced or eliminated. Except as
13 otherwise provided in section 44-224.11, credit shall be allowed under
14 subsection (2), (3), or (4) of this section only for cessions of those
15 kinds or classes of business which the assuming insurer is licensed or
16 otherwise permitted to write or assume in its state of domicile or, in
17 the case of a United States branch of an alien assuming insurer, in the
18 state through which it is entered and licensed to transact insurance or
19 reinsurance. Credit shall be allowed under subsection (4) or (5) of this
20 section only if the applicable requirements of subsection (9) ~~(8)~~ of this
21 section have been satisfied.

22 (2) Credit shall be allowed when the reinsurance is ceded to an
23 assuming insurer that is licensed to transact insurance in this state.

24 (3) Credit shall be allowed when the reinsurance is ceded to an
25 assuming insurer that is accredited by the Director of Insurance as a
26 reinsurer in this state. In order to be eligible for accreditation, a
27 reinsurer must:

28 (a) File with the director evidence of its submission to this
29 state's jurisdiction;

30 (b) Submit to this state's authority to examine its books and
31 records;

1 (c) Be licensed to transact insurance or reinsurance in at least one
2 state, or in the case of a United States branch of an alien assuming
3 insurer, be entered through and licensed to transact insurance or
4 reinsurance in at least one state;

5 (d) File annually with the director a copy of its annual statement
6 filed with the insurance department of its state of domicile and a copy
7 of its most recent audited financial statement; and

8 (e) Demonstrate to the satisfaction of the director that it has
9 adequate financial capacity to meet its reinsurance obligations and is
10 otherwise qualified to assume reinsurance from domestic insurers. An
11 assuming insurer is deemed to meet this requirement as of the time of its
12 application if it maintains a surplus as regards policyholders in an
13 amount not less than twenty million dollars and its accreditation has not
14 been denied by the director within ninety days after submission of its
15 application.

16 (4)(a) Credit shall be allowed when the reinsurance is ceded to an
17 assuming insurer that is domiciled in, or in the case of a United States
18 branch of an alien assuming insurer is entered through, a state that
19 employs standards regarding credit for reinsurance substantially similar
20 to those applicable under this section and the assuming insurer or United
21 States branch of an alien assuming insurer:

22 (i) Maintains a surplus as regards policyholders in an amount not
23 less than twenty million dollars; and

24 (ii) Submits to the authority of this state to examine its books and
25 records.

26 (b) The requirement of subdivision (4)(a)(i) of this section does
27 not apply to reinsurance ceded and assumed pursuant to pooling
28 arrangements among insurers in the same holding company system.

29 (5)(a) Credit shall be allowed when the reinsurance is ceded to an
30 assuming insurer that maintains a trust fund in a qualified United States
31 financial institution for the payment of the valid claims of its United

1 States ceding insurers and their assigns and successors in interest. To
2 enable the director to determine the sufficiency of the trust fund, the
3 assuming insurer shall report annually to the director information
4 substantially the same as that required to be reported on the National
5 Association of Insurance Commissioners Annual Statement form by licensed
6 insurers. The assuming insurer shall submit to examination of its books
7 and records by the director and bear the expense of examination.

8 (b)(i) Credit for reinsurance shall not be granted under this
9 subsection unless the form of the trust and any amendments to the trust
10 have been approved by:

11 (A) The commissioner of the state where the trust is domiciled; or

12 (B) The commissioner of another state who, pursuant to the terms of
13 the trust instrument, has accepted principal regulatory oversight of the
14 trust.

15 (ii) The form of the trust and any trust amendments also shall be
16 filed with the commissioner of every state in which the ceding insurer
17 beneficiaries of the trust are domiciled. The trust instrument shall
18 provide that contested claims shall be valid and enforceable upon the
19 final order of any court of competent jurisdiction in the United States.
20 The trust shall vest legal title to its assets in its trustees for the
21 benefit of the assuming insurer's United States ceding insurers, their
22 assigns, and successors in interest. The trust and the assuming insurer
23 shall be subject to examination as determined by the director.

24 (iii) The trust shall remain in effect for as long as the assuming
25 insurer has outstanding obligations due under the reinsurance agreements
26 subject to the trust. No later than February 28 of each year the trustee
27 of the trust shall report to the director in writing the balance of the
28 trust and listing the trust's investments at the preceding year end and
29 shall certify the date of termination of the trust, if so planned, or
30 certify that the trust will not expire prior to the following December
31 31.

1 (c) The following requirements apply to the following categories of
2 assuming insurer:

3 (i) The trust fund for a single assuming insurer shall consist of
4 funds in trust in an amount not less than the assuming insurer's
5 liabilities attributable to reinsurance ceded by United States ceding
6 insurers and, in addition, the assuming insurer shall maintain a trusted
7 surplus of not less than twenty million dollars except as provided in
8 subdivision (5)(c)(ii) of this section;

9 (ii) At any time after the assuming insurer has permanently
10 discontinued underwriting new business secured by the trust for at least
11 three full years, the commissioner with principal regulatory oversight of
12 the trust may authorize a reduction in the required trusted surplus, but
13 only after a finding, based on an assessment of the risk, that the new
14 required surplus level is adequate for the protection of United States
15 ceding insurers, policyholders, and claimants in light of reasonably
16 foreseeable adverse loss development. The risk assessment may involve an
17 actuarial review, including an independent analysis of reserves and cash
18 flows, and shall consider all material risk factors, including when
19 applicable the lines of business involved, the stability of the incurred
20 loss estimates, and the effect of the surplus requirements on the
21 assuming insurer's liquidity or solvency. The minimum required trusted
22 surplus may not be reduced to an amount less than thirty percent of the
23 assuming insurer's liabilities attributable to reinsurance ceded by
24 United States ceding insurers covered by the trust; and

25 (iii)(A) In the case of a group including incorporated and
26 individual unincorporated underwriters:

27 (I) For reinsurance ceded under reinsurance agreements with an
28 inception, amendment, or renewal date on or after January 1, 1993, the
29 trust shall consist of a trusted account in an amount not less than the
30 respective underwriters' several liabilities attributable to business
31 ceded by United States domiciled ceding insurers to any underwriter of

1 the group;

2 (II) For reinsurance ceded under reinsurance agreements with an
3 inception date on or before December 31, 1992, and not amended or renewed
4 after that date, notwithstanding the other provisions of sections
5 44-416.05 to 44-416.10, the trust shall consist of a trustee account in
6 an amount not less than the respective underwriters' several insurance
7 and reinsurance liabilities attributable to business written in the
8 United States; and

9 (III) In addition to these trusts, the group shall maintain in trust
10 a trustee surplus of which one hundred million dollars shall be held
11 jointly for the benefit of the United States domiciled ceding insurers of
12 any member of the group for all years of account;

13 (B) The incorporated members of the group shall not be engaged in
14 any business other than underwriting as a member of the group and shall
15 be subject to the same level of regulation and solvency control by the
16 group's domiciliary regulator as are the unincorporated members; and

17 (C) Within ninety days after its financial statements are due to be
18 filed with the group's domiciliary regulator, the group shall provide to
19 the director an annual certification by the group's domiciliary regulator
20 of the solvency of each underwriter member, or if a certification is
21 unavailable, financial statements, prepared by independent public
22 accountants, of each underwriter member of the group.

23 (6)(a) Credit shall be allowed when the reinsurance is ceded to an
24 assuming insurer that has been certified by the director as a reinsurer
25 in this state and secures its obligations in accordance with the
26 requirements of this subsection.

27 (b) In order to be eligible for certification, the assuming insurer
28 shall meet the following requirements:

29 (i) The assuming insurer must be domiciled and licensed to transact
30 insurance or reinsurance in a qualified jurisdiction, as determined by
31 the director pursuant to subdivision (6)(d) of this section;

1 (ii) The assuming insurer must maintain minimum capital and surplus,
2 or its equivalent, in an amount to be determined by the director pursuant
3 to rules and regulations;

4 (iii) The assuming insurer must maintain financial strength ratings
5 from two or more rating agencies deemed acceptable by the director
6 pursuant to rules and regulations;

7 (iv) The assuming insurer must agree to submit to the jurisdiction
8 of this state, appoint the director as its agent for service of process
9 in this state, and agree to provide security for one hundred percent of
10 the assuming insurer's liabilities attributable to reinsurance ceded by
11 United States ceding insurers if it resists enforcement of a final United
12 States judgment;

13 (v) The assuming insurer must agree to meet applicable information
14 filing requirements as determined by the director, both with respect to
15 an initial application for certification and on an ongoing basis; and

16 (vi) The assuming insurer must satisfy any other requirements for
17 certification deemed relevant by the director.

18 (c) An association including incorporated and individual
19 unincorporated underwriters may be a certified reinsurer. In order to be
20 eligible for certification, in addition to satisfying requirements of
21 subdivision (6)(b) of this section:

22 (i) The association shall satisfy its minimum capital and surplus
23 requirements through the capital and surplus equivalents, net of
24 liabilities, of the association and its members, which shall include a
25 joint central fund that may be applied to any unsatisfied obligation of
26 the association or any of its members, in an amount determined by the
27 director to provide adequate protection;

28 (ii) The incorporated members of the association shall not be
29 engaged in any business other than underwriting as a member of the
30 association and shall be subject to the same level of regulation and
31 solvency control by the association's domiciliary regulator as are the

1 unincorporated members; and

2 (iii) Within ninety days after its financial statements are due to
3 be filed with the association's domiciliary regulator, the association
4 shall provide to the director an annual certification by the
5 association's domiciliary regulator of the solvency of each underwriter
6 member or, if a certification is unavailable, financial statements,
7 prepared by independent public accountants, of each underwriter member of
8 the association.

9 (d)(i) The director shall create and publish a list of qualified
10 jurisdictions under which an assuming insurer licensed and domiciled in
11 such jurisdiction is eligible to be considered for certification by the
12 director as a certified reinsurer.

13 (ii) In order to determine whether the domiciliary jurisdiction of a
14 non-United-States assuming insurer is eligible to be recognized as a
15 qualified jurisdiction, the director shall evaluate the appropriateness
16 and effectiveness of the reinsurance supervisory system of the
17 jurisdiction, both initially and on an ongoing basis, and consider the
18 rights, benefits, and the extent of reciprocal recognition afforded by
19 the non-United-States jurisdiction to reinsurers licensed and domiciled
20 in the United States. A qualified jurisdiction must agree to share
21 information and cooperate with the director with respect to all certified
22 reinsurers domiciled within that jurisdiction. A jurisdiction may not be
23 recognized as a qualified jurisdiction if the director has determined
24 that the jurisdiction does not adequately and promptly enforce final
25 United States judgments and arbitration awards. Additional factors may be
26 considered in the discretion of the director.

27 (iii) A list of qualified jurisdictions shall be published through
28 the National Association of Insurance Commissioners committee process.
29 The director shall consider this list in determining qualified
30 jurisdictions. If the director approves a jurisdiction as qualified that
31 does not appear on the list of qualified jurisdictions, the director

1 shall provide thoroughly documented justification in accordance with
2 criteria to be developed under rules and regulations.

3 (iv) United States jurisdictions that meet the requirement for
4 accreditation under the National Association of Insurance Commissioners
5 financial standards and accreditation program shall be recognized as
6 qualified jurisdictions.

7 (v) If a certified reinsurer's domiciliary jurisdiction ceases to be
8 a qualified jurisdiction, the director has the discretion to suspend the
9 reinsurer's certification indefinitely, in lieu of revocation.

10 (e) The director shall assign a rating to each certified reinsurer,
11 giving due consideration to the financial strength ratings that have been
12 assigned by rating agencies deemed acceptable to the director pursuant to
13 rules and regulations. The director shall publish a list of all certified
14 reinsurers and their ratings.

15 (f)(i) A certified reinsurer shall secure obligations assumed from
16 United States ceding insurers under this subsection at a level consistent
17 with its rating, as specified in rules and regulations adopted and
18 promulgated by the director.

19 (ii) In order for a domestic ceding insurer to qualify for full
20 financial statement credit for reinsurance ceded to a certified
21 reinsurer, the certified reinsurer shall maintain security in a form
22 acceptable to the director and consistent with the provisions of section
23 44-416.07 or in a multibeneficiary trust in accordance with subsection
24 (5) of this section, except as otherwise provided in this subsection.

25 (iii) If a certified reinsurer maintains a trust to fully secure its
26 obligations subject to subsection (5) of this section and chooses to
27 secure its obligations incurred as a certified reinsurer in the form of a
28 multibeneficiary trust, the certified reinsurer shall maintain separate
29 trust accounts for its obligations incurred under reinsurance agreements
30 issued or renewed as a certified reinsurer with reduced security as
31 permitted by this subsection or comparable laws of other United States

1 jurisdictions and for its obligations subject to subsection (5) of this
2 section. It shall be a condition to the grant of certification under this
3 subsection that the certified reinsurer shall have bound itself, by the
4 language of the trust and agreement with the commissioner with principal
5 regulatory oversight of each such trust account, to fund, upon
6 termination of any such trust account, out of the remaining surplus of
7 such trust any deficiency of any other such trust account.

8 (iv) The minimum trusted surplus requirements provided in
9 subsection (5) of this section are not applicable with respect to a
10 multibeneficiary trust maintained by a certified reinsurer for the
11 purpose of securing obligations incurred under this subsection, except
12 that such trust shall maintain a minimum trusted surplus of ten million
13 dollars.

14 (v) With respect to obligations incurred by a certified reinsurer
15 under this subsection, if the security is insufficient, the director
16 shall reduce the allowable credit by an amount proportionate to the
17 deficiency and has the discretion to impose further reductions in
18 allowable credit upon finding that there is a material risk that the
19 certified reinsurer's obligations will not be paid in full when due.

20 (vi)(A) For purposes of this subsection, a certified reinsurer whose
21 certification has been terminated for any reason shall be treated as a
22 certified reinsurer required to secure one hundred percent of its
23 obligations.

24 (B) As used in subdivision (6)(f)(vi)(A) of this section, the term
25 "terminated" refers to revocation, suspension, voluntary surrender, and
26 inactive status.

27 (C) If the director continues to assign a higher rating as permitted
28 by other provisions of this section, the requirement in subdivision (6)
29 (f)(vi)(A) of this section does not apply to a certified reinsurer in
30 inactive status or to a reinsurer whose certification has been suspended.

31 (g) If an applicant for certification has been certified as a

1 reinsurer in a National Association of Insurance Commissioners-accredited
2 jurisdiction, the director has the discretion to defer to that
3 jurisdiction's certification and has the discretion to defer to the
4 rating assigned by that jurisdiction, and such assuming insurer shall be
5 considered to be a certified reinsurer in this state.

6 (h) A certified reinsurer that ceases to assume new business in this
7 state may request to maintain its certification in inactive status in
8 order to continue to qualify for a reduction in security for its in-force
9 business. An inactive certified reinsurer shall continue to comply with
10 all applicable requirements of this subsection, and the director shall
11 assign a rating that takes into account, if relevant, the reasons why the
12 reinsurer is not assuming new business.

13 (7)(a) Credit shall be allowed when reinsurance is ceded to an
14 assuming insurer meeting each of the conditions set forth below:

15 (i) Such assuming insurer shall have its head office or be domiciled
16 in, as applicable, and be licensed in a reciprocal jurisdiction. A
17 reciprocal jurisdiction is a jurisdiction that meets one of the
18 following:

19 (A) A jurisdiction, other than a jurisdiction of the United States,
20 that is subject to an in-force covered agreement with the United States,
21 each within its legal authority, or, in the case of a covered agreement
22 between the United States and European Union, is a member state of the
23 European Union. For purposes of this subsection, a covered agreement is
24 an agreement entered into pursuant to the Dodd-Frank Wall Street Reform
25 and Consumer Protection Act, 31 U.S.C. 313 and 314, as such sections
26 existed on January 1, 2020, that is currently in effect or in a period of
27 provisional application and that addresses the elimination, under
28 specified conditions, of collateral requirements as a condition for
29 entering into any reinsurance agreement with a ceding insurer domiciled
30 in this state or for allowing the ceding insurer to recognize credit for
31 reinsurance;

1 (B) A jurisdiction of the United States that meets the requirements
2 for accreditation under the National Association of Insurance
3 Commissioners financial standards and accreditation program; or

4 (C) A qualified jurisdiction as determined by the director pursuant
5 to subdivision (6)(d)(i) of this section that is not otherwise described
6 in subdivision (7)(a)(i)(A) or (B) of this section and that meets certain
7 additional requirements, consistent with the terms and conditions of in-
8 force covered agreements, as specified in rules and regulations adopted
9 and promulgated by the director pursuant to section 44-416.09;

10 (ii) Such assuming insurer shall have and maintain, on an ongoing
11 basis, the minimum capital and surplus or the equivalent, calculated
12 according to the methodology of its domiciliary jurisdiction, as set
13 forth in rules and regulations adopted and promulgated by the director
14 pursuant to section 44-416.09. If such assuming insurer is an
15 association, including an incorporated or individual unincorporated
16 underwriter, such assuming insurer shall have and maintain, on an ongoing
17 basis, minimum capital and surplus equivalents, net of liabilities and
18 calculated according to the methodology of its domiciliary jurisdiction,
19 and a central fund containing a minimum balance as set forth in the rules
20 and regulations adopted and promulgated by the director pursuant to
21 section 44-416.09;

22 (iii) Such assuming insurer shall have and maintain, on an ongoing
23 basis, the minimum solvency or capital ratio, as applicable, as set forth
24 in rules and regulations adopted and promulgated by the director pursuant
25 to section 44-416.09. If such assuming insurer is an association,
26 including incorporated and individual unincorporated underwriters, such
27 assuming insurer shall have and maintain, on an ongoing basis, a minimum
28 solvency or capital ratio in the reciprocal jurisdiction where such
29 assuming insurer has its head office or is domiciled, as applicable, and
30 is also licensed;

31 (iv) Such assuming insurer shall agree and provide adequate

1 assurance to the director, in a form specified pursuant to rules and
2 regulations adopted and promulgated by the director pursuant to section
3 44-416.09, as follows:

4 (A) Such assuming insurer shall provide prompt written notice and
5 explanation to the director if such assuming insurer falls below the
6 minimum requirements set forth in subdivisions (7)(a)(ii) and (iii) of
7 this section or if any regulatory action is taken against such assuming
8 insurer for serious noncompliance with applicable law;

9 (B) Such assuming insurer shall consent in writing to the
10 jurisdiction of the courts of this state and to the appointment of the
11 director as the agent for service of process. The director may require
12 that consent for service of process be provided to the director and
13 included in each reinsurance agreement. Nothing in this subdivision shall
14 limit, or in any way alter, the capacity of parties to a reinsurance
15 agreement to agree to alternative dispute resolution mechanisms except to
16 the extent such agreements are unenforceable under applicable insolvency
17 or delinquency laws;

18 (C) Such assuming insurer shall consent in writing to pay all final
19 judgments, wherever enforcement is sought, obtained by a ceding insurer
20 or its legal successor, that have been declared enforceable in the
21 jurisdiction where the judgment was obtained;

22 (D) Each reinsurance agreement shall include a provision requiring
23 such assuming insurer to provide security in an amount equal to one
24 hundred percent of such assuming insurer's liabilities attributable to
25 reinsurance ceded pursuant to such agreement if such assuming insurer
26 resists enforcement of a final judgment that is enforceable under the law
27 of the jurisdiction in which such judgment was obtained or a properly
28 enforceable arbitration award, whether obtained by the ceding insurer or
29 by its legal successor on behalf of its resolution estate; and

30 (E) Such assuming insurer shall confirm that such assuming insurer
31 is not presently participating in any solvent scheme of arrangement that

1 involves this state's ceding insurers and agree to notify the ceding
2 insurer and the director and to provide security in an amount equal to
3 one hundred percent of such assuming insurer's liabilities to the ceding
4 insurer if such assuming insurer enters into such a solvent scheme of
5 arrangement. Such security shall be in a form consistent with the
6 provisions of subsection (6) of this section and section 44-416.07 and as
7 specified in rules and regulations adopted and promulgated by the
8 director pursuant to section 44-416.09;

9 (v) Such assuming insurer or its legal successor shall provide, if
10 requested by the director, on behalf of itself and any legal
11 predecessors, certain documentation to the director as specified in rules
12 and regulations adopted and promulgated by the director pursuant to
13 section 44-416.09;

14 (vi) Such assuming insurer shall maintain a practice of prompt
15 payment of claims under reinsurance agreements pursuant to criteria set
16 forth in rules and regulations adopted and promulgated by the director
17 pursuant to section 44-416.09; and

18 (vii) Such assuming insurer's supervisory authority shall confirm to
19 the director on an annual basis, as of the preceding December 31 or at
20 the annual date otherwise statutorily reported to the reciprocal
21 jurisdiction, that such assuming insurer complies with the requirements
22 set forth in subdivisions (7)(a)(ii) and (iii) of this section.

23 (b) Nothing in this subsection precludes an assuming insurer from
24 providing the director with information on a voluntary basis.

25 (c)(i) The director shall timely create and publish a list of
26 reciprocal jurisdictions.

27 (ii) The director's list shall include any reciprocal jurisdiction
28 as defined under subdivisions (7)(a)(i)(A) and (B) of this section, and
29 the director shall consider including any other reciprocal jurisdiction
30 included on the most current list published through the National
31 Association of Insurance Commissioners' committee process. The director

1 may approve a jurisdiction that does not appear on the National
2 Association of Insurance Commissioners' list of reciprocal jurisdictions
3 in accordance with criteria developed under rules and regulations adopted
4 and promulgated by the director pursuant to section 44-416.09.

5 (iii) The director may remove a jurisdiction from the list of
6 reciprocal jurisdictions upon a determination that the jurisdiction no
7 longer meets the requirements of a reciprocal jurisdiction in accordance
8 with the process set forth in rules and regulations adopted and
9 promulgated by the director pursuant to section 44-416.09, except that
10 the director shall not remove a reciprocal jurisdiction as defined under
11 subdivision (7)(a)(i)(A) or (B) of this section from such list. Upon
12 removal of a reciprocal jurisdiction from the list, credit for
13 reinsurance ceded to an assuming insurer that has its home office or is
14 domiciled in such jurisdiction shall be allowed if otherwise allowed
15 pursuant to sections 44-416.05 to 44-416.10.

16 (d) The director shall timely create and publish a list of assuming
17 insurers that have satisfied the conditions set forth in this subsection
18 and to which cessions shall be granted credit in accordance with this
19 subsection. The director may add an assuming insurer to such list if a
20 jurisdiction accredited by the National Association of Insurance
21 Commissioners pursuant to accreditation standards has added such assuming
22 insurer to such jurisdiction's list of assuming insurers or if, upon
23 initial eligibility, such assuming insurer submits the information to the
24 director as required under subdivision (7)(a)(iv) of this section and
25 complies with any additional requirements that the director may impose by
26 rules and regulations adopted and promulgated by the director pursuant to
27 section 44-416.09 except to the extent that any such rules and
28 regulations conflict with an applicable covered agreement.

29 (e)(i) If the director determines that an assuming insurer no longer
30 meets one or more of the requirements under this subsection, the director
31 may revoke or suspend the eligibility of such assuming insurer for

1 recognition as an assuming insurer under this subsection in accordance
2 with procedures set forth in rules and regulations adopted and
3 promulgated by the director pursuant to section 44-416.09.

4 (ii) While an assuming insurer's eligibility is suspended, no
5 reinsurance agreement issued, amended, or renewed after the effective
6 date of the suspension qualifies for credit except to the extent that
7 such assuming insurer's obligations under the contract are secured in
8 accordance with section 44-416.07.

9 (iii) If an assuming insurer's eligibility is revoked, no credit for
10 reinsurance may be granted after the effective date of the revocation
11 with respect to any reinsurance agreements entered into by such assuming
12 insurer, including reinsurance agreements entered into prior to the date
13 of revocation, except to the extent that such assuming insurer's
14 obligations under the contract are secured in a form acceptable to the
15 director and consistent with the provisions of section 44-416.07.

16 (f) If subject to a legal process of rehabilitation, liquidation, or
17 conservation, as applicable, the ceding insurer or its representative may
18 seek and, if determined appropriate by the court in which the proceedings
19 are pending, may obtain an order requiring that such assuming insurer
20 post security for all outstanding ceded liabilities.

21 (g) Nothing in this subsection shall limit or in any way alter the
22 capacity of parties to a reinsurance agreement to agree on requirements
23 for security or other terms in such reinsurance agreement except as
24 expressly prohibited by sections 44-416.05 to 44-416.10 or other
25 applicable law or rules and regulations.

26 (h) Credit may be taken under this subsection only for reinsurance
27 agreements entered into, amended, or renewed on or after the operative
28 date of this section and only with respect to losses incurred and
29 reserves reported on or after the later of the date on which such
30 assuming insurer has met all eligibility requirements pursuant to
31 subdivision (7)(a) of this section or the effective date of such

1 reinsurance agreement, amendment, or renewal.

2 (i) This subdivision (7)(h) does not alter or impair a ceding
3 insurer's right to take credit for reinsurance to the extent that credit
4 is not available under this subdivision (7)(h) and the reinsurance
5 qualifies for credit under any other applicable provision of sections
6 44-416.05 to 44-416.10.

7 (ii) Nothing in this subdivision (7)(h) shall authorize an assuming
8 insurer to withdraw or reduce the security provided under any reinsurance
9 agreement except as permitted by the terms of such agreement.

10 (iii) Nothing in this subdivision (7)(h) shall limit, or in any way
11 alter, the capacity of parties to any reinsurance agreement to
12 renegotiate such agreement.

13 (8) {7} Credit shall be allowed when the reinsurance is ceded to an
14 assuming insurer not meeting the requirements of subsection (2), (3),
15 (4), (5), ~~or (6)~~, or (7) of this section, but only as to the insurance of
16 risks located in jurisdictions where the reinsurance is required by
17 applicable law or regulation of that jurisdiction.

18 (9) {8} If the assuming insurer is not licensed, accredited, or
19 certified to transact insurance or reinsurance in this state, the credit
20 permitted by subsections (4) and (5) of this section shall not be allowed
21 unless the assuming insurer agrees in the reinsurance agreements:

22 (a)(i) That in the event of the failure of the assuming insurer to
23 perform its obligations under the terms of the reinsurance agreement, the
24 assuming insurer, at the request of the ceding insurer, shall submit to
25 the jurisdiction of any court of competent jurisdiction in any state of
26 the United States, will comply with all requirements necessary to give
27 the court jurisdiction, and will abide by the final decision of the court
28 or of any appellate court in the event of an appeal; and

29 (ii) To designate the director or a designated attorney as its true
30 and lawful attorney upon whom may be served any lawful process in any
31 action, suit, or proceeding instituted by or on behalf of the ceding

1 insurer.

2 (b) This subsection is not intended to conflict with or override the
3 obligation of the parties to a reinsurance agreement to arbitrate their
4 disputes, if this obligation is created in the agreement.

5 ~~(10)~~ ~~(9)~~ If the assuming insurer does not meet the requirements of
6 subsection (2), (3), ~~or~~ ~~(4)~~, or (7) of this section, the credit permitted
7 by subsection (5) or (6) of this section shall not be allowed unless the
8 assuming insurer agrees in the trust agreements to the following
9 conditions:

10 (a) Notwithstanding any other provisions in the trust instrument, if
11 the trust fund is inadequate because it contains an amount less than the
12 amount required by subdivision (5)(c) of this section, or if the grantor
13 of the trust has been declared insolvent or placed into receivership,
14 rehabilitation, liquidation, or similar proceedings under the laws of its
15 state or country of domicile, the trustee shall comply with an order of
16 the commissioner with regulatory oversight over the trust or with an
17 order of a court of competent jurisdiction directing the trustee to
18 transfer to the state insurance commissioner with regulatory oversight
19 all of the assets of the trust fund;

20 (b) The assets shall be distributed by and claims shall be filed
21 with and valued by the state insurance commissioner with regulatory
22 oversight in accordance with the laws of the state in which the trust is
23 domiciled that are applicable to the liquidation of domestic insurance
24 companies;

25 (c) If the state insurance commissioner with regulatory oversight
26 determines that the assets of the trust fund or any part thereof are not
27 necessary to satisfy the claims of the United States ceding insurers of
28 the grantor of the trust, the assets or part thereof shall be returned by
29 the state insurance commissioner with regulatory oversight to the trustee
30 for distribution in accordance with the trust agreement; and

31 (d) The grantor shall waive any right otherwise available to it

1 under United States law that is inconsistent with this provision.

2 ~~(11)(a)~~ ~~(10)(a)~~ If an accredited or certified reinsurer ceases to
3 meet the requirements for accreditation or certification, the director
4 may suspend or revoke the reinsurer's accreditation or certification.

5 (b) The director must give the reinsurer notice and opportunity for
6 hearing. The suspension or revocation may not take effect until after the
7 director's order on hearing unless:

8 (i) The reinsurer waives its right to hearing;

9 (ii) The director's order is based on regulatory action by the
10 reinsurer's domiciliary jurisdiction or the voluntary surrender or
11 termination of the reinsurer's eligibility to transact insurance or
12 reinsurance business in its domiciliary jurisdiction or in the primary
13 certifying state of the reinsurer under subdivision (6)(g) of this
14 section; or

15 (iii) The director finds that an emergency requires immediate action
16 and a court of competent jurisdiction has not stayed the director's
17 action.

18 (c) While a reinsurer's accreditation or certification is suspended,
19 no reinsurance contract issued or renewed after the effective date of the
20 suspension qualifies for credit except to the extent that the reinsurer's
21 obligations under the contract are secured in accordance with section
22 44-416.07. If a reinsurer's accreditation or certification is revoked, no
23 credit for reinsurance may be granted after the effective date of the
24 revocation except to the extent that the reinsurer's obligations under
25 the contract are secured in accordance with subdivision (6)(f) of this
26 section or section 44-416.07.

27 ~~(12)(a)~~ ~~(11)(a)~~ A ceding insurer shall take steps to manage its
28 reinsurance recoverables proportionate to its own book of business. A
29 domestic ceding insurer shall notify the director within thirty days
30 after reinsurance recoverables from any single assuming insurer, or group
31 of affiliated assuming insurers, exceeds fifty percent of the domestic

1 ceding insurer's last reported surplus to policyholders, or after it is
2 determined that reinsurance recoverables from any single assuming
3 insurer, or group of affiliated assuming insurers, is likely to exceed
4 this limit. The notification shall demonstrate that the exposure is
5 safely managed by the domestic ceding insurer.

6 (b) A ceding insurer shall take steps to diversify its reinsurance
7 program. A domestic ceding insurer shall notify the director within
8 thirty days after ceding to any single assuming insurer, or group of
9 affiliated assuming insurers, more than twenty percent of the ceding
10 insurer's gross written premium in the prior calendar year, or after it
11 has determined that the reinsurance ceded to any single assuming insurer,
12 or group of affiliated assuming insurers, is likely to exceed this limit.
13 The notification shall demonstrate that the exposure is safely managed by
14 the domestic ceding insurer.

15 Sec. 2. Section 44-416.09, Revised Statutes Cumulative Supplement,
16 2018, is amended to read:

17 44-416.09 (1) The director may adopt and promulgate rules and
18 regulations to carry out sections 44-416.05 to 44-416.10.

19 (2)(a) The director may also adopt and promulgate rules and
20 regulations applicable only to reinsurance arrangements described in
21 subdivision (b) of this subsection.

22 (b) Any rule or regulation adopted and promulgated pursuant to this
23 subsection shall only apply to reinsurance relating to:

24 (i) Life insurance policies with guaranteed nonlevel gross premiums
25 or guaranteed nonlevel benefits;

26 (ii) Universal life insurance policies with provisions resulting in
27 the ability of a policyholder to keep a policy in force over a secondary
28 guarantee period;

29 (iii) Variable annuities with guaranteed death or living benefits;

30 (iv) Long-term care insurance policies; or

31 (v) Such other life and health insurance and annuity products as

1 determined by the director.

2 (c) Any rule or regulation adopted and promulgated pursuant to
3 subdivision (b)(i) or (b)(ii) of this subsection may apply to any treaty
4 containing (i) policies issued prior to January 1, 2015, if risk
5 pertaining to such policies is ceded in connection with the treaty, in
6 whole or in part, on or after January 1, 2015, or (ii) policies issued on
7 or after January 1, 2015.

8 (d) Any rule or regulation adopted and promulgated pursuant to this
9 subsection may require the ceding insurer, in calculating the amounts or
10 forms of security required to be held, to use the valuation manual
11 prescribed by the director pursuant to section 44-8908.

12 (e) Any rule or regulation adopted and promulgated pursuant to this
13 subsection shall not apply to a cession to an assuming insurer that:

14 (i) Meets the conditions set forth in subsection (7) of section
15 44-416.06;

16 (ii) (i) Is a certified reinsurer in this state pursuant to
17 subdivision (6)(a) of section 44-416.06; or

18 (iii) (ii) Maintains at least two hundred fifty million dollars in
19 capital and surplus when determined in accordance with accounting
20 practices and procedures manuals as prescribed by the director in
21 substantial conformity with the Accounting Practices and Procedures
22 Manual adopted by the National Association of Insurance Commissioners and
23 is determined by the director to be:

24 (A) Licensed to transact insurance or reinsurance in at least
25 twenty-six states; or

26 (B) Licensed to transact insurance or reinsurance in at least ten
27 states and either licensed to transact insurance or is an accredited
28 reinsurer in a total of at least thirty-five states.

29 (f) The authority to adopt and promulgate rules and regulations
30 pursuant to this subsection does not limit the director's general
31 authority to adopt rules and regulations pursuant to subsection (1) of

1 this section.

2 Sec. 3. (1) The Legislature finds and declares that:

3 (a) Nebraskans who have a plan of health insurance, health benefits,
4 or health care services provided through a health insurer and who receive
5 health care services from a network provider receive such health care
6 services at rates negotiated by the health insurer;

7 (b) As part of such negotiations, network providers agree to accept
8 set reimbursement from the health insurer for the health care services
9 provided by the network provider;

10 (c) The person covered by the health insurer is protected by the
11 contract between the health insurer and the network provider from
12 receiving a bill for the balance between the negotiated rate and a billed
13 charge;

14 (d) Nebraskans need to know the network status of the provider in
15 order to understand the plan of health insurance, health benefits, or
16 health care services applicable to the health care services being
17 provided by the provider; and

18 (e) It is necessary to regulate communication by providers to avoid
19 communication that may mislead or cause confusion for Nebraskans
20 receiving care from providers about their network status.

21 (2) For purposes of this section:

22 (a) Facility means an institution providing health care services or
23 a health care setting, including, but not limited to, a hospital or other
24 licensed inpatient center, an ambulatory surgical or treatment center, a
25 skilled nursing center, a residential treatment center, a diagnostic,
26 laboratory, or imaging center, or any rehabilitation or other therapeutic
27 health setting. Facility does not include a physician's office;

28 (b) Health insurer means an entity that contracts, offers to
29 contract, or enters into an agreement to provide, deliver, arrange for,
30 pay for, or reimburse any of the costs of health care services, including
31 a sickness and accident insurance company, a health maintenance

1 organization, a prepaid limited health service organization, a prepaid
2 dental service corporation, or any other entity providing a plan of
3 health insurance, health benefits, or health care services. Health
4 insurer does not include a self-funded employee benefit plan to the
5 extent preempted by federal law or a workers' compensation insurer, risk
6 management pool, or self-insured employer who contracts for services to
7 be provided through a managed care plan certified pursuant to section
8 48-120.02; and

9 (c) Network provider means a facility providing services under a
10 plan of health insurance, health benefits, or health care services if the
11 plan either requires a person covered by the health insurer to use, or
12 creates a financial incentive by providing a more favorable deductible,
13 coinsurance, or copayment level for a person covered by the health
14 insurer to use, a health care provider managed, owned, under contract
15 with, or employed by the health insurer which administers the plan.

16 (3) A facility shall not advertise or hold itself out as a network
17 provider, including any statement that the facility takes or accepts any
18 health insurer, unless the facility is a network provider of the health
19 insurer. A facility that advertises itself as a network provider of a
20 health insurer shall provide a clarifying statement if the facility is
21 not a network provider for all insurance products offered by the health
22 insurer.

23 (4) Any contract entered into between a facility and a person
24 covered by a health insurer is voidable at the option of the covered
25 person if the facility violates this section.

26 Sec. 4. (1) For the purposes of this section:

27 (a) Contracting entity means a person or entity that enters into
28 direct contracts with providers for the delivery of dental services in
29 the ordinary course of business, including a dental carrier or third-
30 party administrator;

31 (b) Dental carrier means a dental insurance company, a prepaid

1 limited health service organization, or any other entity authorized to
2 offer an insurance plan that provides dental services;

3 (c) Dental services means services for the diagnosis, prevention,
4 treatment, or cure of a dental condition, illness, injury, or disease.
5 Dental services does not include services delivered by a provider that
6 are billed as medical services under a health insurance plan;

7 (d) Provider means an individual or entity that provides dental
8 services or supplies, as defined by the health benefits plan or dental
9 benefits plan, including a dentist or physician, but not a physician
10 organization that leases or rents its network to a third party;

11 (e) Provider network contract means a contract between a contracting
12 entity and a provider that specifies the rights and responsibilities of
13 the contracting entity and provides for the delivery and payment of
14 dental services to an enrollee; and

15 (f) Third party means a person or entity that enters into a contract
16 with a contracting entity or with another third party to gain access to
17 the dental services or contractual discounts of a provider network
18 contract. Third party does not include an employer or other group for
19 whom the dental carrier or contracting entity provides administrative
20 services.

21 (2) A dental insurance plan, contract, or provider network contract
22 with a provider shall not include any restrictions on methods of claim
23 payment for dental services in which the only acceptable payment method
24 is a credit card payment.

25 (3) A dental carrier may grant a third party access to a provider
26 network contract, or a provider's dental services or contractual
27 discounts provided pursuant to a provider network contract if, at the
28 time the provider network contract is entered into or renewed, the dental
29 carrier allows a provider who is part of a dental carrier's provider
30 network to choose not to participate in third-party access to the
31 provider network contract. The third-party access provision of the

1 provider network contract shall be clearly identified. A dental carrier
2 shall not grant a third party access to the provider network contract of
3 any provider who does not participate in third-party access to the
4 provider network contract.

5 (4) A contracting entity may grant a third party access to a
6 provider network contract, or a provider's dental services or contractual
7 discounts provided pursuant to a provider network contract, if the
8 following requirements are met:

9 (a) The contracting entity identifies all third parties in existence
10 in a list on its Internet web site that is updated at least once every
11 ninety days;

12 (b) The provider network contract specifically states that the
13 contracting entity may enter into an agreement with a third party that
14 would allow the third party to obtain the contracting entity's rights and
15 responsibilities as if the third party were the contracting entity, and
16 when the contracting entity is a dental carrier, the provider chose to
17 participate in third-party access at the time the provider network
18 contract was entered into; and

19 (c) The third party accessing the provider network contract agrees
20 to comply with all applicable terms of the provider network contract.

21 (5) A provider is not bound by and is not required to perform dental
22 treatment or services under a provider network contract granted to a
23 third party in violation of this section.

24 (6) Subsections (3), (4), and (5) of this section shall not apply if
25 any of the following is true:

26 (a) The provider network contract is for dental services provided to
27 a beneficiary of the federal medicare program pursuant to Title XVIII of
28 the federal Social Security Act, 42 U.S.C. 1395 et seq., or the federal
29 medicaid program pursuant to Title XIX of the federal Social Security
30 Act, 42 U.S.C. 1396 et seq., as such sections existed on January 1, 2020;
31 or

1 (b) Access to a provider network contract is granted to a dental
2 carrier or an entity operating in accordance with the same brand licensee
3 program as the contracting entity or to an entity that is an affiliate of
4 the contracting entity. A list of the contracting entity's affiliates
5 shall be made available to a provider on the contracting entity's web
6 site.

7 (7) This section shall take effect on January 1, 2021, and shall
8 apply to all provider network contracts that are delivered, issued for
9 delivery, or executed in this state on or after the operative date of
10 this section.

11 Sec. 5. Section 44-3520, Reissue Revised Statutes of Nebraska, is
12 amended to read:

13 44-3520 Sections 44-3520 to 44-3526 and section 8 of this act shall
14 be known and may be cited as the Motor Vehicle Service Contract
15 Reimbursement Insurance Act.

16 Sec. 6. Section 44-3521, Revised Statutes Cumulative Supplement,
17 2018, is amended to read:

18 44-3521 For purposes of the Motor Vehicle Service Contract
19 Reimbursement Insurance Act:

20 (1) Director means the Director of Insurance;

21 (2) Incidental costs means expenses specified in a motor vehicle
22 service contract that are incurred by the service contract holder due to
23 the failure of a vehicle protection product to perform as provided in the
24 contract. Incidental costs include, but are not limited to, insurance
25 policy deductibles, rental vehicle charges, the difference between the
26 actual value of the stolen vehicle at the time of theft and the cost of a
27 replacement vehicle, sales taxes, registration fees, transaction fees,
28 and mechanical inspection fees. Incidental costs may be reimbursed in
29 either a fixed amount specified in the motor vehicle service contract or
30 sales agreement or by use of a formula itemizing specific incidental
31 costs incurred by the service contract holder;

1 (3) Mechanical breakdown insurance means a policy, contract, or
2 agreement that undertakes to perform or provide repair or replacement
3 service, or indemnification for such service, for the operational or
4 structural failure of a motor vehicle due to defect in materials or
5 workmanship or normal wear and tear and that is issued by an insurance
6 company authorized to do business in this state;

7 (4) Motor vehicle means any motor vehicle as defined in section
8 60-339;

9 (5)(a) Motor vehicle service contract means a contract or agreement
10 given for consideration over and above the lease or purchase price of a
11 motor vehicle that undertakes to perform or provide repair or replacement
12 service, or indemnification for such service, for the operational or
13 structural failure of a motor vehicle due to defect in materials or
14 workmanship or normal wear and tear but does not include mechanical
15 breakdown insurance.

16 (b) Motor vehicle service contract also includes a contract or
17 agreement that is effective for a specified duration and paid for by
18 means other than the purchase of a motor vehicle to perform any one or
19 more of the following:

20 (i) The repair or replacement of tires or wheels on a motor vehicle
21 damaged as a result of coming into contact with road hazards;

22 (ii) The removal of dents, dings, or creases on a motor vehicle that
23 can be repaired using the process of paintless dent removal without
24 affecting the existing paint finish and without replacing vehicle body
25 panels, sanding, bonding, or painting;

26 (iii) The repair of chips or cracks in or replacement of motor
27 vehicle windshields as a result of damage caused by road hazards;

28 (iv) The replacement of a motor vehicle key or keyfob in the event
29 the key or keyfob becomes inoperable or is lost;

30 (v) The payment of specified incidental costs as the result of a
31 failure of a vehicle protection product to perform as specified; and

1 (vi) Other products and services approved by the director;

2 (6) Motor vehicle service contract provider means a person who
3 issues, makes, provides, sells, or offers to sell a motor vehicle service
4 contract, except that motor vehicle service contract provider does not
5 include an insurer as defined in section 44-103;

6 (7) Motor vehicle service contract reimbursement insurance policy
7 means a policy of insurance issued to a motor vehicle service contract
8 provider to either provide reimbursement to the motor vehicle service
9 contract provider under the terms of the insured motor vehicle service
10 contracts issued or sold by the motor vehicle service contract provider
11 or, in the event of the motor vehicle service contract provider's
12 nonperformance, to pay on behalf of the motor vehicle service contract
13 provider all covered contractual obligations incurred by the motor
14 vehicle service contract provider under the terms of the insured motor
15 vehicle service contracts issued or sold by the motor vehicle service
16 contract provider in this state meeting the requirements in section
17 44-3523 that provides coverage for all obligations and liabilities
18 incurred by a motor vehicle service contract provider under the terms of
19 motor vehicle service contracts issued by the provider;

20 (8) Road hazards means hazards that are encountered during normal
21 driving conditions, including, but not limited to, potholes, rocks, wood
22 debris, metal parts, glass, plastic, curbs, or composite scraps;

23 (9) Service contract holder means a person who purchases a motor
24 vehicle service contract; and

25 (10)(a) Vehicle protection product means a vehicle protection
26 device, system, or service that:

27 (i) Is installed on or applied to a vehicle;

28 (ii) Is designed to prevent loss or damage to a vehicle from a
29 specific cause; and

30 (iii) Includes a written warranty.

31 (b) Vehicle protection product includes, but is not limited to,

1 chemical additives, alarm systems, body part marking products, steering
2 locks, window etch products, pedal and ignition locks, fuel and ignition
3 kill switches, and electronic, radio, and satellite tracking devices.

4 Sec. 7. Section 44-3523, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 44-3523 (1) No motor vehicle service contract reimbursement
7 insurance policy shall be issued, sold, or offered for sale in this state
8 unless the policy conspicuously states that the insurer will either
9 reimburse or pay on behalf of the motor vehicle service contract provider
10 any covered all sums which the motor vehicle service contract provider is
11 legally obligated to pay or, in the event of the provider's
12 nonperformance, will provide the service that the provider is legally
13 obligated to perform according to the provider's in the performance of
14 its contractual obligations under the motor vehicle service contracts
15 issued or sold by the provider in this state.

16 (2) In the event covered service is not provided by the motor
17 vehicle service contract provider within sixty days of proof of loss by
18 the service contract holder, the service contract holder is entitled to
19 apply directly to the insurer providing the motor vehicle service
20 contract reimbursement insurance policy.

21 (3) (2) The motor vehicle service contract reimbursement insurance
22 policy shall completely and fully reimburse or pay on behalf of the motor
23 vehicle service contract provider for all repair costs incurred under the
24 motor vehicle service contract from the first dollar of coverage. The
25 motor vehicle service contract reimbursement insurance policy shall not
26 require or allow a motor vehicle service contract provider to assume any
27 portion of direct or first-dollar liability for repairs under a motor
28 vehicle service contract. The motor vehicle service contract
29 reimbursement insurance policy shall not include any provision whereby
30 the insurer provides coverage in excess of reserves held by the motor
31 vehicle service contract provider or only in the event of the motor

1 ~~vehicle service contract provider's insolvency or default.~~ All unearned
2 premium reserves and claim reserve funds shall be established as
3 liabilities on the books of the insurer in accordance with statutory
4 accounting practices. This subsection shall not apply to programs
5 directly obligating an automobile dealer to perform under the motor
6 vehicle service contract.

7 Sec. 8. (1) For purposes of this section, conspicuously means
8 writing, displaying, or presenting a term in such a way that a reasonable
9 person against whom it is to operate shall notice. Conspicuously stated
10 terms include:

11 (a) A heading in capitals equal to or greater in size than the
12 surrounding text, or in contrasting type, font, or color to the
13 surrounding text of the same or lesser size; and

14 (b) Language in the body of a record or display in larger type than
15 the surrounding text, or in contrasting type, font, or color to the
16 surrounding text of the same size, or set off from surrounding text of
17 the same size by symbols or other marks that call attention to the
18 language.

19 (2) It is the responsibility of the motor vehicle service contract
20 provider issuing the motor vehicle service contract to file a true and
21 correct copy of the motor vehicle service contract form, motor vehicle
22 service contract reimbursement insurance policy, and the notice of filing
23 form with the Department of Insurance. Such notice of filing shall be
24 made on a form provided by the department and must contain the name and
25 address of the business entity filing the form as well as a contact
26 person, the names and addresses of entities from which the service
27 contract forms were purchased, the names and addresses of insurers
28 insuring the provider's contractual liability, and the names and
29 addresses of sales personnel. It is the responsibility of the motor
30 vehicle service contract provider to notify the department on a
31 continuing basis of any changes in the filings.

1 (3) Every motor vehicle service contract shall be written in clear,
2 understandable language and shall be printed or typed in easy-to-read
3 type, size, and style, and shall not be issued, sold, or offered for sale
4 in this state unless the contract:

5 (a) Identifies the motor vehicle service contract provider and the
6 service contract holder;

7 (b) Conspicuously states that the obligations of the motor vehicle
8 service contract provider to the service contract holder are guaranteed
9 under a service contract reimbursement insurance policy;

10 (c) Conspicuously states the name and address of the insurance
11 company issuing the reimbursement insurance policy;

12 (d) Sets forth the total purchase price and the terms under which it
13 is to be paid;

14 (e) Sets forth the procedure for making a claim, including an
15 address and telephone number for claim assistance;

16 (f) Conspicuously states the existence of a deductible amount, if
17 any;

18 (g) Clearly specifies the merchandise or services, or both, to be
19 provided and any limitations, exceptions, or exclusions;

20 (h) Sets forth all of the obligations and duties of the service
21 contract holder, including, but not limited to, the duty to prevent any
22 further damage to the vehicle and the obligation to notify the provider
23 in advance of any repair, if any;

24 (i) Sets forth any terms, restrictions, or conditions governing
25 transferability of a service contract, if any;

26 (j) Sets forth applicable cancellation requirements; and

27 (k) States that the service contract holder has the right to file a
28 claim directly with the insurer in the event of nonperformance by the
29 motor vehicle service contract provider in the event covered service is
30 not provided by the motor vehicle service contract provider within sixty
31 days of proof of loss being filed by the service contract holder with the

1 service contract provider, along with the method, requirements, and
2 instructions for making such a claim.

3 (4) If the director determines that a motor vehicle service contract
4 provider has failed to comply with the Motor Vehicle Service Contract
5 Reimbursement Insurance Act, the director may issue an order to cease and
6 desist from selling or offering for sale motor vehicle service contracts.
7 Accompanied with that order shall be a notice of hearing setting forth
8 the time, date, place, and issues to be heard. Such hearing shall take
9 place not less than ten days nor more than thirty days from the date from
10 the issuance of the order to cease and desist. Upon the failure of a
11 motor vehicle service contract provider to obey an order to cease and
12 desist issued by the director, the director may give notice in writing of
13 the failure to the Attorney General, who may commence an action against
14 the provider to enjoin that provider from selling or offering for sale
15 motor vehicle service contracts.

16 (5) If any provision of this section is declared invalid, the
17 remainder shall not be affected.

18 Sec. 9. The Revisor of Statutes shall assign sections 3 and 4 of
19 this act to Chapter 44, article 7.

20 Sec. 10. Sections 5, 6, 7, 8, and 12 of this act become operative
21 on January 1, 2021. The other sections of this act become operative on
22 their effective date.

23 Sec. 11. Original sections 44-416.06 and 44-416.09, Revised
24 Statutes Cumulative Supplement, 2018, are repealed.

25 Sec. 12. Original sections 44-3520 and 44-3523, Reissue Revised
26 Statutes of Nebraska, and section 44-3521, Revised Statutes Cumulative
27 Supplement, 2018, are repealed.