

Transcript Prepared by Clerk of the Legislature Transcribers Office
Banking, Commerce and Insurance Committee February 3, 2026
Rough Draft

HALLSTROM: Welcome this afternoon to the Banking, Commerce and Insurance Committee. I'm Senator Bob Hallstrom, representing Legislative District 1 from Syracuse. And I serve as the vice chair of the committee. Senator Jacobson is introducing another bill before another committee, so he will be here a little bit later this afternoon. The committee will take up the bills in the order posted. This public hearing is your opportunity to be part of the legislative process and to express your position on the proposed legislation before us. If you are planning to testify today, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill it out completely. When it is your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets back on the table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone, tell us your name, and spell your first and last name to ensure we get an accurate record. We will begin each hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally by anyone wishing to speak in a neutral capacity. We will finish with a closing statement by the introducer if they wish to give one. We will be using a three-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you have one minute remaining. And the red light indicates you need to wrap up your final thought and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard or your testimony. It is just part of the process, as senators may have bills to introduce in other committees. A few final items to facilitate today's hearing. If you have handouts or copies of your testimony, please bring them up with at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outburst or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position comments on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official hearing record, but only those testifying in person before the committee will be included on the committee statement. I

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will now have the committee members with us today introduce themselves, starting on my left with Senator Riepe.

RIEPE: Thank you, Chairman. I'm Merv Riepe. I represent Omaha, Millard, and the fine, little town of Ralston.

von GILLERN: Brad von Gillern, Legislative District 4: west Omaha and Elkhorn.

BOSTAR: Eliot Bostar, District 29.

HARDIN: Senator Brian Hardin, District 48. That's the real west. Banner, Kimball, Scotts Bluff County.

WORDEKEMPER: Dave Wordekemper, District 15: Dodge County, western Douglas County.

HALLSTROM: And we may be joined by Senator Jacobson, obviously, Senator Dungan later today. Also assisting the committee today: to my left is our legal counsel, Joshua Christolear; and to my far left is committee clerk, Natalie Schunk. Our pages for the committee are Jessica and Teresa, over against the wall. With that, we will begin today's hearings with LB1062, introduced by Senator Bostar.

BOSTAR: Good afternoon, Vice Chair Hallstrom, fellow members of the Banking, Commerce Insurance Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r. Representing Legislative District 29. Here to introduce LB1062, a bill to update and modernize Nebraska's insurance licensing. LB1062 updates Nebraska's oversight of the insurance industry by modernizing how licenses are verified, enforced, and administered. The bill moves the state away from manual verification and fixed fees and instead relies on reciprocity and nationally maintained licensing data that better reflect how the insurance industry works today. The bill updates how the Department of Insurance verifies and, when necessary, terminates nonresident insurance producer licenses. It allows the department to use national databases maintained by the National Association of Insurance Commissioners to confirm a producer's licensing status and establishes a clear process to cancel a nonresident license when that individual is no longer licensed in good standing in their home state. LB1062 also clarifies enforcement authority by clearly defining grounds for license discipline and confirming the Director of Insurance's ability to act when a producer's home state license lapses or is revoked. This provides greater clarity and consistency for both regulators and

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licensees. In addition, the bill updates licensing fee provisions to reflect current administrative practices and reciprocity requirements, helping ensure Nebraska remains aligned with other states and competitive for resident producers. Finally, LB1062 strengthens oversight of pharmacy benefit managers by requiring prompt notification of material changes in ownership or control and by clarifying renewal, suspension, and penalty provisions. These updates ensure the Department of Insurance has accurate, timely information needed to effectively regulate PBMs. I'm also introducing AM1859 at the request of the Department of Insurance. The amendment includes pharmacy benefit managers in the Nebraska Unfair Trade Practices Act to ensure that PBMs are held to the same standards as all other insurance plans and third-party administrators. LB1062 is a technical but important bill that improves consistency and enforcement within Nebraska's insurance regulatory framework. I would urge the committee support LB1062. Happy to answer any initial questions.

HALLSTROM: Thank you, Senator Bostar, for bringing the les-- legislation today. Senator Riepe.

RIEPE: Thank you, Chairman. Thank you for being here again. My question is, who was it that asked you to bring this bill?

BOSTAR: The Department of Insurance.

RIEPE: Department of Insurance. OK. Thank you.

BOSTAR: I would imagine you'll be hearing from the department very shortly.

RIEPE: I see his face. Yes. Thank you.

HALLSTROM: Any other questions by the committee? Seeing none. I assume you'll stick around for closing.

BOSTAR: Where am I going to go?

HALLSTROM: Thank you, sir.

BOSTAR: Thank you. First witness in support of LB1062. Thank you. Welcome, Director Dunning.

ERIC DUNNING: Thank you, Mr. Vice Chairman, members of the Banking, Commerce and Insurance Committee. For the record, I am Eric Dunning, E-r-i-c D-u-n-n-i-n-g. I have the honor of being the Director of

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Insurance. I'm going to dispense with the first couple paragraphs of, of my testimony today because we'd had an opportunity to walk through the department's role and functions at a briefing earlier this fall. So we'll get-- we're, we're going to get right to it. So thank you to Senator Bostar for introducing the legislation before you today. This committee has historically been very mindful in keeping our insurance laws up to date with meaningful and fair policyholder protections. Again, the bill outlines a few changes to licensing standards to recognize the increase in the number of licensees regulated by this department by standardizing processes and allowing us to pursue fees in line with other states. LB1062 would conform the process and penalty for late annual filings from the pharmacy benefit managers to the same standard that's used for third-party administrators. Pharmacy benefit managers were previously regulated under that standard, so this change should not be difficult for them. That TPA process has been used for many, many years to handle late filings of annual reports, and it imposes a \$100 per day late filing fee for PBMs that fail to timely renew and allow for the automatic suspension of their licenses until such time as they file their renewal application and pay the fee. Currently, addressing late filings involves notice and hearing, which takes considerable extra time and state resources to address a very simple question: was the filing made on time? There is no consistent national standard on this process, so we're not out of line nationally. Streamlining the penalty and process will, will streamline this and allow the attorney who oversees this matter more time to perform other assigned duties. One final matter on PBMs: the department is asking the-- wow-- is asking the committee to consider an amendment-- it-- to clarify that PBMs are included under the definition of insurer, as they act for an insurance plan. This is, again, consistent with prior law. We're also asking for the streamlining of the process for nonresident insurance agent licensing revocation if the home state has revoked the underlying license. Last but not least, we would in-- we would reinstate retaliatory insurance producer and agency licensing fees. That provision was repealed in 2001 because of the co-- the cost of collection were relatively high and the yield low. At that time, we estimated that the state was forgoing about \$50,000 worth of revenue. With the rapid increase in the number of out-of-state licensees, that number is now closer to \$2.25 million. We believe that it's only fair for Illinois insurance agents, for example, to pay the same fee to Nebraskans that Nebraskans pay to Illinois. And with that, Mr. Chairman, I am out of time.

HALLSTROM: Any questions? Thank you, Mr. Dunning. Senator von Gillern.

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von GILLERN: Yeah. Thank you, Director Dunning, for being here. Just quick and-- I-- as I have looked through the bill and, and-- I see the terms modernization in the committee statement--

ERIC DUNNING: Yes.

von GILLERN: --the streamlining in your statement. The areas that I'm seeing that might apply to that is that the automatic revocations and those kinds of things that, that fall into that category? Because I'm, I'm not seeing that we-- we're not changing software, we're not changing processes. It-- it's just your-- what-- your office is allowed to do on an automatic basis? Is that correct?

ERIC DUNNING: Ye-- yes, and-- yes, that's correct. Part of what the better processes and software that we have adopted have, have allowed us to do is to, for example, collect retaliatory licensing fees on a fairly automated basis.

von GILLERN: OK.

ERIC DUNNING: Before I was-- it-- 20 years ago, it was very manual and very time-consuming, and you spend a, a chunk of what you were collecting in calculating the, calculating the fee. We've, we've gotten away from that.

von GILLERN: OK. All right. Thank you.

HALLSTROM: Any other questions? Senator Hardin.

HARDIN: Roughly, do you know how many PNC, nonres, as well as how many health and life insurance nonres we kind of trot through in a year?

ERIC DUNNING: So-- thank you for that question. The number of nonresident agent licenses has grown really significantly over the years. I don't have a breakdown between PNC and life and health. But cumulatively, that number in 2002 was closer to 25,000 people. To date, it's 137,000. Now, let's play compare and contrast with the folks who live in Nebraska who were selling insurance to Nebraskans. That number's actually dropped from a little south of, I believe, 17,000 to closer to 15,000. So that, that balance has really shifted over the course of the last 20 years since the last time that we were collecting a retaliatory fee.

HARDIN: So much for being an insurance agent who knows their customer and where they're from.

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ERIC DUNNING: Indeed.

HARDIN: Indeed.

ERIC DUNNING: Indeed.

HARDIN: Thank you.

HALLSTROM: Any other question? Senator Dunning, I just-- one thing. You had testified at an interim study hearing earlier, which initially caught my ear, that there wasn't much difference between the in-state and out-of-state licensees in terms of the licensing fees.

ERIC DUNNING: Mm-hmm.

HALLSTROM: So I'm, I'm glad that you found a different way to skin the cat in terms of the retaliatory fees. And it'll help address our, our budget shortfall as well, to a certain extent.

ERIC DUNNING: Well, Mr. Vice Chairman, when Nebraskans go to Illinois, they char-- they are charged a fee for \$380. It seems to me, as director, that it's only fair that, when folks from Illinois come to do business in Nebraska, they're treated in, in Nebraska as our folks are treated in Illinois.

HALLSTROM: OK. Thank you very much. Senator Hardin.

HARDIN: Is that fee from Illinois? And I know that Texas and Florida both do similar things with that. Is that fee exacted by their DOI or is it exacted through their Secretary of State's Office?

ERIC DUNNING: I, I, I don't know exactly the person to whom the check is cut. I'm going to conjecture, though, that it's going to be the DOI.

HARDIN: OK.

ERIC DUNNING: OK.

HARDIN: Very good. Thank you.

HALLSTROM: Any other questions? Thank you very much.

ERIC DUNNING: Thank you.

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HALLSTROM: Before we go to the next witness, I will let the newest arriving member of the committee introduce himself.

DUNGAN: Senator George Dungan, LD 26: northeast Lincoln.

HALLSTROM: Thank you, Senator Dungan. The next witness in support of LB1062. If no other witnesses in support, is there anybody here to oppose today? Anyone in a neutral capacity? As Senator Bostar is approaching, we have 1 proponent supporter, 0 opponents, 0 neutral, and 0 ADA written testimony. Senator Bostar for your close.

BOSTAR: Thank you, Vice Chair Hallstrom and members of the committee. And I appreciate the committee enduring that lengthy hearing on the bill. Thank you for sticking with me on that one. This is, I think, a pretty commonsense bill. As Senator Hallstrom pointed out during our, our interim hearing that we had, information related to the fees collected for nonresident agents was something that also caught my mind. And I appreciate the department's approach in kind of solving for that question of how we, how we ensure that we have the right fee structure in place, and I think reciprocity is, is, is the way to go in that, in that regard because it also puts potentially incentives in place to reduce the fees from other states being put on Nebraskans who are attempting to do business elsewhere. With that, I'm happy to answer any final questions.

HALLSTROM: Any questions of Senator Bostar? If not, that will close the hearing on LB1062. Senator Bostar, you are next in line to open on LB1063.

BOSTAR: Good afternoon, Vice Chairman Hallstrom and fellow members of the Banking, Commerce and Insurance Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r. Representing Legislative District 29. I'm here today to introduce LB1063, a bill that updates Nebraska's Money Transmitters Act to address gaps in how state law treats national security and consumer data protection in modern financial services. Hawala is a traditional, informal, and parallel value transfer system that facilitates the transfer of money or value without physically moving currency across borders. It relies on trust, personal relationships, and a network of brokers. These brokers operate outside of regulated financial systems and can pose significant challenges from a law enforcement, consumer protection, and national security perspective. Lack of oversight is often exploited by criminals and terrorist organizations. In Minnesota, massive government benefit fraud schemes have drawn federal attention

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to informal money transfer systems. The Department of the Treasury's Financial Crimes Enforcement Network, or FinCEN, has opened investigations into money tra-- money services operating in Minnesota and issued enhanced reporting requirements on international transactions. These steps are designed to get greater transparency into where funds are ultimately going and to stop criminal transactions from being funneled through these value transfer methods. LB1063 seeks to close this regulatory gap by requiring informal value transfer systems operating within the state to be licensed like any other money transmitter under the Nebraska's Money Transmitter Act, ensuring robust consumer protections and necessary regulatory framework to safeguard against criminal and national security threats. LB1063 also amends Nebraska's Money Transmitters Act to ensure licensed money transmitters are not owned or controlled by foreign adversaries of the United States. Money transmitters are no longer just brick-and-mortar storefronts sending wire transfers. Today, they include app-based platforms and technology-driven services that handle enormous volumes of sensitive personal and financial data, often across international borders. That data includes payment histories, account identifiers, and personal location information-- all of which are highly valuable and pose financial security risks. Over the last several years, federal agencies and national security professionals have raised concerns about foreign governments compelling companies under their jurisdiction to share customer data, sometimes without transparency or judicial safeguards. In the People's Republic of China, companies are legally required to assist intelligence services and turn over data even when that data involves U.S. residents. When entities are entrusted with moving money or handling sensitive financial data on behalf of Nebraskans, the state has a responsibility to ensure there are clear rules, consistent oversight, and meaningful safeguards in place. LB1063 provides those guardrails. It closes gaps in current law and gives our regulators the tools they need to protect consumers, strengthen transparency, and reduce exposure to criminal and national security risks without disrupting legitimate, lawful activity. I distributed an amendment that just offers some, honestly, clarifying language for the bill that was pointed out. And with that, I thank you for your time and attention. I urge the committee to advance LB1063. Be happy to answer any initial questions.

HALLSTROM: Any questions of-- by the committee? Seeing none. You have nowhere to go. I'll expect you to be--

BOSTAR: This is it.

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HALLSTROM: --here for closing. Thank you, Senator. First witness in support of LB1063. Director Lammers, welcome.

KELLY LAMMERS: Vice Chair Hallstrin-- Hallstrom-- excuse me-- members of Banking, Commerce and Insurance Committee, my name's Kelly Lammers, K-e-l-l-y L-a-m-m-e-r-s. I'm Director of the Nebraska Department of Banking and Finance and appearing today in support of LB1063. LB1063 is a bill aimed at strengthening the Nebraska Money Transmitters Act, which is administered by the department. The bill has two key areas which will impact the work of the department. First, this bill explicitly requires informal value transfer services to obtain a money transmitter's license in order to operate in Nebraska. An informal value transfer system is a method of transmitting money outside of usual banking rails or payment systems and is often used to transmit funds internationally. These systems are usually culturally established and community or trust-based and often deal exclusively with fiat currency. As a result, such systems can often be used by bad actors to conduct money laundering activities or conceal the true purposes of the transactions. By explicitly requiring these individuals and entities to obtain a license with the department and undergo background checks and regular supervision and examination, LB1063 may deter the use by bad actors. Second, this bill prohibits entities that are controlled by a foreign adversary country, as defined under federal law, from obtaining and maintaining a Nebraska money transmitter's license. This prohibition is designed to combat the collection and potential misuse of the consumer data of Nebraskans by foreign adversary countries. As the regulatory authority charged with the supervision of these licensees, the department welcomes any tools that are aimed at protecting Nebraskans and guarding against fraud and misuse of confidential or sensitive financial information. I want to thank Senator Bostar for introducing this bill to provide the department with additional consumer protection tools. Happy to answer any questions. Thank you.

HALLSTROM: Thank you, Director. Any questions of the committee members? Seeing none. Thank you.

KELLY LAMMERS: Thank you.

HALLSTROM: Next witness in support of LB1063. Welcome, Mr. Schrodt.

DEXTER SCHRODT: Good afternoon, Vice Chair Hallstrom, members of the committee. My name is Dexter Schrodt, D-e-x-t-e-r S-c-h-r-o-d-t, president and CEO of the Nebraska Independent Community Bankers

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Association. Here today to express our support for LB1063, as you've heard, which would place the informal value transfer system operators under the regulatory oversight of the state of Nebraska. The-- Director Lammers and Senator Bostar did a good job explaining what those were, so I'll skip ahead and save you the time. At the federal level, IVTS operators are already treated as money service businesses and are required to register with FinCEN, implement anti-money laundering programs, and meet recordkeeping and reporting requirements. However, without Nebraska law mirroring federal requirements, operators can function here without state licensing, without state examinations, and without meaningful state-level accountability. Nebraska consumers deserve assurance that when they hand money over for transfer, whether across town or across the world, the business handling that transfer should be operating lawfully, securely, and responsibly. Unregulated IVTS operators expose consumers to significant risks, including loss of funds with no recourse due to lack of documentation, predatory fees or exchange rates, and potential entanglement with unlawful activities, even if unknowingly. The bill will give state regulators and law enforcement the tools they need to identify unregistered or illegal money transmitters, ensure proper rec-- recordkeeping and reporting, deter-- detect and deter money laundering, tax evasion, and other financial crimes, and coordinate with federal partners when needed. Community banks in Nebraska invest heavily in compliance reporting and consumer protection. Unregulated IVTS operators function without any parallel obligations, thus creating an inherent risk to Nebraska and its financial system. The bill is a commonsense, consumer-focused, safety-driven piece of legislation, advances the integrity of Nebraska's financial system, protects our citizens from harm, ensures fairness for regulated institutions, harmonizes state law with existing federal expectations, and, of course, limits bad actors in their activities. For these reasons, on behalf of Nebraska's community banks, I respectfully request the committee to advance LB1063. Thank you.

HALLSTROM: Thank you. Questions of the committee? Seeing none. Thank you.

DEXTER SCHRODT: Thanks.

HALLSTROM: Next witness in support of LB1063. Seeing none. Is there anyone here today in opposition? Anyone in a neutral capacity? If not, that will close the hearing on LB1063. I will note that we had 1 proponent comment, 1 opponent, 1 neutral, and 0 written ADA testimony. Senator Bostar for your close.

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BOSTAR: Thank you. We had hundreds of people ready to testify in the last two bills, but Senator von Gillern said he didn't want to be here that long, so we told them to go home. I-- honestly, thank you for your attention to this piece of legislation. And I came up to answer any final questions.

HALLSTROM: Any questions? Thank you for your brevity.

BOSTAR: Thank you.

HALLSTROM: Next bill is LB967, by Senator Jacobson. Senator Jacobsen is still introducing the bill in another committee. So Joshua Christolear, legal counsel, will present the opening on behalf of Senator Jacobson.

JOSHUA CHRISTOLEAR: Good afternoon, Vice Chair Hallstrom, members of the committee. My name is Joshua Christolear, J-o-s-h-u-a C-h-r-i-s-t-o-l-e-a-r. And I'm here to introduce LB967 on behalf of Senator Jacobson. OK. So just like the bill that was brought yesterday, LB967 is about aligning our statutes with the digital reality of the 21st century. Currently, mutual insurance holding companies-- which are owned by their policyholders-- often face outdated requirements when it comes to notifying their members about annual meetings. This bill establishes a clear legal framework for these companies to provide these notices electronically, reducing administrative burdens while maintaining strong protections for members. The core of LB967 is about creating a flexible but secure on-ramp for digital communication. Specifically, this bill defines reasonable electronic notice. It establishes that a company can provide notice of its annual meetings via direct email or by publication on a designated website. To ensure this is fair, the bill requires that the members must have either designated that the email account for notices or have been previously informed of the website procedure. It ensures comprehensive information. Electronic notice isn't just a heads-up. Under the bill, the no-- the digital notice must include all the information required by law, including clear instructions on how to assess meeting materials and how to participate or vote electronically if the company allows. It creates accountability. To prevent notices from disappearing into the digital void, the bill requires companies to demonstrate delivery or publication through contemporaneous logs, delivery receipts, or portal access records. While we want to encourage digital efficiency, we recognize that not every Nebraskan prefers or has access to electronic communication. That is why LB967 includes a critical consumer

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protection class. The right to opt out. Any member after receiving electronic notice has the right to contact the company and request that the printed materials be sent via U.S. mail at no cost to the member. The bill explicitly states that these physical materials must be provided at no cost to the member, ensuring that going digital never becomes a barrier to participation. And finally, the bill clarifies that notice can only be provided as part of the-- or-- sorry-- the bill clarifies that notice can also be provided as part of the policy language itself, such as through an, an endorsement or a writer. This allows companies to streamline their mailings and reduce the paper fatigue, or amount of paper that they send to policyholders ex-- policyholders experience daily. By passing LB967, we are giving our Nebraska-based mutual holding companies the tools to communicate faster and more affordably while strictly preserving the right of every member to receive information in the format they choose. Thank you. And then I, I direct your questions to the Nebraska Insurance Federation, which should be coming up after me.

HALLSTROM: Thank you, Mr. Christolear. Any questions by members of the committee? Seeing none. First witness in support. Welcome, Mr. Bell.

ROBERT M. BELL: Good afternoon, Vice Chairman Hallstrom and members of the Banking, Commerce and Insurance Committee. My name is Robert M. Bell. Last name is spelled B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation. I'm appearing today before you this afternoon in support of LB967. We appreciate Senator Jacobson introducing this legislation for the insurance companies. As a reminder, the Nebraska Insurance Federation is the primary trade association of insurance companies in Nebraska. The federation consists of member-- 50 member companies. Member writes-- members write all types of insurance, including but not limited to life, health, and property and casualty. Nebraska insurers provide high-value, quality insurance products to Nebraskans that provide financial protections to Nebraskans during difficult times. Insurance companies also have a significant impact on the Nebraska economy by any measurement. Nebraska's domestic industry is one of the largest in the nation. And of course, due to the size of the domestic industry, many insurance companies are members of mutual insurance holding companies. What is an insurance-- a mutual insurance holding company? It is a legal entity formed to serve as a parent when an underlying insurance company has converted from a mutual insurance company to a stock company, allowing the-- an insurance company to have certain benefits of a stock company while policyholders still preserve the right of ownership of the overall company. The Mutual

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Insurance Holding Company Act provides the statutory guideline for mutual insurance holding companies. The act passed in 1997 in Nebraska. One area where the act is silent is on the annual notice to policyholders for the annual meeting. If the insurance code is silent on corporate governance, the provisions of the Model Business Corporation Act govern. Over the years, Nebraska mutual insurance holding companies have provided notice for annual meetings in a variety of methods, including mail, e-notice, notice via the policy, et cetera-- all approved by the Nebraska Department of Insurance. However, federation members decided it would be best to place a statute in the Mutual Insurance Holding Company Act on delivery of the annual meeting notice so that companies and policyholders have clear expectations on how they will provide or receive notice. LB967 provides that a company shall provide notice as provided in the bylaws or in a manner that is reasonable. Electronic notice or notice via the website is deemed reasonable if such notice meets the requirements set forth in LB967. The legislation also makes it clear that notice can be provided for the pol-- in the policy itself. Finally, LB967 states that if a policyholder member wishes to receive the meeting materials via U.S. mail, it can request such meetings at no cost. I appreciate the opportunity to testify in support of LB967. Thank you very much.

HALLSTROM: Thank you, Mr. Bell. Any questions by members of the committee? I just had one, Mr. Bell. In, in-- once-- Joshua Christolear was testifying and you repeated it, it-- you do have-- for those that may not have electronic access or want to receive, it seems like we've got a chicken or an egg here because you can only request paper copies after you've received a copy of the notice.

ROBERT M. BELL: Let me read that provision very quickly. Right. So you would-- and in-- what we have discovered in these cases is that if a policyholder is engaged and wants to participate in the annual meeting, they, they are generally aware of when the annual meeting is and would contact said company. But yes, they would, they would have to find a way to contact that company and then request the written materials.

HALLSTROM: OK.

ROBERT M. BELL: So.

HALLSTROM: Thank you.

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ROBERT M. BELL: Which-- I understand the notice may not go out to them. It may only be an electronic for-- electronic format, which is the case now currently for many companies.

HALLSTROM: OK. Thank you very much.

ROBERT M. BELL: You're welcome.

HALLSTROM: Any other questions? Thank you, Mr. Bell.

ROBERT M. BELL: You're welcome.

HALLSTROM: Next witness in support. Welcome.

WES SUTER: Thank you.

HALLSTROM: Mr. Suter.

WES SUTER: And thank you, Mr. Bell. And good afternoon, members of the Banking and Commerce and Insurance Committee. My name is Wes Souter, spelled W-e-s S-u-t-e-r. And I serve as deputy general counsel at Mutual of Omaha Insurance Company. I want to thank you for the opportunity to testify in support of LB967. LB967 modernizes the Mutual Insurance Holding Company Act by allowing mutual insurance holding companies to provide electronic notice of annual meetings while fully preserving all policyholder rights. Under current law, companies are required to provide annual meeting notices and voting information to policyholders, a process that has historically relied heavily on first-class U.S. mailings. While that approach made sense years ago, it no longer reflects how many policyholders communicate and conduct business today. For example, in 2025, Mutual of Omaha mailed 1.4 million paper notices related to its annual meeting yet received only responses from about 3% to 4% of the policyholders despite significant printing, postage, and administrative costs. LB967 allows companies to use electronic notice such as email or a designated website while maintaining important safeguards. Policyholders retain every existing right, including rights to attend the meeting, vote on required matters, and access all materials. Importantly, this bill does not eliminate paper notice. Any policyholder who prefers printed materials may continue to receive them at no cost. By providing flexibility in how notices are delivered, LB967 reduces unnecessary costs, minimizes paper waste, and updates an outdated process without reducing transparency, participation, or consumer protections. On behalf of Mutual of Omaha

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and the Nebraska insurance industry, I respectfully ask for your support of LB967. Thank you. And I'd be happy to answer any questions.

HALLSTROM: Thank you, Mr. Suter. Members of the committee, any questions? Seeing none. Thank you again.

WES SUTER: OK. Thank you.

JEREMIAH BLAKE: Good afternoon, Vice Chair Hallstrom and members of the Banking, Commerce and Insurance Committee. My name is Jeremiah Blake, spelled J-e-r-e-m-i-a-h B-l-a-k-e. I'm the government affairs director and registered lobbyist for Blue Cross and Blue Shield of Nebraska. And I am testifying in support of LB967. First-- well, this is perfect timing. First, I'd like to thank Chairman Jacobson for introducing this bill on behalf of the Nebraska Insurance Federation, of which Blue Cross and Blue Shield of Nebraska is a member. In the interest of respecting the committee's time, I won't repeat the points that were made in the prior testimony, but I would ask that you associate myself-- ask to associate myself with that testimony. And as Mr. Chri-- Christolear mentioned, I would just like to note that this bill aligns closely with the discussion we had yesterday on LB950. Blue Cross supports the thoughtful efforts to modernize the statutes and responsibly leverage technology to reduce administrative costs. LB967 represents a reasonable and practical use of technology to modernize how annual meetings and notices are delivered. So with that, I appreciate your attention to this issue. I'd be happy to answer any questions you may have.

HALLSTROM: Thank you, Mr. Blake. I will now turn festivities back over to Chairman Jacobson.

JACOBSON: You might need to consider continuing since this is my bill.

HALLSTROM: Oh, that's right. Excuse me. Thank you. I will continue. Any questions of the committee? Seeing none. Thank you for your testimony. Any other witnesses in support? Anyone here to testify in opposition? Anyone in a neutral capacity? If not, Senator Jacobson, do you want to close?

JACOBSON: I'm going to waive closing.

HALLSTROM: He'll waive closing and--

JACOBSON: My opening was so good [INAUDIBLE].

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HALLSTROM: Definitely better than usual. The record reflects 3 proponent comments online, 0 opposition, 0 neutral, and 0 ADA written comments. Now I will properly turn it over to Senator Jacobson.

JACOBSON: All right. Thank you, Senator Hallstrom. And our next bill up is LB1138, which is going to be-- opening will be for-- from Senator Hallstrom. Those of you who are wondering, I was at a Urban Affairs Committee and presented a bill with-- there was a lot of questions on the open, so. I, I would have rather been here, just so you know. I think we're going to be fine.

HALLSTROM: Chairman Jacobson, members of the Banking, Commerce and Insurance Committee, my name is Bob Hallstrom, B-o-b H-a-l-l-s-t-r-o-m, senator for Legislative District 1. I am here today to introduce LB1138, which would adopt the Nebraska Protection of Seniors from Insurance Exploitation Act. The act would follow in the footsteps of similar trusted contact or designated third-party legislation already in law in Nebraska for financial institutions and securities brokers governed by the Nebraska Department of Banking and Finance and the Financial Industry Regulatory Authority, FINRA, by setting up necessary standards, processes, time frames, and immunities for insurance companies or insurance producers to delay a disbursement or transaction involving a senior or vulnerable adult involving suspected financial exploitation. Beyond the legislative intent and definitions of the bill, the heart of the legislation is the process for an insurer to follow if it needs to delay a disbursement or transaction for suspected financial exploitation of an eligible adult. The process is described in detail in Sections 5 and 6 of the bill and sets the timelines for the insurer to follow related to notifications of the delay to permissible third-parties, which is a term of art defined as a person designated by the eligible adult or who otherwise is authorized by law to persons authorized to transact business on the policy and the Department of Insurance. The legislation also creates deadlines for the insurer to complete its investigation and end the delay by disbursing the proceeds or completing the transaction as requested. If the insurer comes to the end of the time frames for the delay, it or the Department of Insurance may also ask a court to terminate, extend, or modify the delay or provide other protective relief if necessary. The bill also provides the needed civil and administrative immunities to permissible third-parties, insurers, and insurance producers who are involved in delaying a disbursement or transaction to encourage parties to take the necessary steps to protect consumers and make the proper decision without fear of needless litigation in the future. Finally, LB1138 provides that the

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insurer would need to submit information to the Department of Insurance upon request pursuant to an investigation, but such information would be protected and confidential when shared with the department and other officials, including law enforcement. LB1138 tracks closely with the FINRA-designated third-party notification already law in Nebraska. And similar legislation addressing life insurance policies and annuities is progressing through the Iowa Legislature, which would make Nebraska and Iowa leaders in the protection of seniors from insurance financial exploitation. I've submitted some cleanup amendments regarding definitions and training, along with some substantive immunity provisions to mirror other senior fraud provisions currently in law. With that, I'd ask for your favorable consideration to advance LB1138 to General File. I'd be happy to address any questions. The amendment which I have submitted and, and circulated is AM1920. It amends Section 3 to add definition of insurance-- or "insurer--" excuse me-- which is technical in nature. And then it has the immunity provisions for not choosing to implement a program in compliance with the session-- section, which is very similar to the law that applies to the banking industry under Nebraska statutes. And then finally, it also provides an option for training that, in addition to the specific training set forth in the bill initially, that if the insurance company is providing separate training for their employees and supervisors, that, that will also satisfy the pretraining requirements. With that, I'd be happy to address any questions that you may have.

JACOBSON: Questions from the committee? Any questions? If not, thank you, Senator Hallstrom.

HALLSTROM: Thank you.

JACOBSON: And I'll ask for the first proponent to come forward.

ROBERT M. BELL: Good afternoon, Chairperson Jacobson and members of the Banking, Commerce and Insurance Committee. My name is Robert M. Bell. Last name is spelled B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation. And I'm appearing before you this afternoon in support of LB1138. Appreciate Senator Hallstrom for introducing LB1138 on the federation's behalf. As a reminder, the Nebraska Insurance Federation is the state trade association of Nebraska insurance companies, including life insurance companies. In fact, Nebraska is domestic home to some of the largest and most iconic life insurers in the United States, including WoodmenLife, Mutual of Omaha, Physicians Mutual Insurance Company,

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Ameritas, Assurity, Aflac, Pacific Life, Protective, 5Star Life, Globe Life, American Life, among others. According to the American Council of Life Insurers, life insurers alone create 19,000 jobs for Nebraskans and invest \$43 billion into the Nebraska economy. Every day, life insurers pay out \$11.8 million in life insurance and annuity proceeds to Nebraska's families and businesses. LB1138 would build upon successful laws related to banks and securities in Nebraska and other states by providing commonsense protocols that an insurer could follow to delay an insurance disbursement or a transaction involving a senior or vulnerable adult when financial exploitation is suspected by the insurer or producer. Unfortunately, like banks and security brokers, insurance companies find that seniors and vulnerable adults can be subject to a variety of scams, frauds, and other attempts at financial exploitation by a variety of parties. For an insurance company to delay such a transaction is currently fraught with potential legal liabilities. LB1137 leans into the successful trusted contact securities law by creating a clear process by which a life insurance company could delay a transaction or disbursement, contact a permissible third-party identified by the policyowner for assistance, and alert the Department of Insurance of delay and possible exploitation. The legislation also creates the needed immunities and confidentiality provisions for life insurance companies and insurance producers to stop suspected financial exploitation before it occurs. I would point out that LB1137 is one of the first of its kind in creating this type of protection from insurance financial exploina-- exploitation. This legislation was drafted to mirror a similar bill currently progressing through the Iowa Legislature. Nebraska and Iowa could be the first two states to adopt these needed protections in the life insurance industry. Again, I appreciate Senator Hallstrom for introducing this bill on the federation's behalf. We support its passage, certainly support the amendment that was some cleanup that we had on this bill. And appreciate Senator Hallstrom having that-- putting that in for-- in front of you. Thank you for your time.

JACOBSON: Questions from the committee? Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you for being here today, Mr. Bell.

ROBERT M. BELL: Yup.

DUNGAN: Looking through the amendment here-- and there's a lot of sort of different sections in this bill that deal with immunity.

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ROBERT M. BELL: There are, yeah.

DUNGAN: And I understand the intent behind that obviously, making sure that if somebody is trying to protect somebody who's being taken advantage of that then they are not liable for any kind of civil or administrative consequences from that attempted protection.

ROBERT M. BELL: Correct.

DUNGAN: On the amendment, I'm trying to understand the new part on page 2 line, 15 that says, an insurer or trained individual shall be immune from any administrative or civil liability for choosing not to implement a program to comply with Section 6 of this act. So is that creating an immunity if they decide not to follow this protection?

ROBERT M. BELL: Yeah. So the, the protection itself is a-- permissive, right, in, in the law. So if you're, like, a really small life insurance company, as an example, you may choose not to implement this because having a trusted contact program would be too difficult for you to implement. This is very similar-- and in fact, the language was lifted from the banking statutes that are currently law in Nebraska related to this. And there was a concern that if we didn't cross all of our T's and dotle-- dot all of our I's that somebody could file litigation against an insurance company for not having this program.

DUNGAN: So--

ROBERT M. BELL: Similar to the current law on banks, so.

DUNGAN: Right, right. And I'm-- I guess what I'm trying to make sure is-- broadly speaking, I want to make sure there's still consumer protection.

ROBERT M. BELL: There is.

DUNGAN: And so I'm trying to figure out, with this provision-- under current law, if a insurer acted negligently in not protecting a senior who was being taken advantage of, would they be able to be held liable?

ROBERT M. BELL: I think you can make that argument, yeah. So--

DUNGAN: And so if we put in this provision on line 15 here, are we creating a new liability shield if an insurer does not take proper actions and act negligently in protecting--

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ROBERT M. BELL: I think that it's a very nuanced difference. I, I think once you have the act in place, if you do not institute the program, we don't want litigation about whether or not you have a program. Now, if you still act negligently, I, I think there, there could be various civil remedies and administrative remedies available, right? If, you know, you have-- I don't know-- Moses or somebody like that trying to withdraw from a, a life insurance policy, you know, I think there could be-- there could-- you should be concerned. So-- but just having-- not having the program shouldn't be reason for litigation, obviously.

DUNGAN: This is just trying to dot the I's and cross the T's for this particular program, not creating an additional liability against that negligence that may or may not occur.

ROBERT M. BELL: Yeah. So if we create the program, we don't want to create additional liabilities just because you don't have the program-- if the, if the program's truly permissive, which it is, under the way LB1138 is drafted, so.

DUNGAN: And is your support-- or, the industry's support, I guess, contingent on the amendment being adopted?

ROBERT M. BELL: We would like to see the amendment be adopted. We would like to match our laws that currently apply to banks and security brokers, right, so that the immunity is the same between the three different kind of financial entities that exist out there.

DUNGAN: Thank you.

ROBERT M. BELL: You're welcome.

JACOBSON: Other questions from the committee? All right. See none. Thank you, Mr. Bell.

ROBERT M. BELL: You're welcome.

JACOBSON: Next proponent.

MIKE HERRING: Thank you, Chairman Jacobson and committee [INAUDIBLE]. My name is Mike Herring. That's M-i-k-e H-e-r-r-i-n-g. And I am an agent with State Farm Insurance in Waverly, Nebraska. And-- but I am here representing NAIFA Nebraska, which is the National Association of Insurance and Financial Advisors for Nebraska. And so we want to express our support of the-- Senator Hallstrom's bill. And we want to

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tell you why LB1138 matters. Every, every one of us has senior clients that have spent a lifetime accumulating their wealth preparing for retirement-- and then to find later in life that, that someone has taken that fraudulently-- fraudulently away from them. So bad actors that try to move money quickly, insurance carriers and producers are often the first and sometimes the only safeguard or line of defense against that. And so what the bill actually does is LB1138 recognizes eligible adults as seniors and vulnerable adults and defines financial exploitation as, for example, the misuse of powers of attorney, guardianships, or other legal authority in trying to steal this money from maybe a confused senior and, and-- or just trying to outright, you know, steal the money. And so the bill gives insurers and trained individuals limited, clearly structured authority to pause suspicious disbursements and transactions for a short period of time while the situation is being evaluated and reviewed. So that also gives the opportunity for the insurer carrier to notify the appropriate authorities as well as the, the director for the Department of Insurance about the matter. And then as just asked in the previous testimony, providing the immunity that insurers and producers and permissible third-parties report suspected exploitation in cooperation with investigations as long as they act reasonably within the statute. So how it works in practice is, for example, a producer such as myself or a call center representative sees some red flags on the request for the transaction to, for example, liquidate a policy, to have an unfamiliar third-party asking for a large transfer from the account, or you just simply have a confused client about what's being done here. And so this initiates the internal review of the situation on a temporary basis. And then it does set specific guidelines on the length of time, for example, to say either the delay must be lifted, it must-- can be extended through application, or it's simply resolved doing the appropriate protection-- protective action. So why NAIIFA supports this bill is to-- you know, we just feel like we have an ethical and-- an obligation to look out for our customers and our clients. And if we see obvious signs of exploitations, we just feel a moral obligation and responsibility to our clients to make that report to protect them. So we--

JACOBSON: Thank you very much. Your light is-- your time is up, so.

MIKE HERRING: All right. Thank you.

JACOBSON: Are there any questions for-- from the committee? If not, thank you.

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MIKE HERRING: Thank you.

JACOBSON: And I'm going to need to return to the Urban Affairs Committee, but I'm going to ask Senator von Gillern if he will chair for the remainder of this.

von GILLERN: Absolutely.

JACOBSON: I'll be back.

von GILLERN: All right. Thank you for your testimony.

MIKE HERRING: Thank you very much.

von GILLERN: Any other proponents for LB1138?

ERIC DUNNING: Thank you, Senator von Gillern, members of the Banking, Commerce and Insurance Committee. My name is Eric Dunning. For the record, that's spelled E-r-i-c D-u-n-n-i-n-g. I'm the Director of Insurance. And I'm here today to support, support LB1138. Normally, we're in front of this committee to discuss concepts that have already come through the National Association of Insurance Commissioners process so that we can retain consistency between jurisdictions, keeps compliance requirements uniform, reduces regulatory burdens, and lower-- and ultimately lowers costs to policyholders. The situation here is a bit different. The bill is borrowed from a concept, as you've heard, from the banking regulators and is being considered in-- for insurance in Iowa. As you may imagine, it pains me to follow either of those two groups, particularly something from that state to the east. But on this rare, rare occasion, Iowa got something right. Abuse of seniors and vulnerable adults is always a concern to our department, but in-- advances in technology have improved people's ways to be creative about stealing other people's money. Allowing a senior or other vulnerable adult to designate a third-party who may be contacted when a transaction is suspicious may help stop these transactions before there's harm. It's tough and, in, in most times, impossible to-- for, for recovered-- or, for stolen money to be recovered. Again, annuities are increasingly being used to guarantee retirement income streams. Extending safeguards that currently apply to banks and securities will help protect what is literally people's life savings from bad actors. The safeguards in this bill are very important, and we think they'll make sure the bill is used to defend seniors and the vulnerable rather than harm them. The notification to the department is an important part of the bill which will, we think,

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help deter malicious reports. We think that the training requirements should help to head off ignorant reports. Last, the department will have the right to intervene if we think that the insurers are getting it wrong. Based on the department's experience as a fraud investigation unit, while there is immunity in this bill for good faith reporting-- as in the fraud statutes-- we believe that the immunity provisions are important to making this law effective. We are not aware in the, in the fraud investigation context of complaints about mi-- malicious fraud reports being made to the department in the nearly 30 years of that program. We have seen cases where this law would be-- would have helped Nebraskans by avoiding fraud. Our fraud unit has referred cases for prosecution to county attorneys all over this state. And Nebraska attorneys-- county attorneys have gotten some convictions, but by then the money is spent and the life savings have vanished. Thank you again to the committee for the opportunity to testify in support of this bill. And would be happy to answer any questions that occur to you.

von GILLERN: Thank you, Commissioner Dunning. Any questions from the committee? Seeing none. Thank you for your testimony.

ERIC DUNNING: Thank you, sir.

von GILLERN: Other proponents?

JINA RAGLAND: Good afternoon--

von GILLERN: Good afternoon.

JINA RAGLAND: --Senator von Gillern. It's always a good day when you're on the same side as the direct-- the Director of Department of Insurance and the Insurance Federation. So it's my pleasure to be here this afternoon. My name is Jina Ragland, J-i-n-a R-a-g-l-a-n-d. Here today in support of LB1138 on behalf of AARP Nebraska. Having a life insurance policy for many people is a critical part of their financial planning for themselves and their family and can represent decades of financial investment. That life insurance policy may be in place for numerous reasons, including paying funeral expenses, covering personal debt, protecting your children or grandchildren, providing an inheritance, or providing peace of mind to a remaining spouse. Nebraska's aging population continues to grow, and with that growth comes an alarming rise in attempts to financially exploit older adults. According to Forbes, life insurance fraud accounts for an estimated \$74.7 billion in annual losses in the U.S. And according to

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the Department of Insurance's 2024 insurance fraud statistical information-- which you have in front of you-- life insurance fraud alone accounted for over \$3.4 million per year, with the broader life/health insurance fraud totaling just over \$4.7 million in 2024. LB1138 takes an important and targeted step and creates a process modeled on report and hold protections already in use within the financial institutions and security industries, giving older and vulnerable adults the option to involve a trusted third-party who can help safeguard their financial well-being. This individual serves as an additional layer of oversight when concerns arise about unusual or suspicious insurance-related activity. This mechanism respects personal on-- autonomy while recognizing the real-- reality that older adults are often targeted precisely because they may be isolated, overwhelmed by complex products, or pressured by bad actors. This bill empowers insurance professionals to involve someone who knows the individual, understands their intentions, and can help ensure that de-- these decisions align with their best interests. Financial exploitation is the most common form of, of, of elber-- elder abuse, and it can happen quickly. And once funds are lost, recovery is often rare. LB1138 helps direct red flags at the earliest possible point. And industry professionals who regularly collaborate with the policyholders and observe their patterns are well-positioned to notice when something is amiss. The legislation requires insurers to provide training to employees whose roles involve handling or advising on disbursements, transactions, frauds, or investigations affecting eligible adults. In 2020 and 2021, we testified in support of LB909 as it passed and LB297. Today, we echo our support for LB1138 and believe this is an additional next step in the necessary work to continue combating el-- elder financial exploitation in our state. These bills and others have led to continued discussions and collaborations across all branches of government, various professions, and with advocates in identifying policy solutions. These solutions have included unified safeguards through consumer education, professional training, and public outreach and education to stop elder financial exploitation and fraud. Thank you to Senator Hallstrom for his leadership. Again, I want to thank the Insurance Federation for bringing this bill and involving us in that process. I thank you for the opportunity to comment. And I'd be more than happy to answer any questions.

von GILLERN: Thank you. Questions from the committee? Seeing none. Thank you for being here, Ms. Ragland. Other proponents? Good afternoon.

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RYAN McINTOSH: Good afternoon, Vice, Vice Chair Senator von Gillern, members of the committee. My name is Ryan McIntosh, R-y-a-n M-c-I-n-t-o-s-h. And I appear before you to testify-- testify today as a registered lobbyist for the Nebraska Bankers Association in support of LB1180-- LB1138. This leg-- legislation is similar to LB838 that you heard last Tuesday in this committee. As I noted then, the NBA is part of the Fraud Free Nebraska Coalition, which includes Governor Pillen, Attorney General Hilgers, associations of finance institutions, including the NBA, Independent Community Bankers, Credit Union League, AARP, elected officials, law enforcement, and others. We are advocating for consumer education and legislation aimed to combat rising fraud in Nebraska, and LB1138 fits within the coalition goals. As has been noted with similar laws that have been on the books for more than five years for financial institutions and insurance companies, this legislation is desperately needed for the insurance industry as well. I do want to address some of the discussion between Senator Dungan and Robert Bell with regard to the liability protections. The status quo right now is, is absolute protection. Prior to the 2020 legislation carried by Senator Williams and put into LB909, banks were absolutely prohibited from sharing customer information under any circumstances-- even if fraud is known-- other than anyone from law enforcement. So that's the status quo, and-- so this-- and some of those bills do not create new layers of liability protection. It's simply-- if we want to encourage this type of new sharing in these new programs, then there needs to be protections for, for doing so and implementing these programs in good faith. So I know there has been other bills-- LB241 last year that we advocated for-- that did say, if you do these items, then you shall have some added layer. This is, is completely different from that. It's different than, like, the hotel bill. If you do this training, you have this new layer of li-- it's not the same as those. This is if you break completely away from the status quo and implement a new program. So those protections are absolutely critical if we expect industry to implement these in good faith. So we appreciate the consideration. And would be happy to answer any questions.

von GILLERN: Thank you. Questions from the committee? Thank you, Mr. McIntosh.

RYAN McINTOSH: Thank you.

von GILLERN: Next proponent.

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DEXTER SCHRODT: Good afternoon, Senator von Gillern, members of the Banking, Commerce and Insurance Committee. My name is Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t, president and CEO of the Independent Community Banker Association. And as Mr. McIntosh alluded to, we are one of the-- one of the founding members of the Fraud Free Nebraska Coalition. Here in support of LB1138. Thanks to Senator Hallstrom for bringing the bill. We are in support because fraud protection fro-- of our senior adult population is extremely important. And when you have fraud in one aspect of the financial portfolio, it's likely that the rest of the financial portfolio is going to suffer as a result of those consequences. There are many community banks across the state where their holding company has insurance lines of business, so it is something that, at least in outstate Nebraska, some insurance producers are going to be familiar with. So we do support aligning the insurance laws with the banking and securities laws. And I'm not authorized to say this by Mr. Bell, but I'm gonna do it anyway. He is a Hawkeye fan, so it was interesting to learn that Iowa is also pursuing this. I do have faith that since we have one chamber we can get it up out of committee and passed and, and be the first to do so and, and beat Iowa to the punch. So with that, I appreciate your time and, and ask for your support of LB1138.

von GILLERN: Thank you for your testimony. Any questions? We will factor that into Mr. Bell's testimony and its credibility going forward. Thank you, Mr. Schrod.

DEXTER SCHRODT: Thank you, Senator.

von GILLERN: Any other proponents for LB1138?

ANN AMES: Good afternoon, senators. I'm Ann Ames, A-n-n A-m-e-s. And I'm the CEO for the Big I Nebraska, which is Nebraska's independent insurance trade association. I'm here to support this bill. We believe that it protects our most vulnerable population. And as the agents that are interacting with Nebraskans across the state, we're happy to do that. The one provision-- and perhaps it's already addressed in this newest amendment that I haven't seen-- we would like the opportunity to talk a little bit more about the training that we can offer our agents and-- you know, we'd also like to see some measures taken on how we can address the many solicitors and bad actors that are just plain fraudulent and reaching out, you know-- as, as someone that has parents right on that aging cusp, it's, it's definitely a concern, that I wouldn't want them to be left unaided without their

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insurance agent's assistance, so. With that, we hope that you will support this as well.

VON GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you, Ms. Ames, for being here. Any other proponents for LB1138? Last call for proponents. Seeing none. Are there any opponents regarding LB1138? Anyone who'd like to speak in a neutral capacity? Seeing none. Senator Hallstrom, as you come up, we had 4 proponent letters, 0 opponent, and 0 neutral letters sent in.

HALLSTROM: Thank you, Vice, Vice Chair von Gillern. Appreciate the opportunity to bring LB1138 before you today. Just a couple things based on some of the comments that were made. At my age, it's also always a good day to be on the same side as AARP. I believe that Mr. Dunning and Mr. Schrodtt were a little bit harsh on the Hawkeyes. I'd like to give a shout-out for them sending us Pryce Sandfort with the UNL basketball team. So some good has come from that relationship. And then finally, more seriously, with regard to Senator Dungan's question, I think Mr. Bell and Mr. McIntosh both did a nice job of, of addressing his question, if, if not concerns, but I think I'd take it just a little bit different. It's not about creating liabilities; it's about not creating a duty. It's permissive, and so I think that's the distinction, is we're trying to encourage this type of activity. But we're not creating an absolute [INAUDIBLE]. So with that, I appreciate your attention. Thank you.

VON GILLERN: Thank you. Questions from the committee? Seeing none. Thank you, Senator Hallstrom. And I will turn the hearing back over to Vice Chair Hallstrom.

HALLSTROM: Welcome, Senator Ballard--

BALLARD: It's good to be here.

HALLSTROM: --for LB1137.

BALLARD: You guys are spoiled in Banking.

VON GILLERN: Oh, boy.

BALLARD: All right. Good afternoon, Vice Chairman Hallstrom and members of the Banking and Commerce, Insurance Committee. My name is Beau Ballard. For the record, that is B-e-a-u B-a-l-l-a-r-d. And I represent District 21 in northwest Lincoln, northern Lancaster County. Before we get into the ha-- what's happening in the markets right now,

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specific of this bill, I want to talk a little bit why I have interest in this bill and why I brought the bill. I thought-- as Nebraska senators, we have all knocked doors, talked to constituents, attended town halls, and we know the number one issue for Nebraskans is property tax. It is high. It is hard for families and businesses and others to pay. It is only usually part of your mortgage payment, which also includes your property insurance on your home. Though we have made some progress on the property tax front for the average-- property taxes that progress for the average Nebraskan is being lost in their mortgage payment to increase in homeowners insurance. Why is homeowners premiums increasing? Lots of reasons according to information that I've reviewed, including home valuation increases, reinsurance costs for insurance companies, inflation for materials used for repair, an increase in labor, labor cost, and catastrophic weather events. What can Nebraska Legislature do about these factors? Very little. However, a few things we can to-- can do are contained in LB1137. Reforms that may not immediately turn the tide of homeowners insurance cost but will set the table for future price increases. Let's start with the post-assignment of claims. In terms of roof repair, a storm is a post-loss assignment documents that are-- essentially hand over the insurance claim to the roofer. The roofer stands in the shoes of those ho-- that homeowner and negotiates the claims, receives a payment, and completes the repair. This practice began in Florida a number of years ago and has slowly spread across the United States ever since. The use of post-loss assignments of claims sounds reasonable, but they can be subject to abuse, mainly because the consumer is no longer involved in decision relating to their claim. Whether it was a decision on what to submit to the insurer or the litigation surrounding the claim, inflated bids and litigation abuses com-- coupled with hurricanes in Florida related to post-loss assignment eventually led to disasters in the Florida homeowner market and insurers fleeing the market and premiums skyrocketing. Eventually became a budget issue as well as a state-run insurer of last resort became insolvent because inability to pay claims. As a result, the Governor there called a special session, which led to a series of reforms to the litigation landscape and homeowners insurance market. On January 1, 2023, post-loss assignment claims were essentially outlawed in Florida, and the property insurance market in Florida have been improving ever since. I have sent around a Wall Street Journal article to talk about-- to talk about some of these events. At the same time Florida proceed-- proceeded down the litigation and property insurance reform road, the National Association of Insurance Commissioners decided to take a look

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at a model law on public adjusters. A public adjuster is an individual trained in claim processes and licensed by the Department of Insurance to represent consumers in claims with insurance companies. The public adjuster model is notable because it has a number of provisions relating to public adjusters' duty of loyalty to the consumer. In light of unlicensed individuals, such as some roofers who share no duty or loyalties to co-- co-- to the consumer, essentially acting as a public adjuster without proper license and oversight by the Department of Insurance, the NAIC amended the model act to make explicitly clear that only a public adjusters can negotiate a claim with an insurance company on behalf of the claimant. The changes also permit property insurers to prohibit post-loss assignments of claims in their policies. My LB1137 adopts most of the NAIC updates and Model Public Adjuster Act but instead takes a Florida approach to outright banning residential contractors from soliciting or accepting post-loss assignments. LB1137 also updates insurance fraud statutes to reflect the new changes, plus adding the rebate of deductibles or submitting false documentations by a residential contractor as fraud. These provisions will assist rishers-- roofers who play by the rules. I know that there's significant opposition from some roofers in the passage of LB3-- LB1137. My concern is with consumers-- consumers are being forced by their contractors-- some con-- some consumers are being forced by their contractors to sign post-loss a-- to post-loss assignment by some roofers. And when a consumer decides to go in a different direction, they are no longer able to control their claim. LB1137 is a small step in helping Nebraskans-- consumers perhaps helping mitigate future premium hikes. Let's not wait till our market is in crisis. Let's join Florida, Oklahoma, Louisiana, Texas, Iowa, Georgia, Mississippi, and Virginia who have outright banned these assignments and effectively banned the assignments by prohibiting an individual from negotiating claims on behalf of the claimant without proper license from the profferer of insurance. Before I close, I, I just wanted to-- there, there is some miscommunication about this bill. I, I just want to reiterate that you can choose what contractor you use to fix your roof. You can still do that if this bill passes. Your contractor can still help you. They just can't be the owner of the claim. And contractor can still be present when your public adjuster is working on the roof. So those are some of the misconceptions about this bill. I'd be happy to clarify any of the language in L-- LB-- LB1137 to reiterate those points. And I'd happy to work with the committee on whatever they see fit. With that, I'd be happy to answer any questions.

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JACOBSON: Committee questions? Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you for being here, Senator Ballard. This is similar to a bill we heard-- well, this is the same subject matter as a bill we heard last year, correct?

BALLARD: Same-- yes, same subject matter.

DUNGAN: That had to do with attorney's fees?

BALLARD: Yep, yep.

DUNGAN: So this bill takes it a step further by outright banning the practice, correct, instead of dealing with the attorney's fees?

BALLARD: Correct.

DUNGAN: Two points I just want to kind of ask your opinion about, I guess, or clarify. So the articles you handed out, these are opinion pieces from the Wall Street Journal, right? These aren't just news articles?

BALLARD: Opinion pieces, but I think there's some relevant data [INAUDIBLE].

DUNGAN: Sure. They speak to some tort reform legislation from Florida.

BALLARD: Yep.

DUNGAN: I guess zooming out and just speaking broadly, I think this is being sort of billed as a consumer protection piece of legislation.

BALLARD: Yes.

DUNGAN: I'm looking online at the comments, and they have 3 proponents and 74 opponents. And I was just perusing the opponents, and most of these are homeowners who have, at least according to their online comments, benefited from the ability to do these post-loss assignments and have somebody sort of advocate on their behalf. And it seems to me that what we're talking about here is a balancing of the market. Because a lot of these comments that I'm seeing online are folks saying they were overwhelmed, they just had a lot of property damage, and they appreciated the ability to contract with somebody that was able to negotiate with the insurance companies to make sure there was a little bit more parity in that, I guess, back-and-forth. So how, how

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do you square the consumer protection component of this? I do think there are parts in here to clarify. You can cancel your contract, things like that. How, how do you swear the consumer protection component of that with the other part that seems to outright ban the benefit to the consumer in negotiating with insurance companies who definitely have the upper hand when people are in a stressful situation?

BALLARD: No, I, I appreciate the question. Thank you, Senator Dungan. I-- I'll be clear. The roofer can still be part of those negotiations. The problem with-- that this bill is trying to address is they don't own the claim. And so what we got into is that-- you're going to hear from testifiers today that they had no idea that they were-- their name was being used for a lawsuit. And so they signed over. A lot of these-- on occasion, this happens where you get-- you have-- a roofer comes in and says, here, sign these papers. And you sign the papers thinking you're going to get your roof repaired, because that's the goal-- the end goal, the desire in this project. And one of those hap-- could be a post-loss assignment. And there was-- not too long ago, they were a-- there was a, a lawsuit on behalf-- and those affect rates. They affect our premiums. And so I think that's the consumer protection we're trying to, to get at here.

DUNGAN: Would you be open then to having more of the clarified provisions of the contract be more blatant, kind of like as suggested with the typeface and things like that, but still allow the practice itself to exist so long as the consumer knows what they're getting into?

BALLARD: So long the practice-- I'd be willing to look at any amendment. Just--

DUNGAN: OK.

BALLARD: Yeah. Be willing to look at any language you have.

DUNGAN: And then the last question I have broadly-- and I'm kind of playing catch-up on all this because this is not my background and I'm kind of, like, digging into your bill here. Do we allow post-loss assignment for claims in other industries as-- other than roofing?

BALLARD: They're not as prevalent, but some for automobile. You get a crack in your windshield, you could-- and a windshield repair person could come in and say, hey, sign this. We'll take care of it. And--

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it-- it's less, less common, but it has happened on occasion around the United States.

DUNGAN: OK. Thank you.

BALLARD: Yeah.

JACOBSON: Other questions? Yes, Senator von Gillern.

von GILLERN: Thank you, Senator Ballard. And, and if, if you're not the most com-- most comfortable responding to this, that's fine. What is the best definition of a certified public appraiser, and why is that critical to the bill?

BALLARD: I'm gla-- I will give you a 30,000-foot view. So it is a fiduciary for the homeowner, someone that is skilled in contracting the works, known-- knows the material but also skilled in insurance. I can't imagine being that person, but someone that, that is skilled in both those, and have loyalty. I think the, the key is they work for the homeowner. But I do have someone that works in this day in and day out that will want to, to talk a little more about that.

von GILLERN: OK. So not being the-- one of the numerous attorneys on the committee, fiduciary means that they, they have an obligation to the homeowner to represent their interests, correct?

BALLARD: Absolutely.

von GILLERN: All right. Thank you.

JACOBSON: Senator Dal-- Hallstrom.

HALLSTROM: Thank you, Senator Jacobson. Senator Ballard, I-- from the comments that Senator Dungan referenced and from the emails that I've received, it seems to me that it's important for everybody to understand that people are conflating, in my opinion, the difference between consumer protection and the right to choose the contractor. You know, you've indicated twice-- and I'll allow you a third time-- this bill does not prohibit anyone from choosing the contractor to repair their-- contractor of their choice to repair a roof, correct?

BALLARD: Yes. Thank you for letting me reiterate. You can choose any contractor you want. Your contractor can help you with the claim. They just cannot own the claim.

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HALLSTROM: And so with regard to one of the emails that I got that, that sent me down this line of reasoning is they referenced choosing a contractor for insurance claims. If someone's choosing a contractor for insurance claims, would they not be filling the role of a public adjuster? And don't they need to be licensed in order to do that?

BALLARD: And the-- yes, you're absolutely right. And those regulations are very strict. And so, yes.

HALLSTROM: And with regard to the public adjuster, that individual is licensed, has fiduciary duties and so forth, and nothing in your bill with regard to choosing the contractor of your choice and having that contractor try to negotiate that, you know, I really think we ought to have to do this as an additional part of repairing your roof-- those conversations can go on, but they're not in-- they're not representing them as part of the insurance claim. They're trying to advocate for what needs to be done to properly repair the roof. Would that be accurate?

BALLARD: That is accurate. And I am willing to make any language adjustments to clarify that intention.

HALLSTROM: OK. And then one last question or comment is, would it be your opinion that if once someone assigns the claim to the contractor there is no longer any consumer protection for the person whose roof was repaired because they've now signed away their rights and the contractor is representing themselves and not the homeowner?

BALLARD: They no longer own that claim. Correct.

HALLSTROM: Thank you.

JACOBSON: Other questions? Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. And Senator Hallstrom asked some questions that kind of just made me want to follow up with some additional questions because I think that-- this is a very complicated bill for those who aren't in the industry. And I think Senator Hallstrom's correct. And I'll-- we can have this back-and-forth a little bit more. The proposed bill does not prohibit your choice of contractor.

BALLARD: Correct.

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DUNGAN: But it does prohibit that contractor on page 10, line 24, from representing or negotiating on your behalf with the insurance company. So somebody can still opt in to utilize whatever contractor they want, but your bill specifically says that contractor cannot, on behalf of that individual, negotiate with the insurance company, correct?

BALLARD: So-- that's not correct. So, so it--

JACOBSON: I would just remind the public, please hold-- you, you-- when you have time to speak, you could speak. But if there's any outbursts, you'll be asked to leave. Thank you.

BALLARD: Thank you, Chair. So I, I-- I'm willing to, to clarify that language. So the way I read it, we got-- we stole a little bit of this from Iowa. And so what I got is they shall not represent nor negotiate on behalf of the owner. And wha-- how I read that is that they cannot represent and negotiate on behalf of the owner, real estate, resident insurance claim if they-- so i-- I take that as they cannot stand in the shoes of that homeowner.

DUNGAN: But you-- but if your bill passed, they would still be allowed to negotiate on be-- they-- you--

BALLARD: I, I am-- yes. I am willing to work with you. That, that was highlighted for me. I'm willing to work with, with you, Senator Dungan, on clarifying the intent, that that's not what we're getting at. Can still pick your contractor. Contractor can still negotiate. They just can't own that claim.

DUNGAN: OK. And then the last thing I wanted to clarify too is, under the current law, if somebody does sign a contract for this post-loss assignment and they sign that contract with the roofing company and that roofing company on their behalf goes and negotiates with the insurance company, under current law, none of that is illegal, correct?

BALLARD: Say that, say that again, Senator.

DUNGAN: There were some questions about public adjusters versus these private roofing companies. And what I'm trying to-- I guess to make sure I understand is a roofing company that currently is opera-- doing this practice, they're not breaking the law currently, right? They're not holding themselves out?

BALLARD: Correct.

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DUNGAN: OK.

BALLARD: Yes.

DUNGAN: So this is creating-- this bill is creating a new crime, which is insurance fraud, under a certain way of proving it by virtue of a roofing company having this post-loss assignment, negotiating on behalf of that individual, then they would be committing potentially a Class III felony if they do that, correct?

BALLARD: If they-- yeah. Under the insurance fraud--

DUNGAN: If they do their current business practice, it makes that business practice a felony.

BALLARD: Current business practice of the post-loss--

DUNGAN: Yes.

BALLARD: Entering into the post-loss.

DUNGAN: OK.

BALLARD: Yes.

DUNGAN: Thank you.

JACOBSON: Other questions? I do have a couple of them just to clarify. I, I think you've talked about the post-loss claim, and I think that's what we're getting hung up here a little bit. I think about the times when I've had a roof claim-- hailstorm. What do most people do when you have a hailstorm come through? You pick up the phone, I think, call a roofer, and have them come over and look at your roof and see if there's damage. And if so, if that damage is going to be more than the deductible on your-- on, on repair. And from my standpoint, I've had significant hail loss. Told the roofer, fine, let's go. Tell me what, what my options are for the type of roofing material and so on and so forth. I say, here's my insurance company. They work it out. They, they basically tell them, here's the cost to do it. And they get the go-ahead and they repair my roof and we're done. So I, I understand that may not happen in every case, but in a lot of cases it does. And if there's a disagreement between what the insurance company will pay and what the roofer's going to charge, I can either get another roof estimate or I can sue the insurance company personally if

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I want to. And, and nothing in your bill precludes me from doing that, right?

BALLARD: Correct.

JACOBSON: OK.

BALLARD: Correct.

JACOBSON: But what we're talking about here in this bill is that if a roofer gets an assignment of the post-loss claim, they almost are incentivized to not agree with the insurance company. Because now I own the claim and it's now my claim, and all I've got to do is fix the roof. And I've satisfied the cu-- the person I got the claim from. And I could hold out for many, many times much, much more in terms of price, in terms of what I want from the insurance company and threaten to sue them, and sue them if I want to. And they're going to be out-- the-- they-- and I, and I-- if I win, that money comes to me, right?

BALLARD: Correct.

JACOBSON: And I don't have to pass that through to the homeowner, do I?

BALLARD: No.

JACOBSON: All I owe them is a roof repair.

BALLARD: That is the contract, yes.

JACOBSON: Which is the incentive to get the post-loss claim.

BALLARD: Correct.

JACOBSON: Otherwise, why would I want to do all this extra work? I just want to fix the roof. That-- that's what I'm in the business to do. So-- I-- I've always found that-- being banking business, I told customers that-- decide they want to do financing. I always tell them, how about if I do the financing and you do the roofing and we don't do each other's jobs? And-- so I, I always get reminded of that when I think about these things. So I just wanted to clarify as to what the incentive is to get a post-loss claim. Isn't that basically it? I could make more money?

BALLARD: They're getting pretty good margins on that.

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JACOBSON: So one of the reasons I think the bill was brought is we have a problem in this state with some of the highest loss rates in the country, and our homeowners insurance policies are running almost as much as our property taxes. And I don't think I need a great, great show of hands as to how many people think property taxes are too high. So if your property taxes are too high and your homeowners insurance policy is getting close, we better figure out a way to cut that cost down. And so that's why we had an interim study this summer to talk about what those costs could be. And this issue made the top of the list. Because there is-- if you look in Nebraska between wind and hail, that-- those are our biggest losses. And roofs are the ones that get impacted by wind and hail. And-- so the question really becomes, how do we get that cost down? And-- hence you brought this bill because the-- there isn't an incentive to get the insurance company to pay more than just the cost to replace the roof. Is that essentially it?

BALLARD: That essentially i-- I-- you stole some of my thunder of my close, but it's--

JACOBSON: I hate to do that.

BALLARD: --it's-- it-- it's a-- it's to a point where-- I don't think I'm alone in this when a lot of my peers-- I pay more in property tax and homeowners insurance than I do for my principal and interest. And I don't think I'm alone in that. And so any way we can get homeowners premium down-- homeowners premium down and property tax down I think's a win for homeowners. Cause I'll say a lot of people in my age group-- maybe Senator Dungan included-- we-- we're, we're questioning whether homeownership is worth it. It's because we are paying so much just to rent our homes. And so that's a scary place for the state to be in, is when-- trying to figure out a way to get those costs down. And that's all this bill's trying to do.

JACOBSON: And we're assuming you got a really nice home too.

BALLARD: Very modest.

von GILLERN: And I know a guy who'd loan you some money [INAUDIBLE].

BALLARD: Yeah.

von GILLERN: Not quite sure how to phrase this, so I'll phrase it this way. Senator Ballard, the question that Senator Dungan asked you, was

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that with regards to page 10, lines 24 through 26, regarding the residential contractor--

BALLARD: I believe so.

von GILLERN: --shall not represent or negotiate-- OK. And I just want to hear-- because it-- it's-- I'm sensing in the room that that is a-- that is probably the largest area of concern in your bill.

BALLARD: Yes.

von GILLERN: I, I just want to ask you one more time to clarify what it is that you intend that paragraph to say so that we don't maybe over--

BALLARD: Get lost.

von GILLERN: --work that paragraph if you are amenable to making that work in a better way.

BALLARD: Absolutely amenable.

von GILLERN: I'm teeing that up as well as I can for you.

BALLARD: Yes, absolutely amenable to work-- finding language that works for all parties involved, this committee. The goal is a-- you can still choose your contractor, your contractor can still work with insurance. They just cannot own the claim.

von GILLERN: OK. So what-- the scenario that Senator Jacobson described-- which many of us in the room have been through-- can still exist other than the ownership of the claim?

BALLARD: Correct.

von GILLERN: Very good. Thank you.

BALLARD: Thank you.

JACOBSON: Well said. Thank you.

BALLARD: Thank you, Chair.

JACOBSON: Other questions from the committee? All right. Thank you, Senator Ballard. First proponent. Senator Bell-- or-- Senator Bell. It feels like it at times.

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ROBERT M. BELL: I've got kids in college. Please. Chairperson Jacobson-- [INAUDIBLE] gonna have nightmares about that-- and members of the Banking, Commerce and Insurance Committee, my name is Robert M. Bell. Last name is spelled B-e-l-l. I'm the executive director and registered lobbyist for the Nebraska Insurance Federation. I'm appearing before you today in support of LB1137. Thank you to Senator Ballard for introducing this legislation on our behalf. As a reminder, the federation is a state trade association of Nebraska insurance companies representing all types of insurers, including many of the homeowner insurers active currently in the state of Nebraska. We believe it strengthens consumer protections for homeowners who have a claim against a home insurer by updating our insurance fraud statutes, changing the Insured Homeowners Protection Act to outlaw the practice of post-loss assignment of claims, and by updating in the Nebraska public adjuster law to reflect the latest changes to the model law made by the National Association of Insurance Commissioners, or otherwise known as the NAIC. First, the fraud statutes are updated to add provisions to provide necessary enforcement of current law. Namely, it adds acting as a public adjuster without a license to the list of the Insurance Fraud Act, as well as rebating an insurance-- property insurance deductible and knowingly sending the document misreni-- misrepresenting the claim to the insurer. Second, it amends the Insured Homeowners Protection Act to ban the use of assignment of benefits by residential contractors, which have been misused by some residential contractors to control the homeowner's claim against the insurer, allowing the residential contractor to stand in the shoes of the homeowner to negotiate the claim with the insurer without the proper licensure from the Department of Insurance. To be clear, we believe under current law that a residential contractor can lawfully obtain a, a benefit of assignment for a payment. However, we do believe it's unlawful for the contractor to negotiate the claim because they are not a licensed public adjuster. In Nebraska, it is unlawful for a public adjuster to have a contacting-- a contracting interest in the claim, as this would break the duty of loyalty to the consumer owed by the public adjuster. The federation believes that the best option is to join other hail alley and hurricane states and ban residential contractors from receiving assignment of benefits to provide absolute clarity in the law. Finally, LB1137 updates the public adjuster law to reflect the latest updates from the NAIC model law. Public adjusters are licensed individuals who are paid by the consumer to help navigate the claim process. Public adjusters owe a duty of loyalty to the consumer. Though I know representatives from the public adjusters will follow who can further explain these

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updates, the NAIC changes generally tighten the regular-- regulatory standards on individuals acting as public adjusters without a license and requiring insurers to verify the insurance licensure of public adjusters. I know there's been information circulated and senators' offices have been receiving calls-- and yes, I did lift the language from Iowa. That's [INAUDIBLE]. And certainly willing to clarify that language. We are not trying to prevent contractors from talking with insurance companies adjuster to adjuster. There's a lot of adjusters in insurance. Ask me to explain that later if you wish. But we do not want the ho-- the, the roofing contractor to stand in the shoes of the homeowner and ha-- own that claim. With that, I'm out of time. Appreciate the committee's support of LB1137. Thank you.

JACOBSON: Quest-- questions from the committee? Senator Hallstrom.

HALLSTROM: Just to expand a little bit on Senator Jacobson's question about the incentive for the cost of repairs or the claims to be higher once the contractor takes the assignment of claims, the other element that was intended to be addressed by Senator Ballard's bill last year is if there's also the leverage of being able to recover attorney fees in those types of situations.

ROBERT M. BELL: Yeah. So there's currently a bill on General File that was passed out by this committee. Had some opposition, so we decided not to pursue it this legislative session, but it's still active, that-- there-- there's a, there's a statute in the insurance code because contracts with insurance companies are contracts of adhesion, which-- meaning that really only one party has the ability to negotiate, and that's really the insurer, right? We stand-- we don't have to agree to the changes of, of the consumer, right? So there's a whole book of laws that thick and regulations that are even thicker relating to our interactions with our consumers. And we're held responsible by the Department of Insurance, et cetera, et cetera. However, there's a provision of that code that states that if an insurer-- so a consumer sues an insurance company on a claim and, and they prevail, they're awarded automatic attorney fees. And so some residential roofers-- and particularly one-- has been u-- trying to utilize that particular statute to proceed with litigation. I think you'll hear from FMNE Insurance-- formerly Farmers Mutual Insurance-- about the amount of litigation that's going on in Nebraska right now related to one roofing company. In Florida, before they banned this practice, those-- I think they were-- it was something to the tune of 16,000 lawsuits or, or assignment of benefits. It, it had gotten out of control before the state of Florida stepped in and, and banned it,

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so. And if I might say to, to Senator Dungan's question on assignment of benefits, the assignment of benefit itself is not a contract. Right? There's a contract between the roofer and the homeowner. The assignment of benefit is you've-- you assign your claim over. You hand that piece of paper. Even if later on you disagree with your roofer, you can break that contract. Contracts can be broken. There's provisions related to that. What you can't do is get the claim back from your insurance company, and that's what's concerning for the consumer. That's why that's consumer protection. Because I think unknowingly consumers, despite all of the disclosures that are in the law already-- we know people don't like to read disclosures-- they sign away their claim. And then if there's a disagreement between the roofing company and the, the consumer-- let's say they have a falling out and they want to use a new roofer, they can fire that roofer, right? They can break that contract. But they can't get their claim back from the insurance company. Right? That, that claim is owned by the roofing company. In the end, if they want their home repaired, they will have to use that roofing company. And, you know, if there's further discussions around assignment of benefits where always-- I mean, I think you-- everybody on this committee knows that the insurance industry's willing to sit down with just about anybody and discuss-- but we're going to want protections for our policyholders to be able to get out of those situations if necessary. I think you're going to hear behind me of some situations where, you know, they sign over-- they sign over the claim, they have a falling out, they find a contractor that can do it for significantly less, and they can't get their hands back on that claim. And that-- that's hard for that Nebraska homeowner, so. Anyway. Sorry.

JACOBSON: Go ahead.

HALLSTROM: Just a quick question, just thinking as we're talking back and forth, Senator Dungan's questions. It seems to me that Senator Ballard suggested that there wasn't anything wrong with talking about this-- what I would refer to as the scope of repairs. There may be an honest disagreement as to how much the roof must be repaired. Is there some way to explore the difference between representing them on the insurance claim versus the scope of repairs that might be subject to--

ROBERT M. BELL: Absolutely. I mean, we, we do not intend-- and we need roofing companies and company adjusters-- so adjusters that work for insurance companies that go out and inspect-- to talk to each other, because oftentimes they get into the, the repair and they find other things that are wrong. And we need, you know, that communication to

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occur between kind of, you know, the boots on the ground and figure those out. We would like the homeowner to approve that, right, at some point and the insurance company to approve that just in case. I know in, in some situations, there, there may be things that maybe the homeowner doesn't agree to, right? So we wanna make sure that they have the ability to say yes too, but we are not trying to get rid of that language. In fact, the language from Iowa that I have-- Iowa has a great bulletin from their Division of Insurance about what a contractor can do and what a public adjuster can do. And again, that language that's kinda at issue here for I think most of the people in the room we're willing to, to work on. But it's, it's really interesting. And in fact, even with that strict language that says you should have your contractor there when the insurance company adjuster arrives, right, so that they can, they can converse and compare notes and things like that. And I know sometimes that doesn't always work out and they get heated and there's arguments on roofs and things that, but our, our, our-- we do not want to shut off that, that communication. What we want to be able to do is we want to make sure that that policyowner still has control of that claim in case there is a falling out with that roofing company later on, so.

HALLSTROM: Thank you.

ROBERT M. BELL: You're welcome.

JACOBSON: I, I just got thinking that-- when you made the statement that, that not all homeowners read that agreement. And I'm thinking about--

ROBERT M. BELL: I'm sure that doesn't apply to you, Senator Jacobson.

JACOBSON: Well, I'm thinking about with our mortgage disclosures at the bank. The-- are you suggesting that people are not reading that completely?

ROBERT M. BELL: There is actually-- that's a really interesting way-- no, I, I, I am suggesting, yes, they are not reading that completely. I'm suggesting that most people don't read their insurance policies completely.

JACOBSON: That's probably true.

ROBERT M. BELL: There's actually a task force at the NAIC that works on reducing paperwork that are sent to consumers because the more we send, the less they read.

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JACOBSON: The less they read. That's right.

ROBERT M. BELL: You know, when you get a letter in the mail, you should open it. And it's important. But if you're getting-- if you got a life insurer, a health insurer, a, a, a homeowners insurer, an auto insurer and you're getting two pieces of mail from an insurance company every day, your bank, maybe they're sending you disclosures on Gramm-Leach-Bliley disclosures and whatnot, you're probably not reading them. So we're, we're trying to reduce paperwork.

JACOBSON: Well, let me-- I'm going to go back to my situation. When I call my roofer and ask him to come and look at the roof, and he says, yeah, you definitely have a claim. This, this roof needs to be replaced.

ROBERT M. BELL: Right.

JACOBSON: I, I-- he's never asked me for a post-loss assignment. Why do-- what's the motivation to ask for post-loss assignments?

ROBERT M. BELL: I, I honestly-- I don't know. There, there really isn't-- for, for-- from our standpoint, there isn't a need for a post-loss assignment.

JACOBSON: So what-- do you think--

ROBERT M. BELL: Well, I think there's, there's a way-- I mean, we saw it in Florida. There was a way to make more money. I mean-- for, for some people. We think this primarily happens in Omaha. We don't know that it's occurring-- I know. I'm sorry. It really seems to be a west Omaha problem in particular. Sorry, Senator. Do we have other senators from west-- well, Senator Wordekemper a little bit, Senator Riepe a little bit. We're not aware that it happens as much in other parts of the state. But we believe they, they grab that claim and then they, they-- again, they negotiate as the homeowner, right? And they are seeking higher compensation from the insurance--

JACOBSON: [INAUDIBLE] homeowner is to fix the roof.

ROBERT M. BELL: The-- yeah. They have a contract with the homeowner to fix the roof and-- which is their responsibility under that contract, assuming things don't go sideways between the roofer and the homeowner, right? I'm sorry. I, I cut you off.

JACOBSON: No, no. I-- I'm-- I-- keep going.

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ROBERT M. BELL: And so we just want to make sure that i-- in those, those cases that then they have the ability, the homeowner, to, you know, change roofers if they want and still have the money from their insurance proceeds to pay for that roof. Right? I don't know. The-- it, it-- I could definitely see some situations where-- I, I would, I would imagine nine out of ten times there's no problems whatsoever, right? But this does lead to claims inflation when it does lead to litigation and we're litigating over \$4,000 difference. Like, we want to settle but we can't as an industry because there's \$100,000 of attorney fees laid at our feet, right? And, you know, we walk away from negotiations because of that, because we don't-- we have a duty to our policyholders, our premium payers to protect their dollars as well. And I think it's sometimes lost on a lot of people that those-- we're all in this together, right, as people who pay insurance. All of our-- we all pay into the-- we may pay into State Farm, we may pay into Farmers Mutual, we may pay into Liberty Mutual or Travelers or whoever it may be, but we're, we're all protecting one another. That's the beauty of insurance, right, that it's there for you when the bad things happen, like your roof gets blown off or you need repair, that it steps up and makes that, that, that claim. I've never-- I've owned a home for-- oh, we bought our first home in 2003. I've never made a claim on my homeowners insurance. Lucky me. I'm sure my day will come, particularly since I live in west Omaha, so.

JACOBSON: Other questions? Senator Hallstrom.

HALLSTROM: Yeah. You, you mentioned that there's a contract, obviously, between the homeowner and the roofing company. Have you ever encountered a situation when litigation ensues where there was an existing contract that you became aware of that had a lower cost of repair estimate than what they've claimed in the litigation?

ROBERT M. BELL: Yeah, I, I think so. Yeah. So I can, I can think about some personal examples. So-- and these happened a long time ago, even before the laws that we're amending here passed, where the, the homeowner may not even see an invoice, right? And I think there's new-- newer rules related to that now in, in place, and hopefully consumers are reading that. But situations where-- yeah, they're, they're asking for a skylight and the home doesn't have a skylight, right? And-- you know, when you take the consumer out of that interaction, things can happen, you know, intentionally or unintentionally, right? But when it's knowingly or it's willfully, you know, then we're starting to get into areas of insurance fraud related to that. So-- if you intentionally inflate, you know, a claim, so.

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HALLSTROM: And when we first started down this path, I believe in about 2018, with LB220 that was amended into LB743, we started out with transparency, disclosures, notices, and that type of thing. Would you have preferred that we should have probably just shut the door at that time?

ROBERT M. BELL: Yeah. At that time. I, I mean, I wasn't at the federation at that time. And I'm sure the people-- and I know Korby was around and, and that's-- I'm not trying to be critical. But I think if we could all go back in time now and change the law, we would have shut it down, right? So-- but I have, I have the benefit of hindsight on, on that one. Might I, might I a-- add one other point related to that claim in, in-- involving-- even if there is no litigation. But if there's a disagreement between the policyholder, the consumer, and the roofer, they have no place to turn, right, particularly after they have given the assignment of benefits over to the roofer. They have no leverage. They don't have money. All they really have is litigation themselves, right? They can't-- if you have a complaint against your insurer, you can at least turn to the Department of Insurance and file a complaint. And they get thousands of complaints every single year at the Department of Insurance about insurance companies, and sometimes they're able to help, right? The department is-- makes the insurance company take a closer look. Or they may say, nah, you got to go to court on this. When you assign that claim over to the roofer, the-- you don't own your claim anymore. You can't complain about your insurer. And you have no place to complain about the roofing company, right? You can't go to the Department of Labor or the Department of Revenue or the Department of Roofing or whatever-- which doesn't exist, of course-- but-- and, and file a complaint against said roofer. All you can do is go to court on that. And good luck getting your claim back.

HALLSTROM: And even if we didn't go far enough initially, somebody had the insight to do something back then to provide some protection.

ROBERT M. BELL: Yeah. It was getting pretty bad. There were, there were particularly some bad actors in the market. Some of those are gone now, thankfully. But-- yeah, it, it-- yeah, exactly. So. They did, they did-- everybody did what they thought was the best. But that's the beauty of legislation, is that, in the Legislature, it's dynamic. If we see that there are further issues, we can bring it to the Legislature in a public forum like this, you know, express our concerns and ask for the law to be changed. I would also say I think since the 2018 change, a number of states have gone ahead and made

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changes to their assignment of benefit laws and banned it. I think Oklahoma-- this, this language you have here on the banning is actually from Oklahoma. So I'm pulling it from Oklahoma. I'm pulling it from Iowa, all the great rivals of the state of Nebraska. And then from the NAIC as well on the public adjuster changes.

JACOBSON: Any other questions? Senator Du-- Dungan.

DUNGAN: Thank you, Chair Jacobson. This is the fun part where we're asking questions but we're kind of talking to each other at the same time. I think that's, that's clear. So-- you know, we've talked a lot about litigation. This might be an unanswerable question, I guess, in this moment, but do you know of litigation in the last ten years after an assignment of benefits have happened how frequently a plaintiff has been successful in that litigation?

ROBERT M. BELL: Oh, I don't know off the top of my head. There may be people behind me that are more aware. They, they are sometimes successful. Like, the roofing companies are successful sometimes. And even if they just receive a few dollars more than was the initial offer, they'll get those attorney fees paid for.

DUNGAN: And if they are successful, what does that mean? Does that mean that-- like, let's say this goes to court and the plaintiff gets assignment of claims-- so the plaintiff's now the roofing company-- and they're suing the insurance company saying, you need to give us more money because-- wha-- what, what is the thing they're arguing for in court? What are they saying? Is it that insurance is not adequately reimbursing them?

ROBERT M. BELL: Yeah, the, the, the-- I think they're arguing over the claim itself, that, that-- you know, to do the repair, they require more money, so.

DUNGAN: So the argument being that the insurance company is not adequately reimbursing them for the cost of the service they're providing?

ROBERT M. BELL: Correct.

DUNGAN: And do you know of any times that that litigation has been unsuccessful when it goes before a judge?

ROBERT M. BELL: I am not, but I am by no means expert at what is happening in there. And I think you got people behind that are, so.

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DUNGAN: OK. And I welcome that. For anybody else in the room, I welcome that because I think that that's-- you know, what we're ultimately-- my number one North Star, right, is the person that lives in my district and making sure that person is being adequately taken care of. I think that it sounds like a lot of folks are talking about consumer protection here today but coming at it from two very different perspectives.

ROBERT M. BELL: Absolutely.

DUNGAN: And so I appreciate your input of that, but I want to make sure that we're not throwing the baby out with the proverbial bathwater. I know there's been efforts in the past to ban this practice. They were unsuccessful. And so after that happened, there were then, as we've talked about, some guardrails put in place, it sounds like. Certainly I think consumer protection is paramount and we should look to that, but I would be hesitant to outright ban a practice because, as you said, with mitiga-- or, with legislation, we can look back-- and hindsight's 20/20. But once the practice becomes a-- potentially a Class III felony, I imagine we're probably not going to walk back and change it.

ROBERT M. BELL: Yeah. And I think you and I should talk about the criminal penalties. I-- it-- I think we actually forget to put a criminal penalty on the, the fraud provisions. A lot of those are misdemeanors, so. But we can certainly have further conversations. I don't think this-- it can be felonious activity if it's enough.

DUNGAN: Yeah. I think that it, it classifies as insurance fraud, which then there's a penalty section, I think, that goes through different tiered penalties.

ROBERT M. BELL: Correct.

DUNGAN: And depending on the amount, it could be a Class II misdemeanor to a Class III felony.

ROBERT M. BELL: As a former resident of northeast Lincoln, though--

DUNGAN: We miss you.

ROBERT M. BELL: Yeah, I know. So my first house-- which I never filed a claim on, you know, just for the record. If, if we did have a claim and we have signed over that, you know, as young, first-time homeowners not knowing what we're doing and we assign that claim to

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the roofer and then we have a dispute with that roofer, we-- we've lost access to the funding. We've lost access to our leverage as a consumer to get the roofer to do what we want to do. And again, I don't think this happens a lot where, you know, the consumer-- I think a lot of times the consumer walks away satisfied. But, you know, really, the law worries about those times where we have problems, right? And so I would be worried at-- in a case where, you know, in a \$150,000 house-- or, our house was, like, \$100,000-- you know, we wouldn't have had the ability to put on a new roof without our insurance claim, you know, so. And that, that-- I think that would be a very difficult situation for a consumer to be in.

DUNGAN: No, I appreciate that. In northeast Lincoln, my house was built in 1900, so it's definitely not a super nice house. And yeah, the cost--

ROBERT M. BELL: [INAUDIBLE] fading in foundations and all of that.

DUNGAN: Absolutely.

ROBERT M. BELL: Yeah. It's something I'm familiar--

JACOBSON: I was going to-- follow up to that question. I, I, I remember seeing last year pages and pages and pages of lawsuits that were filed by this one roofer.

ROBERT M. BELL: Correct.

JACOBSON: And the testimony was that very few of these go to court. Why don't they go to court? Because you settle. Do you settle for, oh, OK, walk-- we'll just walk away. Forget it. We didn't mean to sue you. No. It means this insurance company pays more. Isn't that really the answer?

ROBERT M. BELL: Right. Right. There's some, there's some where the decision is made and it's not worth the cost of litigation, so.

JACOBSON: Right. So you pay more. Or if you work directly with the consumer, you're going to fix their roof and they're happy and you go home. Everybody's happy.

ROBERT M. BELL: Yeah.

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JACOBSON: But if I have the threat of a lawsuit and then I get a lawsuit filed, I'm more apt to pay more money for the lawsuit to go away. Is that pretty much how it works?

ROBERT M. BELL: The-- there's some-- there's some of that that-- I think there's some strategy related to that-- from both sides, right? I mean, some-- sometimes it's like, you know what? It-- I-- instead of paying my own attorneys, my own firm to defend that, it's, it's just easier for me to pay, so. But it-- sometimes, they, they will not accept a settlement because they want inflated-- they want inflated attorney fees, so.

HALLSTROM: Senator Jacobson read my mind. I was going to go down the same path. These cases take a long time if they actually go to litigation, if they're appealed. There may be some significant attorney fees that provide leverage. And so the willingness to settle is probably there to cost you more.

ROBERT M. BELL: Right. Right. And I, and I know there's some attorneys behind me from insurance companies that I think can get deeper into what is going on with litigation right now, so.

HALLSTROM: And you mentioned the fact that sometimes you decide not to litigate to save your own attorney fees. This is different than most cases in that it's not only the attorney fees that you will incur, but you also run, run the risk of paying the opponent's attorney fees.

ROBERT M. BELL: Right, right. And there-- and every discussion, every negotiation, that, that bill keeps getting higher. And if it goes to trial, that bill can get really high, so.

JACOBSON: Well, we love your testimony, but I'm anxious to hear the rest of the--

ROBERT M. BELL: Yeah. I know. I know we've got some, some everyday Nebraskans right behind me, so. Thank you very much.

JACOBSON: Thank you, Mr. Bell. Next proponent. Welcome.

ERICA ZHANG: Hi. Mr. Chairman, senators. My name is Erica Zhang, E-r-i-c-a Z-h-a-n-g. And I'm a senior from Elkhorn North High School. I'm here today to deliver my father, Huayu Zhang's, statement in support of LB1137. In the early morning of May 21, 2024, I woke up to a huge hailstorm, and the only thought running through my mind was, shoot, I probably need to have the roof checked. I'm a homeowner from

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Elkhorn, and I'd like to share my experience for the past 20 months that involves a storm claim, an assignment of benefit contract, my first time ever being sued, and even testifying to legislators today. It's quite a turn of events and was not even in my wildest dreams or, in this case, nightmares. None of it would have happened if the bill in front of us, LB1137, was there a few years ago. How did a hiring practice-- hiring decision and some business practices complicate a simple home project so much? In my particular case, you'll see that compared to normal hiring practices, assignment of benefit increased cost dramatically, prolonged the claim process by a lot, and caused litigation. How is that even necessary? I may have been able to do some things differently to not end up in this situation. I rushed my hiring decision, signed away my benefits to the first contractor who solicited my business after the loss, signed the assignment of benefit without being provided an estimate and work schedule. And it was signed before the insurer could actually come out and inspect the damage. So the whole timing was off and no due diligence could possibly be conducted before signing. For the whole claim, the contractor estimated about \$46,000, or 60% above insurer's estimate. A huge difference. I have been patient and given plenty of time for the contractor to handle my claim. As time went by, I started to feel that the contractor's business model was geared towards litigation instead of finding a solution. 16 months after the contractor was hired, I finally realized that all three parties were at an impasse, and I was basically faced with two options. Number one, do what the contractor asked, give them all the unearned proceeds, let them sue insurance, and pray they'll actually finish the job. Number two, find other contractors to finish the-- to finish the claim even if I might be the one to end up being sued if the contractor was crazy enough. Guess what? They were. I eventually hired Lowe's, and it only took them three mon-- three weeks after signing to replace the siding. And now I can finally close a claim that'll last two years after painting. The new siding and gutter turned out great. Only \$800 more than the insurance estimate for upgraded siding material but \$35,000 less than the original contractor. And no assignment of benefit involved. Lastly, what if the homeowner finds out after signing that the contractor's practices are illegal, unethical, or even not aligned with the homeowner's principle? What choice or protection does the homeowner have? Can the contractor be fired if he has all the rights under the claim now? I think something needs to change, and this bill is the solution. Thank you.

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JACOBSON: Thank you. Thank you for being here and taking the time to testify. Questions from the committee? All right. Seeing none. Thank you again. Thank you very much.

HALLSTROM: Thank you.

JACOBSON: Next proponent. Welcome.

ANN FROHMAN: Good afternoon, Chairman, members of the committee. My name is Ann Frohman. That's A-n-n F-r-o-h-m-a-n. I am here on behalf of the National Association of Public Insurance Adjusters, also known as NAPIA. They're the oldest association of public adjusters in the country. Public adjusters have been around for 100 years. This association's been around since 1951. I've been representing them nationally for nine years, working on public policy issues. With other states, the NAIC and [INAUDIBLE] AOB issue came up. Probably hit their radar about seven years ago. About three years ago, NAPIA approached the NAIC with the concern of both the unlicensed activities in the area of public adjusting and concerns that they had, and also on the AOB. They worked with all the states, state legislatures, attorney generals, and are focused on the consumer side. Again, they're the only fiduciary adjuster on behalf of the consumer. And they work a lot-- this association works a lot with commercial. Primarily commercial, but they do, I think, a 70/30 split maybe with residential. The issues that they had seen with the assignment of benefit was one that just kind of developed over time in the last decade, with assignments happening more and more and kind of replacing the old mechanics lane because if a-- if you have an issue, the, the contractor could always go back against the homeowner, right? Well, in this scenario, what they were seeing was they would be getting phone calls, and the phone calls would be from homeowners who have assigned their claim to a roofer, to a restoration contractor-- primarily roofers. But the-- I mean, it-- it's just the bad actors, right? We're here for the 5% or 1%. Not, not everybody has a place, and the roofers have a place and the insurers have a place. And, and public adjusters, they're not around in many of the claims, but the ones they are in they make a big difference. So in that scenario, they were getting calls and they couldn't help the cu-- their customers. They'd call them and say, hey, we assigned this to a roofer. Can you help us? This is a mess. And they're like, no, it's gone. You assigned it. When you assign it, you have assigned your contractual rights. Not only do you not have any communication with the carrier, we can't come in and help you. It's purely in the domain-- the owner of the asset now is the roofer. It doesn't matter. It's a big deal because your home is your

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biggest asset. You know, that-- that's what matters. That's why this is a consumer protection bill. It matters to consumers because their homes, that's the scariest thing. I mean, they lose their homes. They're already in trepidation. And then if they don't know if it's going to be repaired, if they don't know about the communications going back and forth, they don't-- they don't see the claims. They don't see the numbers. They don't see anything. They don't-- they have-- their litigation is workmanship. I mean, that's it for them. They don't have anything with the, with the carrier once that happens. So this clearly is a consumer protection bill because it gives the consumer the right to stay in the claim-- and I say to keep the roofers in their lane. So when you talk about, well, what's the difference between a public adjuster and roofing contractors and all of this? It's, it's all about staying in your lane. If you're doing a roofing claim, what are you doing? You're preparing a bid to repair a roof. You're not negotiating an insurance policy or proof of loss in the sense that it might have contents issues or where it might have-- you need a hotel room or something else. You know, those issues are what public adjusters handle. So am I concerned--

JACOBSON: I'm gonna ask you to wrap up your comments. You got the red light. And, and we-- may be questions-- there may be questions, but thank you.

ANN FROHMAN: So, so just in a final point, to your question, the consumer really has to have a voice all the way to the end of the construction and the repair, and that's what the AOB takes away. And so to plug this hole I think is a good, a good result.

JACOBSON: Questions? Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. And you started to answer my question exactly. And it pertains I think a little bit more to your role in general. And I'm just trying to better understand the difference between a public adjuster and some of these roofing companies that would act on behalf of the individual wi-- whose roof got wrecked, right? Does the public adjuster-- I-- I'm looking here at the Nebraska Department of Insurance press release or release about what public adjusters are, and it says public adjusters are licensed insurance professionals hired to assist an insured policyholder with an insurance claim. So is it sort of like walking the individual through the process or is it actually advocating on behalf of that individual with the insurance company?

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ANN FROHMAN: They're, they're the experts that, that represent the consumer. So they-- think of it like, like a realtor isn't a lawyer. A public adjuster isn't an attorney. But the public adjuster is an expert on materials. They're an expert on the insurance policy. They're an expert on, on how to negotiate and settle a claim, so they do.

DUNGAN: And so-- and these are, like, not gotcha questions. I'm trying to better understand the process. So in, in the event then-- let's say my roof gets wrecked and I have a public adjuster that's helping me through the process, they're the expert. And insurance is saying, we're only gonna pay you X amount of dollars for that roof, but I fundamentally believe that actually it's X plus \$10,000. Does the public adjuster then sort of tell me what my next steps are in order to pressure the insurance company or possibly litigate with the insurance company for that additional money or do they actually, like, bring that suit on my behalf or wha-- wha-- what is their role when the person whose roof has been ruined is upset or feels as though they're not getting enough money for their claim? What does the public adjuster do for that person?

ANN FROHMAN: Typically, public adjusters-- at least with my clients, the business model isn't roofing claims. Theirs is, is larger, more complex because it-- you're dealing with interpretations of insurance policies. This, this-- roofing claims are, are fundamentally different. But to the extent that they're assigned, that's the consumer issue. So to walk through the claim on a roofing claim, they would get bids, more than one. They wouldn't go with just one roofer. They would get several bids. They put the claim together. They put the numbers in the claim. They-- if, if the person needs-- yeah, needs to go into a hotel because the roof is off or that kind of thing, that's what they do. So-- and they look at the materials, and they determine whether you need to replace a half a sheet or a full sheet of drywall, you know, it-- these sorts of things. They look for the water loss. They, they do very complicated work.

DUNGAN: OK. And I appreciate that work because it's something I would have no idea how to begin doing. It just-- it feels as though the public adjuster serves a slightly different role from what we're talking about these roofing companies doing on behalf of the individual.

ANN FROHMAN: Absolutely. To the extent that roofing companies are preparing a bid. That's what I call it. I don't call it an insurance

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claim. I call it a bid. They're putting together a bid. They submit the bid to the carrier. They can talk to the carrier. They can negotiate on the bid as long as they're staying in their lane. If they're out there doing other things and they're, they're working on contents and that sort of thing, you know, that's, that's the world of public adjusting. Or if it's on litigation [INAUDIBLE] lawyer when you need one.

JACOBSON: It-- isn't the goal here that-- I have a-- I have a loss. I want the loss repaired, and I don't want to pay more than my deductible for the repair. Isn't that the goal for everybody? I mean, isn't that what we're trying to get to?

ANN FROHMAN: Right.

JACOBSON: And, and so therefore the public adjuster would get involved if you're finding that the cost to repair is not going to be fully covered by the insurer after I pay the deductible. And then I'm gon-- then I've got a disparity. Now I've got a gap that I've got to make up above and beyond the deductible. And that's when I'm going to need help. And that's something that we want the consumer to have access to. And this would be one avenue.

ANN FROHMAN: Correct. And with the [INAUDIBLE] benefit, that doesn't exist.

JACOBSON: Right. When you assign the benefits away, I'm no longer-- I, I don't-- thank you. Other questions? All right. With that-- this was very helpful. Thank you for your testimony.

ANN FROHMAN: You're welcome.

JACOBSON: Next proponent. Have you been here? [INAUDIBLE] introduce Senator Bostar. He's-- Senator Bostar's showed up.

BOSTAR: I had the first two bills.

JACOBSON: OK. That's right. Welcome.

MARK GOKIE: Good afternoon, committee members and Chairman Jacobson. Thank you for the opportunity to testify in support of LB1137. My name is Mark Gokie, M-a-r-k G-o-k-i-e. And I'm appearing on behalf of FMNE Insurance Company, the leading Nebraska-based insurer of homes, farms, and automobiles in our state. I'm vice president and assistant general counsel for FMNE, and I've been with them for about 28 years. My

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comments are going to be limited to the AOB portion of LB1137. You've now heard testimony about how an AOB used improperly by a residential contractor can have a huge impact on an unsuspecting homeowner. LB1137 will put an end to the practice of residential contractors obtaining AOBs from Nebraska homeowners. There are moral and economic reasons for the Legislature to end AOBs, and I'll be happy to discuss with those-- those with you if you ask me. But there have been objections to the bill, and I think you want to hear from insurers about the objections. First, LB1137 will not sever the lines of communication between contractors and insurance companies. FMNE and dozens of insurers handle tens of thousands of claims every year with open lines of communication with reputable contractors who never ask homeowners for AOBs. LB1137 will not change this. Open lines of communication between contractors and insurers will continue as always. It also will not create problems with payments to contractors by insurance companies. Again, tens of thousands of claims are handled successfully every year with contractors who never obtain AOBs. And LB1137 will do nothing to impede that process. LB1137 will not prohibit homeowners from choosing their own contractor and it will not prohibit the contractor being present when insurance adjusters are inspecting the property for damage. So what will it do? It will end the practice of contractors who take AOBs as part of a business model where the cost of repairs are inflated. And when insurers refuse to pay the inflated estimates, lawsuits are filed. Lawsuits are public record. Take a look for yourselves. Hundreds of lawsuits have been filed in Nebraska state courts over the past decade against dozens of insurance companies, and some are filed against the homeowners. Take a look at the year 2025 alone. Dozens of lawsuits filed against dozens of different insurance companies. And these lawsuits are complex, expensive, and last for years. For example, FMNE is dealing with lawsuits that were filed over a decade ago and are nowhere near reaching resolution. This is litigation where the homeowners are not parties to the lawsuit. They get no benefit from the litigation. And in nearly every one of these lawsuits, the homeowner is not even aware that a lawsuit has been filed involving their property. LB1137 will bring this to an end. Pass LB1137 and end the business model that provides no benefit to the Nebraska homeowners, and it will end the inevitable litigation that follows AOBs. With that--

JACOBSON: Thank you.

MARK GOKIE: --I'll answer questions.

JACOBSON: Questions?

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HALLSTROM: Do you--

JACOBSON: Senator Hallstrom.

HALLSTROM: Do you ever encounter when there's a dispute that may lead to litigation, are there construction [INAUDIBLE] that are filed in any of those cases?

MARK GOKIE: I'm-- I don't know. I'm not aware of that.

HALLSTROM: Thank you.

JACOBSON: Other questions from the committee? All right. Seeing none. Thank you very much for your testimony. Next proponent.

GREG SCAGLIONE: Good afternoon to the chair and the committee members. My name's Greg Scaglione. I'm an attorney from Omaha, Nebraska. I represent many homeowners against roofers. I also represent roofers. I'm here to comment on three issues and answer any questions you may have. The first problem that I see generally with the Insured Homeowners Protection Act-- I just litigated this issue in the fall in Douglas County-- and it's this: there's no requirement that that three-day notice-- three days to terminate or cancel or [INAUDIBLE] there's nothing in this act that says that warning has to be in the contract. And I lost that issue where I was saying, well, they violated the act because the statutory notice is not in the contract. It's not required to be. Unlike the Homeowner Solicit-- the Home Solicitation Sales Act, which is that 69-1601 et seq, there's a three-day warning there. And there it says it has to be in the contract in certain conspicuous font. So that's one need for the homeowners I see that we could fix. The next thing that is missing-- and here's where I see the biggest abuse happens to homeowners, is when a contractor shows up to have a contract signed with an-- loss assignment of the benefits. There's no estimate or scope of work or price included. It is an absolute blank. So the homeowner is assigning a claim, and now the contractor is going to go negotiate whatever price they want. And so the work is delayed. My client waited almost two years to get their roof repaired because they were stuck with a contractor. We didn't have a price. We didn't have a scope of work, but it was assigned. And that contractor now controlled the scope of work and price. And the whole time, the work is not getting done. The tarp was on the roof for almost two years. So to me, one of the-- at the same time, I don't advocate completely doing away with assignment of benefits for these two reasons: some contractors that I represent

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will advance the work in material and, and serve the homeowner, and they wanna get paid; and secondly, some of my roofing clients have gotten stiffed when the check comes from the insurance company and it's cashed and they're not paid. So those are some of the abuses. But I think if we required as part of any assignment of this-- proceeds that when they sign-- so the quest-- the three-day notice to terminate, many contracts, they don't even know what the scope of work or price is that they're trying to terminate. So if we could at least require that if you're going to get an assignment you have to have the scope of work and price, now it's set. And if they get that, the work should proceed. And include the notice as well. I think-- with regard to public adjusting, I would say this: it is rampant. I only have two roofing clients-- two roofers that I would say that I know of that their contracts and their practices do not publicly adjust. Most every roofing company I know publicly adjust. And here's the distinction I make. One is--

JACOBSON: I'm going to ask you to stop. I'll let-- I think, though, there'll be a question to follow.

GREG SCAGLIONE: OK. Very good.

JACOBSON: If I can have you-- I was just chastised by the page. I need you to say and spell your first and last name.

GREG SCAGLIONE: Thank you. It's my first ti-- it's my first time here, so I'm, I'm obviously violating many protocols. It's Greg Scaglione, which is easy to spell, S-- S-c-a-g-l-i-o-n-e.

JACOBSON: All right.

GREG SCAGLIONE: Thank you.

JACOBSON: Thank you.

GREG SCAGLIONE: I would just say on public adjusting that I see contracts from many roofers in west Omaha that actually say, we will help you adjust your claim. And it's right there in writing. And then they perform that service, and that's clearly illegal. Iowa enforces it very aggressively. First-time penalties are \$1,000. Nebraska doesn't enforce it, I would say, probably because it's not reported. And we probably need to do a better job of lawyers and insurance companies reporting when they see public adjusting.

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JACOBSON: Well, I appreciate your testimony. I appreciate the expertise you bring in. With that, any other questions from the committee?

GREG SCAGLIONE: Yes, sir.

JACOBSON: Senator Hallstrom.

HALLSTROM: You indicated that they advance materials and they want to get paid. Why don't they get paid?

GREG SCAGLIONE: The homeowner has signed a contract that says, I only have to pay you my deductible-- which is usually paid upfront-- and then you'll collect the [INAUDIBLE] from the insurance company. Some contractors will go ahead and repair the roof just on that in the hopes that they will timely get paid by the insurance company. In those contexts, I find that my roofing companies should be entitled to an assignment of those insurance benefits because they've stated the scope of work, they've stated the price, the homeowner has eyes wide open on what they just signed. And they have three days to terminate if they find another bid. And then in that case, I think a roofer should be entitled to an assignment of the benefits.

HALLSTROM: Isn't-- is the practice even without an assignment of benefits that, having done the work, will the insurance company make a co-payee check?

GREG SCAGLIONE: I don't, I don't find that very often. I'm sure some of the adjusters here may comment on that, but I, I don't-- I find it very difficult to get the contractor on the check. Very easy to get a mortgage company on the check because they have an interest in the real estate and they always put them on the check. And you don't always get the contractor on unless someone's really focused on that issue. Otherwise, it usually just goes to the homeowner. I have several that went across the river to the casino, and my client-- my roofing client didn't get paid.

HALLSTROM: OK. Thank you.

GREG SCAGLIONE: Thank you.

JACOBSON: Other questions? Senator von Gillern.

von GILLERN: Does this happen anywhere other than west Omaha?

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GREG SCAGLIONE: It, it seems to be concentrated there.

von GILLERN: Thank you.

GREG SCAGLIONE: That's where all the hail and [INAUDIBLE].

von GILLERN: Sufficiently vague answer from an attorney.

GREG SCAGLIONE: There you go.

von GILLERN: All right. Thank you.

JACOBSON: Thank you very much for your testimony. Next proponent. How are you?

ANN AMES: I'm good. How are you?

JACOBSON: Great.

ANN AMES: I'm Ann Ames. I'm the CEO for Big I Nebraska. A-n-n A-m-e-s. We're here in support of LB1137. We do see this as consumer protection. When our, our agents are helping their customers, usually it's in their worst moments and the worst timing. We've-- are seeing customers who are getting bullied into signing agreements, and we believe that the five-day cancellation will assist in, in preventing some of that. And to be fair, I had agents tell me it's not just roofing companies. They're seeing this with mitigation companies as well. So it's kind of an across-the-board issue. It leaves us open to end up pitting consumers against the insurer, which is never the goal for the agent. So we believe that this is really going to be a positive for Nebraska consumers. And we would love for you to support it as well.

JACOBSON: Thank you. Questions from the committee? All right. Seeing none. Thank you very much for your testimony. Other pro-- proponents? Welcome.

KORBY GILBERTSON: Good afternoon, Chairman, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as registered lobbyist on behalf of the American Property Casualty Insurers Association, the Nebraska Realtors Association, and the Home Builders Association of Lincoln and Metro Omaha Builders Associ-- Coalition in support of LB1137. These three organizations have been involved before in these-- this legislation before. Obviously, this isn't the first time we've

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had these discussions, but they feel that LB1137 will strengthen consumer protections, reduce fraud and abuse, and help ensure insurance dollars are spent on legitimate losses and not inflated claims or unnecessary litigation. Fraud is the first major issue. It is going on in other states, as you heard, so I won't go through that again. And we're concerned about it coming here to Nebraska. We already see an increased number of lawsuits regarding these types of losses, and we want to protect our consumers from those getting even more egregious in our state. Assignment of benefits. The bill makes it clear that post-loss assignments of insurance benefits to residential contractors are void and unenforceable. This is an issue that both the realtors and the homebuilders were interested in because of the bad rap that some of the other contractors get because of things like this that go on. We typically hear of storm chasers and things that happen. I actually had another senator come to me at the beginning of session asking if there's something else we could do regarding making sure that people wouldn't have to give a down payment or have to make any payments until work is actually done. So issues like this are going on across the state and not just with roofing. Reforms can protect consumers by reducing conflicts of interest. I know that that has been a discussion regarding the public adjusters, and that is an issue that I think is very important to both the insurance industry and contractors that aren't doing this. And finally, the bill modernizes current adjuster licensing laws, including clear contract requirements, mandatory disclosures, and limits on contingent fees, especially following catastrophic events. The bottom line is that this bill is not the first time we've been here. We've gotten to this place because things continue to get worse in the state and something needs to be done to protect consumers and make sure that they are in control of their insurance policy, not a third-party that is not and does not have a fiduciary duty to them. With that, I'd be happy to take any questions.

JACOBSON: Committee questions? Yes, Senator Hardin.

HARDIN: We don't do it now, what's it look like next year, two years, or three years? Can you look in your crystal ball?

KORBY GILBERTSON: We'd look more like Florida where things are getting really bad and you-- instead of having hundreds of cases, have thousands. I mean, that's the assumption, and that's why other states have done it. We won't be the first.

JACOBSON: Are you familiar with Mullen, Nebraska?

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KORBY GILBERTSON: Yes.

JACOBSON: It would be part of my district in northea-- northwestern part of the district. And they had a hailstorm this summer. Pretty bad hailstrom. And the next day, people were getting constant knocks on the door from nine different roofers from out of area coming to want to get a post-loss assignment and fix their roof. So this is Mullen, Nebraska, population of less than 500 people. So it, it is, it is-- can be [INAUDIBLE]. I mean, it's a slow day in Omaha, it must have been, so. [INAUDIBLE] particular, so. Questions from the committee? Others? All right. If not--

KORBY GILBERTSON: Thank you.

JACOBSON: --thank you, Korby. Any other proponents? All right. If not-- oh, you're a proponent? All right. Your turn. It's your turn.

PHILLIP ARNZEN: Good afternoon, members of the committee. My name is Phillip Arnzen, P-h-i-l-l-i-p A-r-n-z-e-n. And I'm a registered lobbyist for National Association of Mutual Insurance Companies. And we're a nationwide trade group. Our represe-- our members range in size from national carriers that are household names down to small farm mutuals that might only cover a few counties. Many of our members are based in Nebraska and have been so for a very long time. But I don't have much to add that hasn't already been shared by the folks with-- in the insurance industry that have come before me, but we just think this would be a good contum-- consumer protection measure that would also help prevent some waste, fraud, and abuse. And then additionally, as mentioned, there have been some other states that have adopted these reforms and have seen some positive benefits, like in Florida. While we can't promise there will be immediate benefits, it will help put some downward pressure on rates and help make the Nebraska insurance market a little bit more predictable.

JACOBSON: All right. Thank you. Questions? All right. Seeing none. Thank you for your testimony. Any other proponents? You're a proponent. All right. You know, you were a little slower than him to [INAUDIBLE].

BRIAN WALLER: Phillip is pretty impressive. My name is Brian Waller, B-r-i-a-n W-a-l-l-e-r. I'm the vice president of external relations for Shelter Insurance. And I'm happy to be here today to support-- to testify in support of Nebraska LB1137. I-- again, a lot has been said. I agree with it. So I'm gonna touch on one thing that we haven't heard

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today. A year ago, I was advocating for an assignment of benefits bill in Oklahoma. It passed in Oklahoma in 2025. It passed the House 92-to-1 and 42-to-0 in the Senate, though I don't know how much of that credit I can take for those margins. I did reach out to the Kentucky Commissioner of Insurance before that because they had passed a bill there. And she sent me an email so I could share it with legislators in Oklahoma. In her email, she said, Kentucky passed legislation in our 2024 session that will help prevent insurance fraud by the bad actors. This legislation prohibits the assignment of benefits of property claims to a third-party, which is a tactic that many unethical roofers, contractors, and tree removal services use to not only gouge the insurance companies for insured claims costs but also place our homeowners unknowingly at risk for liens against their property. She then says, I have attached a link to the language of this legislation below and strongly encourage the Oklahoma legislators to consider this and other measures to decrease insurance fraud as priority legislation. Insurance fraud increases premiums for all policyholders and, unlike our weather patterns, is one area where positive action may be taken. And they were able to take that there. So we testify in support and wish that you would also take this into consideration here as a step to reduce insurance fraud. I'd be happy to take any questions.

JACOBSON: Thank you. Questions from the committee? All right. Seeing none. Thank you for your testimony.

BRIAN WALLER: Thank you.

JACOBSON: Any other proponents? Proponents? All right. Let's open it up to opponents.

CAEDEN TINKLENBERG: Thank you, Mr. Chairman, as well as the other members here. My name's Caeden Tinklenberg. That's C-a-e-d-e-n T-i-n-k-l-e-n-b-e-r-g. I'm a resident of the 13th District in Omaha. I'm a licensed resident public adjuster here in Nebraska and hold nonresident public adjuster licenses in more than 30 other states. I am also a member of the National Association of Public Insurance Adjusters and currently serve as the president of the American Adjuster Association. As an advocate for policyholders and the professionals who represent them, I have testified on similar bills in multiple other states and to the National Association of Insurance Commissioners as well. However, today, I'm testifying in my capacity as a constituent of this Legislature. I want to begin by stating that I am not opposed to all the changes being proposed in this bill. To

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the contrary, I think there are some items which I believe are well-reasoned and fair. However, on the balance, I believe that many of the changes-- particularly relating to the regulation of post-loss assignments-- do more harm than good by sacrificing consumer choice at the altar of a paternalistic consumer protection. Accordingly, I am opposed to this bill in its current form and urge certain changes if this bill is to advance. I'm gonna skip over the stuff that I agree with and just skip to some of the stuff that we have issues with. So first of all, the cancellation provisions for contractors specifically. I'm not opposed to extending it to the five days. However, I think adding in the provision about the-- if the insurance company denies the claim in whole or in part creates some weird scenarios where that could operate as an unintention-- unintended escape hatch for unscrupulous homeowners to get out of a claim halfway through after some work has been done. For example, if during the course of repairs some unforeseen damages or code issues arise, the insurance may not be liable for those and may therefore deny that portion of the claim. And that could be then used as a premise to get out of any liability to the contractor. I think that creates some issues. Second issue is really a two-part issue related to post-loss assignments and contractor negotiation of insurance claims. Ultimately, I think that-- like I said earlier, assignment of benefits are a consumer choice and that there are plenty of very valid, reasonable reasons for why a policyholder may choose to assign their, their claim. And back during LB743 that Senator Hallstrom mentioned earlier, there was some changes to the law that added additional protections, and I think that's the right direction to go rather than outright banning it. In addition to that, there's been some court cases since then, specifically RID Services v. State Farm, which was Eighth District, and they required that the assignment actually include detailed and definite consideration as part of that contract. And, you know, that actually is what would make the example provided by the, the first lady that testified as well as the attorney about the situation where there was an assignment and there was no defined scope of work. As a matter of law, those assignments currently under the current law would be invalid. So I see I'm out of time, but happy to, to answer any questions.

JACOBSON: Committee questions? Yes, Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you for being here. And I appreciate the, the background on LB743. You've been here for the whole hearing today, correct?

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CAEDEN TINKLENBERG: Yes.

DUNGAN: Did you hear Senator Ballard in his opening talk about the provision of the proposed legislation that bans the post-loss assignment?

CAEDEN TINKLENBERG: Yeah.

DUNGAN: And he made some comments with regard to his desire to not prohibit roofing companies from negotiating on behalf of the person whose home it is or the, the policyholder but simply to ban the post-loss assignment. Can you speak a little bit to the interplay between banning the post-loss assignment and what impact, if any, that would have on the roofer's ability to negotiate on behalf of the policyholder?

CAEDEN TINKLENBERG: Yeah. Absolutely. So as been-- has been mentioned multiple times here, the state of Iowa has done a lot of different things related to this, ultimately stringing all the way back to a 2019 case called 33 Carpenters v. State Farm, where it was determined that, at that time, Iowa had already or was in the process of outlawing assignment of benefits. But the contractor-- 33 Carpenters in that case-- was operating under a valid assignment at that time to do what many of the other gentlemen in this room are doing, which is advocate for-- it kind of gets gray about whether or not they're advocating for the best interests of the, the homeowner, their client, or whether they're advocate for their own interests as the assignee. So if you invalidate the assignment, right, then they're obviously not operating in their own interest. They're operating in their capacity to get the homeowner what they believe should be deserved on their claim and therefore likely a proper scope of work to complete the repair. So there is a-- an interplay there. I do want to say that, in Iowa, they've, they've gone all the way on these particular issues. They're running sting operations against contractors. They're arresting them, charging them with fraud. If you wa-- guys want to arrest half the guys in the room here, pass this bill as it is and they will go to jail for insurance fraud for doing what they've been doing, which, in my opinion, is not, you know, trying to defraud insurance companies. It's trying to get paid the reasonable amount for the work that they're doing so that the homeowners with whom they are providing services to can have their homes repaired.

DUNGAN: And you yourself are a public adjuster, correct?

CAEDEN TINKLENBERG: That's correct.

DUNGAN: Can you-- you speak to this a little bit in your testimony, but can you speak, I guess, broadly to the difference as outlined by the courts and in your experience between the practices that are happening with the roofers that we're talking about and public adjusters and where they intersect and where they don't? What, what are the different practices that are happening there?

CAEDEN TINKLENBERG: Yeah. So generally, I would consider public adjusters to be slightly more experts, especially in the insurance space specifically. But we offer a service that we get paid for. We-- most public adjusters operate on a contingency basis. So we are attempting to get the insurance company to pay what we believe they owe under the policy for the claim for the damage that we believe exists so that-- as, as a fiduciary, as me-- was mentioned earlier for a public adjuster-- for our client, I should say. But that's a paid service. The, the homeowner has to hire us and has to pay a fee. So unless, you know, this Legislature's going to pass laws that shift the cost of the public adjuster fee to the insurance company when they wrongfully underpay or wrongfully deny a claim, in order for the consumer to get a fair shake on their claim, they're having to come out of pocket to afford our fee. Where the roofers are at act-- acting is they're not charging a separate fee for that, right? They're essentially providing this service pro bono. Again, there's indirect benefits that, if they succeed, they will likely get a profitable project to, you know, act as contractor on. But they're not charging any specific-- there's no extra cost to the policyholder, you know, for that service. Now, that being said, there are some contractors that utilize assignments to negotiate with the insurance company and represent their own interests and are unsuccessful in doing so. And you've heard testimony about those contractors then hiring attorneys to sue the insurance company. They also hire me as public adjuster so I can come in and-- in that capacity, I am operating to represent both the interests of the named insured on the policy as well as the contractor. And there's testimony-- or, provisions in this law that basically say that that is always a conflict of interest, when, when there's two different parties that could benefit from my involvement. That's not always the case. It's an alternative interest, for sure. But more times than not, those interests align more than they actually conflict. And so I'm a big proponent of disclosure and increasing the specificity of that disclosure so that the consumers can make an educated choice and not have, you know, the law essentially make that

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choice for them and take an option off the table that, as we just heard in testimony, nine times out of ten goes just fine.

DUNGAN: I appreciate that. Last question I'll ask you-- and you kind of actually jumped on it a little bit with what you-- your answer was. Do you know of any states or are there any provisions out there that do shift the cost of the public adjuster or sort of require a mandatory public adjuster in sort of a mediation sense be provided for by the insurance company at the request of a policyholder?

CAEDEN TINKLENBERG: Not specifically. There have been some laws proposed specifically by the American Adjuster Association-- which I'm the president of-- in other states. Illinois is an example of one. Colorado, Georgia-- bills have been introduced to suggest that that become the law. However, none of them have been successful.

DUNGAN: Thank you.

CAEDEN TINKLENBERG: Mm-hmm.

JACOBSON: I, I guess I have a-- I, I find it interesting you're saying choice, but when a roofer has a contact with the, the, the loss-- the, the, the customer who's got the loss, they're not having multiple people coming making them an offer. You've got one person saying, sign this assignment of benefits and we'll take care of everything. That's usually what's happening. So there's really not a big consumer choice here, it seems. You just-- I'll take care of the whole thing. We'll get it covered. I-- I'm still back to the first part of-- it seems to me if we have a loss, you hire a roofer to come to fix your roof, and they work with the insurance company, and all I care about is that the insurance company agrees to pay everything except my deductible. And, and in most cases, that happens. Is that, is that true?

CAEDEN TINKLENBERG: I, I would say yes. More times than not, the insurance company does do what's right.

JACOBSON: So there's really no, no need for a, a post-loss assignment.

CAEDEN TINKLENBERG: Well, there's the examples where the insurance company doesn't do what's right.

JACOBSON: But you can always get a post-loss assignment later if the insurance company refuses to pay, can't you?

CAEDEN TINKLENBERG: You, you could, unless this bill is passed.

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JACOBSON: So why would you need to get it right out of the gate?

CAEDEN TINKLENBERG: Well, there's multiple different reasons that could be proposed for that. You know, I'll, I'll take the most nefarious of those, and that's that the contractor does want to have that control, they do want to be in charge of the claim.

JACOBSON: Why? Why do they want to be in charge of the claim?

CAEDEN TINKLENBERG: Because there's logistical hurdles to working through the homeowner that is not sophisticated. And, quite frankly, most homeowners want nothing to do with their claim. They want nothing to do with it.

JACOBSON: They just want the insurance company to pay.

CAEDEN TINKLENBERG: Right.

JACOBSON: What, what--

CAEDEN TINKLENBERG: Well, really, they want the repairs done. They don't care what the insurance company pays.

JACOBSON: They want the repairs done and they don't want to pay more than their deductible.

CAEDEN TINKLENBERG: Right.

JACOBSON: Isn't that really the answer?

CAEDEN TINKLENBERG: Absolutely.

JACOBSON: OK. That-- that's my point, is that-- I-- I'm just looking at all of the cases that are out there on post-loss problems. I-- I'm just appalled that your testimony is what it is, but I-- it-- you know-- it-- it's your testimony.

CAEDEN TINKLENBERG: Yeah.

JACOBSON: You also indicate that if the law were to change where we would-- the insurance company would be forced to pay for recoveries by folks in your position, doesn't that just move us to the next-- then wha-- then what-- your incentive is to get more money paid above and beyond what the repairs should cost.

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CAEDEN TINKLENBERG: No, that's not my incentive. My incentive is to get paid what the insurance company owes under the policy to pay.

JACOBSON: But how do you get paid above and beyond that I guess is the question. What, what would you be paid above that?

CAEDEN TINKLENBERG: I-- I'm sorry. I don't understand your question.

JACOBSON: Well, the homeowner has a loss.

CAEDEN TINKLENBERG: Mm-hmm.

JACOBSON: The homeowner has insurance.

CAEDEN TINKLENBERG: Mm-hmm.

JACOBSON: They hire a roofer to come that they trust to repair their roof correctly. The, the homeowners-- the roofer says this is what it's going to cost. They get in contact with the insurance company. They say, here's what it's going to cost. They look at it and say it's-- we agree.

CAEDEN TINKLENBERG: Mm-hmm.

JACOBSON: So customer pays their deductible. Insurance company pays the rest to the, to the, to the contractor to fix the problem.

CAEDEN TINKLENBERG: I agree. That sounds great.

JACOBSON: The problem comes in when the insurance company says, we're not going to pay you that much. We're going to pay less.

CAEDEN TINKLENBERG: Mm-hmm.

JACOBSON: Then we need an expert opinion as to what that should cost. Insurance companies, adjuster, and whoever else is in between.

CAEDEN TINKLENBERG: Mm-hmm.

JACOBSON: So you're telling me that the roofer doesn't have an incentive if they have a post-loss assignment, but they clearly do. They get all the money that they collect above and beyond the cost of repair. It goes to them with a post-loss assignment, doesn't it?

CAEDEN TINKLENBERG: I don't recall saying that they don't have an incentive to, to get paid by the insurance company.

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JACOBSON: OK. But, but you, you would say that they do. I mean, it-- once they get that--

CAEDEN TINKLENBERG: Yeah.

JACOBSON: --they own the claim. Isn't that really a lot of the over-- overriding reason that they want that assignment?

CAEDEN TINKLENBERG: To, to have control over the claim, yes. That--

JACOBSON: And, and get whatever additional dollars they can get from the insurance company.

CAEDEN TINKLENBERG: Well, I think every business is in the business of making profit, right? And--

JACOBSON: Above and beyond that.

CAEDEN TINKLENBERG: Well, no. The question becomes what is the reasonable profit, right? And the insurance company thinks a lot of times it's less than what it actually is.

JACOBSON: OK.

CAEDEN TINKLENBERG: And the homeowners have no interest or, or dog in the fight, so to speak. They just want their repairs [INAUDIBLE]. They don't, they don't care what the profitability that their contractor has is, right? The assignment creates a more efficient mechanism for the contractor to get paid what their reasonable costs are.

JACOBSON: I would just state that every homeowner would have an interest in what their insurance company pays because it will have an impact on their premiums.

CAEDEN TINKLENBERG: Sure. If, if you want to draw the, the connection between the dozens and dozens, apparently, cases in the past year and ballooning insurance premiums, that's your prerogative to do so. I have not seen evidence that supports that.

JACOBSON: OK. Well, I-- we-- I disagree on that, but thank you--

CAEDEN TINKLENBERG: That's fine.

JACOBSON: --for the testimony. Senator Hallstrom.

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HALLSTROM: In, in your testimony you indicated, if I heard you correctly, there's a gray area whether the contractor is representing the homeowner or themselves. Is that post-loss assignment?

CAEDEN TINKLENBERG: That would be in the context of a post-loss assignment. Right?

HALLSTROM: So can you to me, after there's a post-loss assignment and I as the homeowner have assigned all of my rights-- I'm out of the picture--

CAEDEN TINKLENBERG: Mm-hmm.

HALLSTROM: --how is there any issue or gray area as to who the contractor's representing at that point?

CAEDEN TINKLENBERG: Well, it wouldn't be who the contractor would be representing. It would be who I as the public adjuster am representing.

HALLSTROM: OK. Thank you.

CAEDEN TINKLENBERG: Yeah. And, and so if the assignment of benefits, the post-loss assignment, is valid and legally enforceable, it's very clear that I'm representing the interests of that client because they are stepping into the shoes of the policyholder. They become the insured. They become the legal person entitled to those fees. However, according to RID Services-- a case a couple years ago-- there's very intense requirements, very strict requirements for what has to be included in a post-loss assignment for it to be valid. And so there's always that risk-- I'm not an attorney. I am not going to try to determine whether or not that post-loss assignment is valid at that point.

HALLSTROM: My question, how would you ever ferret out those issues?

CAEDEN TINKLENBERG: Yeah. I, I don't, right? That's why I have both parties sign the contract, right? That way, whoever is found to be legally-- you know, have the legal authority to hire me, both have.

HALLSTROM: OK. Thank you.

CAEDEN TINKLENBERG: Mm-hmm. Thanks.

JACOBSON: Other questions? If not, thank you.

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CAEDEN TINKLENBERG: Thank you.

JACOBSON: Next pro-- or, opponent.

JACQUELINE BOUC: My name's Jacqueline Bouc, J-a-c-q-u-e-l-i-n-e; Bouc, B-o-u-c.

JACOBSON: Thank you.

JACQUELINE BOUC: And thank you for allowing us to speak. I was so glad he spoke because I was looking up what public adjusters cost. It's 10% to 15-- to 20% of what they get for you. So if my house, which is now still having a problem because I had a-- I had some work done on it because of, of hail. So there's still-- the contractor is still fighting with the im-- the insurance because they put decking on my roof. Well, you know, in order to replace my roof, it had to have decking, according to the city code. So now they're denying the decking, saying it wasn't damaged by the hail itself. So they're still fighting that. And thank God that they-- I did have them because I would have a lot of damage going on in my home again. But also, if, if you put it into money, say my, my-- \$58,000 was the cost-- 10% of that is \$5,800, plus my \$2,000 deductible. Mind you, I have gold star service on my insurance. And I've paid in good faith all this time for 20 years. So if it's only 10%, that means \$7,800. If it goes up to 20%, then you're looking at \$13,600. And there's no way I can go out of my pocket and hire a insurance ad-- public insurance adjuster to be able to get my house fixed. That's where the problem comes. That's a lot more. I pay more for my insurance every month than I do for my taxes. And I've only got a small house. And that's all I can afford on Social Security. And so what you're proposing in this is extreme. We're gonna lose our homes. And not only that, if we go with-- cause the insurance sent out an adjuster. I called them first when I had the damage. Called them first, they sent out an adjuster. He only did so much. And then I said, call a, you know, contractor. Called a contractor. He says, there's a lot more done here. And he-- so he called them and argued with them for weeks and weeks until they finally sent out another adjuster. And when they sent out the other adjuster, he agreed. And I'm like, are they sending out incompetent people or are they sending out people to-- who have a, a financial gain for not pushing it for covering the customer, that they get a financial gain if they don't have so much going out? So I don't feel like this is looking out for the customer. I am concerned. Because as it is, it's hard enough to pay my taxes without having to have that additional cost.

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JACOBSON: Thank you. Questions? Seeing none. Thank you for your testimony.

JACQUELINE BOUC: Thank you.

JACOBSON: Next opponent. For those of you who are, are still going to testify, if you could move to the front seats, it might make it easier to, to get in position and give your testimony. Go ahead.

TYLER FRIEND: Good afternoon, members of the committee. My name is Tyler Friend, F-r-i-e-n-d. I am here representing Home Solutions in Nebraska, a locally owned and operated contracting company. I'm a Nebraska resident. I work directly with homeowners across our state after hail and storm damage. I support efforts that generally protect consumers and promote ethical standards in the construction and insurance industries. However, I have serious concerns about the portion of LB1137 that would restrict contractors from communicating directly with insurance carriers. I know that it has been stated that alterations will be made. However, in Iowa they did similar-- they made-- they had similar bills and it ended up making it so contractors could not communicate whatsoever. It will be an unintended consequence. On paper, this proposal may sound like a consumer protection. In practice, it removes one of the only knowledgeable construction voices many homeowners have during an already confusing and stressful claims process. The average homeowner does not understand roofing systems, siding assemblies, building code upgrades, or current material pricing. They often do not know when something important is missing from an estimate or when a scope of work is incomplete. When a contractor is prevented from discussing these technical details, the only party left at the table with the construction familiarity is the insurance carrier, whose adjusters are often required to evaluate a wide range of building systems outside of their primary expertise. That does not create balance; it removes it. Every day, I meet families who are overwhelmed with a storm. They rely on experienced professionals to explain what is actually required to restore their home safely and properly. Preventing contractors from advocating for accurate repair scopes doesn't stop bad actors; it silences qualified professionals and leaves homeowners trying to argue technical construction issues they are not trained to understand. I am concerned this bill could unintentionally push Nebraska homeowners into a system where they must either accept incomplete repairs or hire expensive attorneys and public adjusters simply to have basic construction facts acknowledged. That will increase cost, increase

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conflict, and slow down recovery after major weather a-- an-- events in our communities. If the goal is to prevent fraud, I believe we should focus on enforcing licensing requirements, strengthening accountability, and targeting unethical behavior directly. But removing ability for contractors to communicate factual, technical repair information to carriers does not protect the consumer; it isolates them. So I really think we need to look at the language that is used in this bill. If a, if a homeowner like the individual that came up previously is forced to pay thousands of dollars, if not tens of thousands of dollars, to do-- to get a claim completed correctly, that they only intended to pay their deductible, they will not be able to afford this process and they will no longer be able to get their homes repaired. So--

JACOBSON: Thank you.

TYLER FRIEND: Thank you.

JACOBSON: Questions?

TYLER FRIEND: Yeah.

JACOBSON: Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you for being here today. If I could-- and I don't want to put words in anybody's mouth-- but if I could broadly probably oversimplify the, the issue that I think this bill is seeking to address is a concern that some have that contractors are lying about the cost of things, right? They get this post-loss assignment, they then try to work with insurance to drive up the amount of money that they're going to get out of some desire for profit, right? That's I think what we're talking about here and whether that's real or not.

TYLER FRIEND: Correct.

DUNGAN: Obviously, there's bad actors in every circumstance. In your experience and based on your expertise, can you explain reasons that you as a contractor might push back on what the insurance company initially says they're going to pay for those costs and circumstances where you may disagree with what that payout is al-- is going to be originally?

TYLER FRIEND: Yes. So 91st-- 90% of the claims, if not higher, the initial scope of work that is presented to us is nowhere near

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complete. Usually missing key components. Let's say roofing-- I'm not just a roofer. I am a roofer. I'm a sider. I do windows. I whole home exteriors. So when you say roofers-- during a hailstorm, everything gets damaged. There is a ton of components that go into fixing a house that has been through a storm. An adjuster is on-site for an hour taking photos. They are not experts. And they try to write up a scope of work line by line to address every single piece and component that needs to be repaired. They can almost never complete that. So every single time, there are items that are missed that I have to then negotiate and present to the carrier to let them know, this is what you missed; this is why it needs to be done. If this bill passes with the language that is presented, if I do that, I could have-- I could, I could be a felon. And that is just from me trying to present the facts that are on-- that are on the house, that I'm showing you would need to be done to repair the house.

DUNGAN: And then the last follow-up question I have. To the best of your knowledge-- and maybe you're not an expert in this area-- and that's OK if you don't know the answer. But if you were to have this post-loss assignment and go negotiate with insurance, if you were to, under current law, try to jack up that price just to make a profit, is that currently prohibited by the insurance fraud statutes?

TYLER FRIEND: That I, I don't know. I will say this. I, I do not do many assignment of benefits. When I do is extreme cases. And I have not done it recently. However, my contract states that I will only do line by-- I will do line by line every single thing that I get approved. So I am not out there, you know, saying, oh, I'm going to get your roof, your siding, your windows all approved and I'm only going to do the roof because all you called me for was your roof. No. I do every single line item that I get approved. And insurance carriers use very specific estimating systems where you have to present every single thing with every single measurement. If there's a difference, you have to tell them exactly what that component is, how much it costs, what it measures, what the material cost is, and what the labor cost is. I have to do every one of those components.

DUNGAN: And then-- sorry. I-- made me think of one last thing. I apologize. So you said you don't do a lot of post-loss assignments.

TYLER FRIEND: Correct.

DUNGAN: When you do those, what is the benefit or the virtue of doing it? So you don't do that in every circumstance, it sounds like.

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TYLER FRIEND: Correct.

DUNGAN: But when you do have to do it, why?

TYLER FRIEND: So the biggest issue that I find: insurance carriers have no obligation to speak to me as the, as the contractor. They have zero, zero legal ramification to completely ignore me. If an in-- if an insured calls me and says, hey, I need you to get this fixed and I want you to present it to the, the carrier because I have no idea what I'm talking about, I will attempt to do that, and the carrier will completely ignore me. Not in every situation, but in many. A lot of times, I will then rely on the insured to then relay stuff, relay communications. I have customers who have no email, have tough time with memory, cannot communicate well, and I have to be their voice. But they can't be a voice for me. And-- again, the carrier has no reason to speak to me. So in those cases, I am then forced to either tell that, that consumer to get-- to pay for an expensive attorney, expensive public adjuster, or assign me as the, the beneficiary of the claim, and then I can then be the person who is talking to the carrier. And that would be the only situation I would use that.

DUNGAN: Thank you.

TYLER FRIEND: Yeah.

JACOBSON: Senator Hallstrom.

HALLSTROM: If we can come up with the magical language to allow you to discuss-- continue to discuss the scope of the repairs that you believe are needed as opposed to advocating for or representing the homeowner on insurance claims, would that address the issue that you're concerned with?

TYLER FRIEND: I believe it would be a very fine line and a hard one to do. Carriers have large legal teams that contractors and homeowners do not, and they are able to figure out things that we cannot. So that would be my concern. And also, again, just like the sit-- situation I brought up, where I have a customer who does not communicate well and, and doesn't even have the means to communicate, in that situation, then their only option that is left is then to pay money to a public adjuster or attorney who could be tens of thousands of dollars. And I've seen them exceed even that. And many customers do not have those funds.

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HALLSTROM: But do you believe that contractors should be representing on the insurance claim itself without being licensed as a public adjuster?

TYLER FRIEND: It's a fine line. Again, I try to just present the facts that I see. I do not bring up policy. I don't ask for policy language. I don't try to communicate any contractual language to the, to the, to the carrier, but it's a fine line as to what-- what even I'm presenting, is that me acting as a public adjuster? And some say it is. I feel I'm just presenting here. This is what you missed. But that-- but-- you know, that, that coul-- that should be a-- the cost of a-- apparently a public adjuster who costs tens of thousands of dollars to just address simple construction facts.

HALLSTROM: Well, it doesn't sound like you're the problem, but the Jackson 5 had it wrong because sometimes one bad apple can spoil the whole bunch.

TYLER FRIEND: Certainly. Yeah.

JACOBSON: Other questions? All right. Seeing none. I would just say that I think we heard testimony before that insurance companies welcome the contractor to be there to ha-- discuss the damage. And I think that is the rule rather than the exception. And that I don't think there's anything we've talked about today that would not-- that would change the language that would not allow the contractor to be there when the discussions are being held with the insurance-- insurer. So that seems to be new language for us, but I think there's a commitment by the committee to get the language right so that that can happen.

TYLER FRIEND: Yeah.

JACOBSON: But there are certainly exceptions. We could all bring an exception and say--

TYLER FRIEND: I have many. Yeah.

JACOBSON: --this is here, this person can't speak for themselves. OK. I got that. That's not the overwhelming majority of the people that are having issues now, as we found with the gal that spoke early that said there was a \$40,000 excessive charge by the contractor that she had to fight back. So there, there, there--

TYLER FRIEND: There's bad apples--

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JACOBSON: [INAUDIBLE] a lot of exceptions as well. So we-- that's what we've got to weigh out.

TYLER FRIEND: Yeah.

JACOBSON: But thank you for your testimony. How are you?

JAMES EGGERS: Good. Thank you, Mr. Chairman. And thank you, members of the committee. My name is James Eggers. And I am here on behalf of Millard Roofing. More importantly, I appear before you as someone who has spent the last 30 years serving Nebraska homeowners in moments of real need. I am grateful for this opportunity to share my perspective, and I hope my testimony is helpful as you consider LB1137. LB1137, while has some good intentions, would significantly reduce the rights and options available to Nebraska homeowners. The assignment of benefits is a tool that empowers homeowners to have a trusted and experienced professional assist them during what is often a stressful time. These assignments are not unique to Nebraska. They are permitted in almost all states across the country. Removing this option would make our homeowners vulnerable to more denials and out-of-state contractors willing to ignore the full extent of the storm damage. Excuse me. It is important to note that there is no data to support the idea that allowing homeowners to assign their rights after a loss leads to increased claim costs. In fact, the practice is allowed in 43 states and is-- there is simply no evidence suggesting that AOBs create greater financial burdens on insurers or the system as a whole. Most families only experience one or two major property claims in their lifetime. Navigating the claims process can be overwhelming, especially when already coping with the actual property damage. The ability to freely contract and assign their authority to a contractor gives homeowners access to someone who can manage the paperwork, negotiate on their behalf, and act quickly to restore their home. Importantly, contractors like myself only accept these assignments after confirming there's actual covered damage. And when doing so, the risk and responsibility of recovery fall upon us, not the homeowner. I would humbly ask the committee to consider who will assist Nebraska homeowners if and when they lose the right to assign an authorized, an authorized, experienced local contractors to represent and negotiate their interests. Without the right of an AOB, homeowners will be left to handle complicated repairs, debates over damage all on their own. This also-- also opens the door to more out-of-state storm chasers who, lacking ties to our community and accountability to local standards, too often complete subpar repairs and leave while taking our resources out of state. I want to bear-- I want to, to be clear

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that I respect the essential role of insurance companies and what they play in protecting all of us. This is not about limiting their ability to serve policyholders. It's about ensuring homeowners have the choice to support the need when disaster strikes. The current system works well for countless Nebraskans, balancing interest and fostering accountability for all parties. For these reasons, I respectfully urge you to oppose LB1137 and preserve invaluable homeowner rights that allow Nebraskans to choose qualified, local professionals just as thousands of Nebraskans have done over the last hundred years. Thank you for your time.

JACOBSON: Thank you. Any questions? Senator von Gillern.

von GILLERN: Yup. Thank you for being here.

JAMES EGGERS: Thank you.

von GILLERN: What, what per-- I don't know if I want to ask this in a percentage. What percentage of projects that you do, do you ask for a, for a post-loss assignment?

JAMES EGGERS: Over the last 15 years, about 90%.

von GILLERN: OK. So that's, that's, that's a model that you operate under and then-- apparently has been successful.

JAMES EGGERS: It's been enormously successful. It allows us a clear line of communication with the responsible party for the, the work that needs to be prepared. We don't begin any work until the insured has an opportunity to investigate, and that's what can delay the process.

von GILLERN: OK.

JAMES EGGERS: And--

von GILLERN: What, what percentage of that 90% ends up with a legal claim against the insurance carrier?

JAMES EGGERS: Less than 1%. We've done thousands of claims in the last ten years. And over the last ten years, we've only had one go to trial.

von GILLERN: That wasn't the question I asked.

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JAMES EGGERS: Oh, I apologize.

von GILLERN: No. I said how many of those result with a legal claim against the insurer?

JAMES EGGERS: Less than 1%.

von GILLERN: Less than 1%.

JAMES EGGERS: Of our, of our work.

von GILLERN: Where you make a fil-- where you file a, a-- and maybe legal claim is not the-- where you pursue the insurer for additional payment.

JAMES EGGERS: If we file a lawsuit against the insurance company's what I understand.

von GILLERN: And I know, I know we're not allowed to conflate-- that's a word that I hear a lot-- used, used here a lot.

JAMES EGGERS: So very small--

von GILLERN: That seems inconsistent with the bill that we discussed last year, where there was a high number of claims that were made on your behalf. Legal claims against insurers.

JAMES EGGERS: I think that the insurance industry wants you to believe that this is a big problem. But as you can see here today, there weren't any proponents of the bill for anybody really other than a couple people who expressed dissatisfaction.

von GILLERN: And, again, this is, this is a business model that you work under. Apparently has been successful. What, what do you disclose to the, to the homeowner? This is what a, a post-loss assignment means, this is what it-- the outcome of it. And you disclose to them their right to cancel a contract?

JAMES EGGERS: 100%. It's listed out in our contract. Actually, our contract has four pages. We actually provide the current regulations and law assigning a claim. Not only that, we have a second page that outlines exactly what their financial responsibility is and how their financial responsibility is complete with the assignment and their payment of their deductible and that there's no recourse to them. If

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we complete the work and bill the insurance company and cannot recover, then we have to take on that cost.

von GILLERN: OK. Thank you.

JAMES EGGERS: And that-- and that's how it should be done.

JACOBSON: Other questions? Senator Dungan.

DUNGAN: Tha-- thank you, Chair Jacobson. Thank you for being here. Just to extrapolate a little bit more on one of the things you said. You said that when you have that assignment of benefits, you take on both the benefit but also the risk. Can you speak more to what the risk would be in that circumstance?

JAMES EGGERS: So there's significant risks when working on property claims. A lot of times, the insurance companies have a program where they'll-- they, they come out and they'll assess the property. And just like the gentleman that is a public adjuster or representing the public adjusters, as all the contractors here know, there's a protocol of denial. And so when you take an assignment of claim, the cost is considerable because you have to have administrative staff providing the evidence to the insurance company. And then not only that, all the time and effort it takes to help them understand what, what has to be done and why. And a lot of times, in-- insurance companies will make you go through three or four steps through that process that-- to receive 80% of the actual cost.

DUNGAN: And you also, in response to Senator von Gillern's question, said that one of those cases had gone to trial of the 1% that you have claims on. What was the result of that case in court?

JAMES EGGERS: So over the last ten years, we've had thousands of assignments. We were successful in court over a \$4,500 claim. The insurance company spent over \$200,000 battling us. And it's our opinion that they did that because they didn't want there to be accountability over these holdbacks that they do consistently with all contractors.

DUNGAN: So what was the outcome of that litigation?

JAMES EGGERS: We won.

DUNGAN: OK. Thank you.

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JAMES EGGERS: Thank you.

JACOBSON: Other questions? Senator Hallstrom.

HALLSTROM: You talked about the additional administrative expense. How wou-- how does that differ when you're trying to advocate for the consumer without an assi-- and maybe you don't have that much experience, but if you didn't have an assignment of claim, wouldn't you be going through the same process if you're standing up for the homeowner in, in a similar fashion?

JAMES EGGERS: We, we wouldn't be allowed to-- we wouldn't be recognized as a, a, a party that they had any liability for. The insurance industry would just ignore us. And then we would have to do it for whatever the insurance company thought was the right amount.

HALLSTROM: But the previous witnesses have said they go on behalf not to, not to negotiate the insurance claim but to advocate for what repairs-- the scope of, of the repairs that are needed. Isn't that part and parcel of, of what you would do? Are you-- if, if you're telling me that the insurance company disregards you, that's counter to what the others are saying. That's, that's the benefit that we bring to them.

JAMES EGGERS: That-- that's not what I've heard in terms of not having an assignment. I think you'll ask everybody here that-- if they don't take an assignment, then what ends up happening is they end up having to either ignore certain areas of the work that need to be completed that are required or they just don't do that area of the work and then leave that unfinished with the, the homeowner because they don't have any responsibility to do that work. When you take an assignment, I'm now required-- any storm damage that I've agreed to take assignment on, I have to complete in a good and [INAUDIBLE] manner at my cost. This whole notion that somehow the, the homeowner doesn't have any control. They get the checks. The, the-- they don't-- we don't get the checks until we perform the work, and the homeowner decides when that is released to us. So there are ca-- there are safety nets for assignments. So I don't want that to be misunderstood.

HALLSTROM: And, and I didn't necessarily hear or interpret the other contractors to say that, but that may have been my hearing, so.

JAMES EGGERS: Appreciate that. Thank you.

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JACOBSON: Other questions? I, I, I guess I would just say that [INAUDIBLE] looking last year, I looked at page after page after page of lawsuits filed by your company against various insurance companies, which is evidently part of the model of always take a post-loss assignment, hold out with the insurance company, force them to pay more, or file a suit against them. And if they don't settle the lawsuit, go to court and get your attorney's fees paid if you can get an award anything greater than what you originally filed for.

JAMES EGGERS: That's actually not accurate. And, and I don't believe that you're trying to be inade-- inaccurate. I believe that the industry is showing you something and then throwing it at the, at the moment so that you would believe that somehow--

JACOBSON: Well, the stuff I saw i-- were actual lawsuits filed.

JAMES EGGERS: And, and--

JACOBSON: And I, and I-- so I'm just-- I'm, I'm, I'm kind of interested that as you move out west, this practice isn't done. Homeowners are happy. Insurers are happy. The work's getting done. For so-- for some reason, we get further east and suddenly everything's got to be a post-loss assignment, everything's got to be a fight. I, I don't understand why-- I mean, I-- I'm assuming that the insurance company sends their adjuster out, they look at the damage, and you're probably rarely going to ever agree with them after the first look on-- both of you.

JAMES EGGERS: We spoke to 12 contractors in North Platte, 6 on Friday and I think over 10 this morning, and they have the, the same opinion about their, their experience with--

JACOBSON: I would tell you that the largest one in North Platte sits on my board and completely refused that and says he fully backs this bill.

JAMES EGGERS: And there are, there are contractors that are preferred vendors with insurance companies because they ref-- they receive free leads. And the largest contractors in Omaha, in North Platte, in all these cities are preferred vendors. So they do it for whatever the insurance company tells them to do it for, because otherwise they risk losing the preferred vendor status. So, so I can appreciate that.

JACOBSON: I, I chose the roofer myself. He wasn't a preferred vendor. I made the choice as to who it would be, as others do in North Platte.

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The-- I look-- I know who the biggest roofers are and, and people make the free choice as to whether they want to hire them. They look at it. They work with the insurance company. And I-- the next thing I know, I'm writing a check for the deductible and I'm out.

JAMES EGGERS: I'm sure with your influence, Senator Jacobson, insurance companies--

JACOBSON: Well, I-- not me. I, I-- everybody in my neighborhood. We've had-- major hailstorms have come through North Platte. I've not heard anyone who's had a problem with a settlement with their insurance company. No one. I mean, I realize that, that the guy that gets paid for doing professional adjusting feels otherwise, but I'm sure he works for a number of roofers who are working this side of it as well. But I'm not hearing complaints. I just don't hear them. At the bank, we have, we have to deal with this-- with the claims and the-- and-- of, of, of insured properties. We just don't hear this.

JAMES EGGERS: I'm, I'm not aware of Senator Ballard interviewing any roofers prior to-- in Omaha or anywhere outside of this area about what types of complaints-- and I, I believe that the, the contractors that are here today on their own, own accord will be able to express their challenges.

JACOBSON: And we'll hear them. So thank you for your-- thank you for your testimony.

JAMES EGGERS: Thank you.

MARK GOKIE: Hello.

JACOBSON: Go ahead.

BOBBY MCKINNIS: I'm a Nebraska fan too, just by the way. Born and bred. Good afternoon, members of the Banking, Commerce and Insurance Committee. My name is Bobby McKinnis, B-o-b-b-y M-c-K-i-n-n-i-s. I am a Nebraska roofing contractor appearing in opposition to LB1137. I appreciate the Legislature intent to protect consumers and prevent fraud. Those are goals we all share. However, after reviewing introducer's statements of intent, I am deeply concerned about the practical impact of the bill on the Nebraska homeowners. This bill states that residential contractors would be prohibited from negotiating with an insurer on an insurer's behalf. That language is significant. After a storm, homeowners are suddenly placed in a complex insurance process. They most-- they must interpret scopes of

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loss, building code requirements, line-item pricing, and repair standards, often while their home is damaged and their family's under stress. Most homeowners are not construction professionals. Contractors are often the only practical resource available to help them understand what repairs are required and whether an insurance scope accurately reflects the damage. When a contractor explains that a certain line item is missing, that building code requires additional materials, or that pricing does not reflect real-world cost, that is not fraud. That is a professional input based on construction knowledge. If contractors are prohibited from negotiating or assisting and discussing about repair scope, homeowners are left to face trained insurance adjusters alone. The bill also references strengthening protections of updating public adjuster laws. I would respectfully point out that if homeowners are no longer allowed to rely on contractors for assistance, their only alternative may be hiring a public adjuster, often a cost of 10% to 15% of the total claim. For a Nebraska family with a \$30,000 roof claim, that could mean thousands of dollars diverted away from the actual repairs. I personally worked on projects where a licensed public adjuster handled the claim. In those cases, the public adjuster negotiated and ultimately settled the claim. And I had limited input in the final scope determination. My role was not to negotiate the claim itself but to provide technical construction information, including roof system requirements, building code items, and actual repair cost. That experience reinforced an important distinction: contractors are construction professionals. Our role is to provide factual, technical information about building systems, code requirements, and the actual cost to properly restore a property. If this bill removes contractors from those conversations entirely, homeowners will either have to hire a public adjuster or attempt to navigate complex construction scopes on their own. That is not increased consumer protection. That is increased consumer cost. Additionally, the fraud provisions referenced in this bill expand liability related to statements, estimates, proof of loss, or documents alleged to misrepresent scope or cost. In a construction, scope disagreements are common. Criminalizing estimate differences risks creating fear and legal exposure for legitimate contractors acting in good faith. Fraud should be punished, but good faith estimating and communication should not be restricted. Nebraska homeowners deserve the freedom to choose who assists them, the ability to restore their homes efficiently, protect from fraud without losing practical support. I respectfully ask the committee to amend LB1137 to preserve homeowners' choice in who may assist with property damage claims, allow contractors to, to communicate factual

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repairs, scope, and code requirements, clearly define intentional fraud to avoid criminalizing good faith estimate differences, ensure homeowners are not forced into costly paid representat--

HALLSTROM: If you can wrap up, please.

BOBBY McKINNIS: Sure.

HALLSTROM: Thank you. Excuse me. Any questions of the committee? Thank you.

BOBBY McKINNIS: Can I say one more thing? Can I just read this?

HALLSTROM: Certainly.

BOBBY McKINNIS: OK.

HALLSTROM: If it's short.

BOBBY McKINNIS: Just the last paragraph because it-- just has a difference in this. I will-- also want to clarify an important distinction [INAUDIBLE]. A contingency contract and assignment of benefits are not the same thing. A contingent agreement simply allows a homeowner to move forward with repairs if their insurance claim is approved while the homeowner retains control of the claim itself. An assignment of benefits, on the other hand, transfers certain payment rights to the contractor. If there are concerns about the abuse of the assignment, those concerns can be addressed specifically and narrowly. However, eliminating post-assignment rights entirely may remove a legitimate tool that some homeowners use to facilitate timely repairs and resolve payment issues eff-- efficiently.

HALLSTROM: Thank you.

BOBBY McKINNIS: Thank you guys very much.

HALLSTROM: Next witness.

STEPHEN SCHLIFE: Good afternoon. My name is Stephen Schlife, S-t-e-p-h-e-n S-c-h-l-i-f-e. I live in northwest Lancaster County. I'm representing myself. I would thank Senator Ballard for letting me meet with him last week. And I wrote my comments regarding the summary and the bill that was presented. And I realize maybe some changes are going to be made. I got hailed out in April like a lot of people did in my area. The on-site adjuster for the insurance company came out.

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My contractor had already gone through the farm and, and knew the hail damage. The contractor was very-- the adjuster was very nice. But as we moved through, if he missed something, my contractor would point it out. He would go back-- he agreed with all five of the areas he missed and added them to, to his list. Although I will say, some of them-- by the time it got to the in-company adjuster, some of them were gone. And I'm still negotiating on those after five months. I, I say I have the adjuster from hell. I got up-- I got-- I was tough enough that-- a couple months ago, I asked to meet with my agent. The-- we had the adjuster on the phone, my contractor, myself. We made very little progress. A couple areas that, that were, were-- they were lowballing us. My contractor said, I sent you these pictures twice. I'm going to send them right now. Would you look at them? Well, you can verify this. The con-- the adjuster finally did. In a minute, said, OK, I got those. Before that, she wouldn't return our calls. It was just really tough to deal with. The adjuster made a statement in front of our agent, said, well, maybe you hired a contractor that's too expensive. Maybe you should've hired a cheaper contractor. I then said, will you guarantee the work of a cheaper contractor? Oh, no. We won't guarantee anything. 20 years ago, I got hailed out. I took the cheapest bid. Three years later, I had a major roof with damage. The, the roofer said, well, you only had a one-year guarantee, so we can't help you. Hiring the cheapest people are not the way to go. I've learned in this. My contris-- contractor's not reimbursing me for quite a bit of money. If-- it's, it's over the amount that I think would be a felony in the state. That scares me, in that they have the power to say yes or no. By not allowing my contractor to help represent me in meetings with the insurance company and with the adjuster, you're putting me at a major disadvantage. When I first saw this bill and the summary I thought, oh, the state's going to help protect me from, from work that, that I should-- that should be done and should be paid for. Then I realized in the first reading, this bill's gonna hurt me. Nothing's gonna help me in this bill as a homeowner. This is gonna hurt me. I'm a, I'm a pretty knowledgeable homeowner. I've been on the farm for 75 years. Both my wife and I have advanced degrees. I spent 20 years traveling the state, carrying EPA credentials, getting into renovation and, and worksite. I'm more knowledgeable than the company adjuster that I'm trying to work with. That shouldn't be. Thank you for your time.

JACOBSON: Thank you. Questions? All right. If not, thank you.

PAUL HAVLAT: How's everybody doing? My name is Paul Havlat, P-a-u-l H-a-v-l-a-t. I'm a contractor. I've been doing it for 27 years. My

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brother and I are partners. We have a roofing company, Exterior Remodel and Design. And we also have a mitigation company, Phoenix Restoration. I've been dealing with homeowners, property owners for a long time. I'm gonna probably change it up a little bit from what you guys heard. 25 years ago, the adjusters for these insurance companies were so much more knowledgeable. Nowadays, they bring these kids in that are 20 years old with very little experience of construction, and they don't really know what they're doing. They just pass a test, and all of a sudden they're noted adjusters. They miss a lot of stuff. One of the things we do is we use Xactimate. That's a, a pricing software. It's almost a industry standard. A lot of insurance companies use it. So it's usually-- that's the pricing that you have as long as you have all the line items and everything. Nowadays, you're starting to see adjusters not even get on roofs. They have drones. And if it's very obvious damage, no problem. They'll buy the roof. But a lot of times, you have damage and it's not very visible with the drone even though it has a good camera. You gotta get on there and look at it. When it goes to mitigation in these homes, properties, these adjusters, they walk in here and they don't even have a moisture meter. So if I'm not a contractor there at the property, you know, putting moisture meter against the wall that's-- wall that's wet, they're not going to know it's wet. If they see a little bit of water on the carpet, OK, that's visible damage. I'll give you some new carpet. But obviously, when it comes to water damage, it's a lot more than just what's visible. I'll keep it short. I don't know if you guys have any questions for me.

JACOBSON: Questions from the committee? So I'm curious. So do you not look at project, determine what you think the cost is to mitigate, then have the conversation with the adjuster about, here's what I think it's going to cost?

PAUL HAVLAT: Yes.

JACOBSON: And I-- is your problem that you're not getting together on the number and that's why you don't think their adjusting's right? Or how, how often does that not-- are you not getting together?

PAUL HAVLAT: We write estimates for every project.

JACOBSON: Right.

PAUL HAVLAT: OK. I'll have an estimate before I meet an adjuster.

JACOBSON: OK.

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PAUL HAVLAT: Sometimes when you get into a project, there might be some unforeseen things, but we usually have it all laid out.

JACOBSON: But at the end of the day, we're looking for the insurance adjuster to agree with you on what it's going to cost. Is that really the goal?

PAUL HAVLAT: Yes.

JACOBSON: OK. Does that not happen?

PAUL HAVLAT: Happens 95% of the time.

JACOBSON: And how far off are you?

PAUL HAVLAT: As long as a, a-- the scope of the work, what needs to be done is right there, we're usually pretty close.

JACOBSON: Which can certainly happen because there could be old damage. There could be damage caused by something else. So I, I presume that's also part of it, or-- and I think there's a deductible for each claim. So if there was a prior claim that maybe didn't reach the deductible, and now-- OK, let's include this in this damage-- I mean, some of that goes on too, doesn't it?

PAUL HAVLAT: It happens, not very often.

JACOBSON: But it, but it happens.

PAUL HAVLAT: Yes.

JACOBSON: So-- OK. All right. Well, thank you. Other questions?

HALLSTROM: Were you responding that 95% of the time you come really close?

PAUL HAVLAT: Yes.

HALLSTROM: Thank you.

JACOBSON: Thank you.

PAUL HAVLAT: We use Xactimate. Most insurance companies do.

HALLSTROM: OK. Thank you.

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JACOBSON: Thank you. Next opponent.

AARON NELSON: Good afternoon. My name is Aaron Nelson. I'm the owner with my brother, Toby, and business partner of Nelson Contracting. We do storm damage restorations. Have for about 30 years in southeast Nebraska. I've lived in Nebraska my entire life. We've worked here for all 30 of those years pretty much just there. It's been interesting to sit here and listen to the various viewpoints of all of this. And I, I actually-- I had, you know, kind of the direction that I wanted to-- my comments to reflect. And I think most people-- most of the previous people who have been up here have addressed most of my concerns that, that I would have with the bill. Of course, I, you know-- just to reiterate, contractors-- good contractors are the homeowner's best advocate for the repairs that are needed when it comes to the insurance company. In many cases, they're their, their only advocate. When it comes to post-loss assignments, we have rarely ever employed those, so that's not a big part of our business model, but they are a tool that works in cases where insurance companies just say no. Currently, there isn't anyone that a homeowner can turn to that isn't either going to cost them more money or do nothing. I was interested to hear the gentleman earlier raise, raise as a possible consumer protection the Department of Insurance. In 30 years, we've had numerous customers file complaints with the Department of Insurance because the insurance company wasn't covering things that were required by code or that were required to repair their home. In those 30 years-- and again, we're talking hundreds of complaints that they've filed over those years-- I'm aware of none in my experience that were resolved in their favor or at all. There was no help. So there's no one that they can turn to that it-- like it's-- and-- as necessary as PAs can be in, in resolving those, those issues. There's no one that consumer can turn to. If the insurance company just says no, they genuinely don't have options. So for that reason-- you know, when it comes to things like-- tools like-- that we use occasionally for assignment of claim and things like that, they can, in, in a sense, force an insurer to live up to their obligations in a way that otherwise they would just ignore us. So they can be a useful tool. I'm sure there are other ways to address the issues, you know, but I would just note my, my skepticism that reducing an insurance company's claim costs will result in lower premiums, because my insurance policy currently covers far fewer things than it did 20 years ago. There's far more exclusions. My deductible is many times higher. And my premium's also higher. So I'm no-- I'm not entirely sure that even if we did retu-- reduce claim payouts that-- that's, you know, some way--

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that that's going to have a measurable effect on premiums. As others have noted, there doesn't seem to be a lot of data for that. But in the end, my, my primary concern is seeing my fellow Nebraskans protected, whether that's, you know, from, from, you know, roofing companies that go about their business practices in high-pressure ways that, that manipulate them or-- but especially, you know, in my case and from my perspective-- from insurance companies that sometimes need a pretty big hammer to get them to do what they're supposed to do.

JACOBSON: Thank you for your testimony. Questions from the committee? Senator Dungan.

DUNGAN: Thank you. Thank you, Chair Jacobson. Thank you for being here and sharing your background and expertise. I imagine that in your time as a contractor you've had an ability or, or opportunity to talk to many other contractors and contracting companies. Broadly speaking-- and I know you can't, like, quote the numbers-- would you say that a majority of contractors use these post-loss assignments as, like, a, a business model, or is it done in rare circumstances? Because I, I think we've heard kind of the gamut here today, right? You're saying we haven't heard a lot. Some other folks say it's part of their business model. Across the industry, are these generally reserved for unique circumstances or is it standard practice to do this in most circumstances?

AARON NELSON: A mo-- if, if you were to take a percentage of, like, all the roofing companies in Nebraska, vast minority would use AOBs as a business practice. We've used AOBs, you know. It-- but again, a vanishingly small percentage of the thousands of claims we've, we've worked around.

DUNGAN: And so if there was to be a prohibition on the AOBs, based on what you're saying-- I want to make sure I understand this right-- that if we prohibited those entirely or made it criminal to do those AOBs, it would be capturing a niche group of circumstances-- a very small group of circumstances but ones that in your experience are necessary to get the insurance company to deal with the contractor.

AARON NELSON: Correct. Yeah. The, the-- one of the big issues, as-- like-- I don't remember who noted it-- is that if the insurance company wishes to or does, if they just ignore us, I can't do anything. They, they don't have to talk to me. As a contractor, I-- and, and I-- and again, it-- there are, there are certainly customers of ours who-- we, we work for people who still have a landline and

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have nothing-- no other communication device in their home. The-- that's one aspect of it. But most of our customers have extremely busy lives. They're working. They have full-time child care responsibilities and after-school activities and all sorts of other things that prevent them from taking the time-- and it takes time. The average amount of time that we spend administratively on a claim-- just documenting and communicating with the insurance company, which is just-- this is our scope of work. Here's why it's necessary. Here's the code documentation for it, that sort of thing-- is about 15 hours per claim. And that's from somebody who has a lot of experience in the system. We've developed over 30 years of experience and knowledge and expertise and training in how to successfully, you know, document and present this information. Somebody were to just start doing that, I, I imagine that time commitment goes up quite a bit. So if the insurance company just goes, nope, we're not going to do it, or I-- or just ignores us entirely-- which is most frequent-- the homeowner could jump in. You know, they have some leverage there. And the insurer does have to communicate with them. But most people just don't have time to do that.

DUNGAN: Thank you.

AARON NELSON: And in that case, the AOB is a useful tool. You have to communicate with me now.

DUNGAN: Thank you. I appreciate that.

AARON NELSON: Yeah.

JACOBSON: Other questions? All right. Seeing none. Thank you.

AARON NELSON: Yeah.

BYRON BOTHWELL: Byron Bothwell, B-o-t-h-w-e-l-l. That's the last name. So I don't do the benefit assignment, but what worries me is the insurance companies are talking out both sides their mouth. One minute they're saying, hey, we want the contractor to be able to talk for the homeowners, and the other side they're not from what I get out of this. And I also get that when we're calling-- or, someone in our company's calling insurance companies, they'll talk to us until they feel like they don't want to talk to us anymore, then they just shut us off. Then you have to go to a PA. And like everybody says, you hire a PA, that's 20% of the homeowner's money, plus their \$3,000 deductible. It's a lot. So I think it's really important for us to be

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able to discuss all the way through. I know we probably shouldn't talk about policies, and we, we don't, but [INAUDIBLE] just say, a storm hits, they send a ton of adjusters in. And some of them are only here for three weeks at a time before they go somewhere else. So they'll get 30 claims to 40 claims a week they have to look at. So they will show up. First thing they'll do, they'll look at the roof-- some of the quick, simple things-- and say, all right, if your contractor sees something else, just tell them-- send photos in. We'll pay for it. Well, it's not that easy because once we start sending siding, maybe some window wraps, or some windows that got damaged, then that's when the insurance companies will just-- after a while, they'll just quit-- stop talking to us about it. They say, you're not, you're not an-- a private adjuster. You-- we don't have to talk to you anymore. So that's what I'm concerned about, is insurance companies stopping the contractors from helping the homeowner--

JACOBSON: So, so to be clear, if we have language in the bill that makes it explicitly clear that the homeowner is allowed to allow their contractor to help advocate for them but that the bill would not allow you to be paid from any proceeds that would come from that, any of that would be discussed between you and the homeowner?

BYRON BOTHWELL: Yeah. And that wouldn't bother me. I don't-- like I said, I don't get from that. I just, I just think it's really important for a homeowner and us to talk to the--

JACOBSON: I agree. Other questions? Seeing none. Thank you.

BYRON BOTHWELL: All right. Thanks.

JACOBSON: Is this maybe our last opponent?

BURKE HARR: I think there's one after me.

JACOBSON: Oh, there's one more-- two more.

BURKE HARR: I know.

JACOBSON: If you would move to the front, that would really be appreciated.

BURKE HARR: Oh, there are quite a few more. Sorry.

JACOBSON: Go ahead.

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BURKE HARR: Mr. Chairman, members of the Banking, Commerce, Insurance Committee, my name is Burke Harr, H-a-r-r; first name, Burke, B-u-r-k-e. Here on behalf of Millard Roofing. And I'm sure you guys are asking, after two-plus hours of testimony, what new insight can I bring to this issue?

JACOBSON: That would be a good question.

BURKE HARR: Right? Well-- so first of all, I want to thank Senator Ballard for bringing the bill, because this is a bill that I brought years ago and bumped my head against many of the same issues we're still debating today-- and gave up to a certain degree on, so thanks for carrying the ball. I think what we can all agree on is that nobody likes insurance fraud, that, in fact, insurance fraud is illegal, and nobody likes waste, fraud, and abuse. The question is where do we find that line, right? So I, I kind of hear this bill was being brought because-- well, maybe it was being brought to lower policies because there was so much waste, fraud, and abuse. And yet, I've never-- I, I haven't heard anyone testify what that fraud is or where that is or how much it is or, or where it comes from. I heard it will lower policy. Haven't figured-- I haven't heard how much or where it would-- I heard it may pressure to lower, but not really-- and I heard consumer protection is the other, which-- the last bill that Senator Hallstrom brought, we had individuals that represent consumers came in and said, hey, that's a great bill, Senator Hallstorm. We prote-- we like that. Instead, what I saw for the proponents of this were individuals who, in a contract, are adverse to the consumer. And that-- and, and that's intentional, by the way. I mean, it's a contract, right? So in law school, I had a professor, Father Reggie Whitt, who-- [INAUDIBLE] lawyer. They became a professor. And he, he-- in contracts, he said, a good contract will stipulate what happens when a roof leaks. A great contract will contemplate what happens when the roof leaks, it collapses, and your wife runs out of the house naked with your business partner, right? And so what he's saying is you have to constantly contemplate what's coming. And, and a contract is one of the most fundamental things we have in our society, especially private contracts. It's when two people come together and they make their own private law of what they believe each party should do in the future. So in this situation, you have an individual who comes in and says, hey, I'm going to pay premiums and you're going to provide me this insurance if and when I have a loss. And you're gonna pay for that actual cost, right? And, and, and we all agree to that, and that's a great idea. And, by the way, there is nothing that prevents that insurance company when they make that contract to say,

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oh, and by the way, policyholder, in the future, you can't assign your right. Right? Because it's a contract. You're making a private agreement between the two of you. And I, as a policyholder, if I don't like it, I can tell them, pound stand. I'm going to go with a different insurance company. Right? Insurance companies don't do that. What do they do? They wait until afterwards-- and now we have what's called a public law, which is what you guys make. And now you're putting your thumb on the scale and you're saying, hey, in a certain situation where an insurance company is there and they disagree, that individual cannot assign their right. They cannot enter into their own private contract. We are telling individuals against free market what they can and can't do and what kind of contracts they can and cannot enter. And that's dangerous area. And I, and I worry that when we go there of what we're doing. Right? We're-- we the government are saying, you, individual, can only enter certain types of contracts. And we're saying we're doing it because of public safety. We're saying it because we're doing-- avoiding fraud. And yet, we've seen the system works, right? In so far as the only case I've heard about that went to trial, it worked. And by the way, it was for the insurance company. Mediation is not necessarily bad. If you get more money than what the actual costs are, that's fraud. Right? Insurance companies shouldn't pay that. And those insurance companies that do pay that, shame on them because they are making part of the system--

JACOBSON: Thank, thank you [INAUDIBLE]. You know the rules, so I'll let you--

BURKE HARR: Thank you.

JACOBSON: --stop here. I-- my head is still spinning, so. I'm gonna be thinking about this tonight, on, on the guy-- the gal running out of the house. I, I can't get that out of my head.

BURKE HARR: If you want, I'll give a dissertation on natural law too.

JACOBSON: Questions from the committee? Yes, Senator Hallstrom.

HALLSTROM: I, I don't, don't track or agree with you, with your analysis.

BURKE HARR: I am shocked.

HALLSTROM: We've got car dealers. We have equipment dealers. They have contracts in which we come in in state law because the, the supplier has a-- an advantaged position and tries to argue that we're going to

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have you waive all of these rights. So we go in-- I've got a bill myself with regard to the business equipment dealers we just heard yesterday. We go in and we make changes because there's things called contracts of adhesion and things of that nature. So we look at those all the time. If we came in and said, if, if the contracts of the insurance companies were saying that, we'd have somebody that would come in and say, you ought to stop them from doing that because they're in a super advantaged position and that's not right, because they're just forcing the contract upon them. We've got pharmacy benefit managers and the car dealers, equipment dealers. We're talking about companies, not individuals. So-- that was more a comment than a question, but I'll just leave it at that.

JACOBSON: I, I thought there was a question there right at the end.

BURKE HARR: Well, so it, it--

HALLSTROM: There's a pony in here somewhere.

BURKE HARR: Right-- the, the-- right-- it-- the-- so we have public law--

JACOBSON: Can we be brief? I, I think-- there wasn't really a question--

HALLSTROM: I'll, I'll talk, I'll talk to him after the, the hearing.

JACOBSON: Yeah. Thank you. I, I appreciate that. I mean, if you got something to respond, go ahead.

BURKE HARR: Well--

JACOBSON: But I-- I'm not quite sure there was a question.

BURKE HARR: We, we enter-- prohibit individuals from going into private contracts all the time, right? I just think we should be very careful and consider it before we do that because I-- these-- I-- I'm always nervous and maybe-- again, I'm the only conservative in the room-- but I'm always conser-- concerned when government puts their thumb on the scale and determines who has what rights as a party when two parties have previously agreed.

HALLSTROM: Fair enough.

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JACOBSON: All right. Any questions? If not, thank you for your testimony. Next opponent.

PATRICK MUHS: Patrick Muhs, P-a-t-r-i-c-k M-u-h-s. Thank you, Chairman Jacobson and members of the committee. I have-- while my head is spinning as well, I have a little bit of a unique perspective in that I used to be an insurance adjuster. Did that for quite some time. Was also an insurance auditor. And what I will tell you about a lot of the discussion that's going on today is that no insurance adjuster is required to talk to a homeowner-- excuse me-- talk to a contractor. That's just the rules. And you would have to come up with some pretty interesting legislation, in my opinion, from all the training and experience that I have as an insurance adjuster that-- to mandate that a contractor and an adjuster get together. I've been doing this my whole life. And 10, 20 years ago, we would get together on the hood of a truck and me and a very well-qualified contractor would discuss-- excuse me-- adjuster would discuss what needed to be done for a, for a, a project-- roofing, siding, windows, you know, anything that-- in-- interior mitigation, that sort of thing. And qualified individuals would make a determination about what had to happen, and it would get taken care of. I've seen that deteriorate significantly over the years. We are the only people who stand in between, in so many cases, in between the insured-- excuse me-- and the, and the insurance company who can, who can help them out. Right? So this was-- this legislation was proposed by the insurance industry of the insurance industry for the insurance industry only. There's no protection in here for the homeowner. The Department of Insurance is no help. We have hundreds of insureds who, over the years, have complained to the Department of Insurance. And they do defer to civil in almost every case. If there's bad actors in this game, if these people who you guys are referring to are breaking the law, if there's crimes that are being committed and fraud, where's the prosecution? If this hasn't been, been taken care of through the laws that we already have, how are more laws going to do anything more for the homeowner? This is a very slippery slope when we take away a right that a homeowner has to assign claims or to have a contractor negotiate on their behalf. And what I mean by that is I've got a concern as a contractor that, if I end up disagreeing with an insurance company, are they going to invoke some UPPA? Are they going to cause some litigation against me because I disagree with them? Because that happens in 95% of the cases, that we have to go back and debate with an insurance company or negotiate with them. That's what I got.

JACOBSON: Thank you. Questions from the committee? Senator Hallstrom.

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HALLSTROM: What am I missing? You indicated 20 years ago you used to talk to them on the hood of a car. Now they're not required to talk to you. But in 95% of the cases, you go back and negotiate with them.

PATRICK MUHS: I'm saying in 95% of the cases, these scopes that the insurance adjusters are writing are coming up miserably short because they don't have the experience and they don't have the requirement to get it done right.

HALLSTROM: But you said you have to go back and talk with them.

PATRICK MUHS: That's right. And if you make this a crime and it's a felony for me to do that, that's a very, very slippery slope that we're going down because, when are they going to not-- when, when, when will they invoke that?

HALLSTROM: But they do talk to you in 95% of the cases.

PATRICK MUHS: Yes.

HALLSTROM: OK. Thank you.

JACOBSON: That was my point exactly, is that there, there-- there's absolutely a-- a homeowner certainly has the right to talk to the insurance company. They can have their contractor there with them. I don't think there's any prohibition of that at all. This is not as nefarious as you're making it out to be. I think that the concern here is that there's a couple of insurance companies-- one of them we'd already mentioned. You'd probably know who the other one is-- that seem to be the leaders in the post-loss claims. It's your business model. Why is it that some companies have their business model being post-loss claims? We had a-- but we had a person testify that it's a vast majority-- mi-- minority of people that really need this. But yet there are two companies in particular, very large companies in Omaha, that that's their business model. We want everybody to sign a post-loss assignment. Why do you do that? Well, you do it because you can negotiate with a-- from a position of leverage with the insurance company to add on more costs and basically in-- induce that-- cause them to pay you more just to settle because they know you're gonna sue them. That's where the losses come from. To sit here and have somebody say that loss history has nothing to do with premiums doesn't understand the insurance business. OK?

PATRICK MUHS: I worked in it, Senator.

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JACOBSON: I mean, losses that go higher cause premiums to go higher. I think that's a basic, fundamental fact of insurance. The goal of the committee has been, how do we find-- how do we get insurance costs down? It isn't by getting more losses. That's the, that's the concern. So would you agree with that or not?

PATRICK MUHS: Sir, we don't control the weather. So we have nothing to do with the losses.

JACOBSON: I understand-- no one said you did.

PATRICK MUHS: And it's against the law. I know as an insurance adjuster you cannot penalize someone for turning in an insurance claim.

JACOBSON: No, and--

PATRICK MUHS: That is, that is--

JACOBSON: [INAUDIBLE] were an insurance company. You did. But, but you're a roofer--

PATRICK MUHS: Yes, sir.

JACOBSON: --who takes post-loss assignments. What perce--

PATRICK MUHS: I have.

JACOBSON: What percentage of your, of your projects do you take post-loss assignments?

PATRICK MUHS: Very few.

JACOBSON: Very few.

PATRICK MUHS: I wish I would have taken more, certainly.

JACOBSON: Thank you. All right. Thank you very much for your testimony. Anyone else have a question? If not, we'll take the next testifier.

MATTHEW FIRNHABER: Hello.

JACOBSON: How you doing?

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MATTHEW FIRNHABER: Good. I want to thank the committee for this time. And my name is Matthew Firnhaber. Matthew's spelled M-a-t-t-h-e-w; Firnhaber's spelled F-i-r-n-h-a-b-e-r.

JACOBSON: Good job.

MATTHEW FIRNHABER: Thank you. So I don't want to rehash everything that's already been talked about. I just kind of wanted to go through a couple things that I thought needed maybe some more discussion or clarification. One of the things I wanted to address was specifically-- I know we've already talked about the negotiating language kind of switching up within the currently proposed bill. One thing that I think is in-- important is in Iowa when they did that, they changed the bill to say that, OK, a contractor can show up to an adjuster meeting with the adjuster but then still make it so you can't communicate with them outside of that. And I think that's not going far enough because adjusters-- how modern insurance kind of works is there's a desk adjuster and a field adjuster. Sometimes that field adjuster is not even affiliated with the actual insurance company. It'll be a third-party company like SeekNow or something else like that. And they have no ability to influence the adjuster whatsoever. They're essentially just a photographer. And so when we talk to the photographer, it doesn't really have any effect and we have to be able to actually talk to the adjuster. So I just wanted to make that distinction. The other thing I wanted to address is I think there are some definitely actually good uses for the AOB. I know at the beginning of the hearing, we kind of talked about, like, what would the actual good use be? And I wanted to highlight that. Again, as-- us as the contractors, we don't use O-- AOBs very often, hardly at all. The only times that we do use them are in situations-- usually when it's a poor-- or unable to have the financial ability to hire a PA, hire an attorney to be able to represent them and they need somebody who has knowledge in the area to be able to come in, and that's usually the time that we would come in and only assign it after we've come to that issue where, yes, they're at a crossroads and they need some sort of help to be able to get through and they're not able to do that and not able to afford hiring an outside representation. And that's when it's able to be helpful for us, to be able to help them as well. Another area where it's useful is if a claim's already been paid and there's a lot of reasons that an insurance company might not want to pay out-- general contracting overhead and profit. And that's something where, like, if there's multiple trades on a project, it takes a lot of coordination to be able to do that. They would deny that. The homeowner doesn't really have a reason to want to fight for

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the contractor to be able to get paid a reasonable profit for doing that type of work. And so that's also another way that you can use an assignment of benefit, is the claim's already done, the work's already been done. We're just trying to be able to get what is-- been owed for us as a reasonable profit, and that's something that's been backed by the courts, saying that there are court cases out there saying that, yes, they are owed a reasonable profit on that. So I think if this bill passes as it currently stands, it would put a lot of strain on single family or people that aren't able to afford a financial cost of hiring a multiple thousands of dollars PA or attorney to represent them. And so I just wanted to make those distinctions and address the negotiation part of it needing to be more than just being at an adjuster meeting.

JACOBSON: Thank you.

MATTHEW FIRNHABER: Thank you.

JACOBSON: Questions from committee? Seeing none. Thank you.

MATTHEW FIRNHABER: Thanks.

JACOBSON: Other opponents.

DON KLUTHE: So I would say good afternoon, but I think it's good evening.

JACOBSON: I think evening might be more, more in line.

DON KLUTHE: I'll keep it real short. My name is Don Kluthe, D-o-n K-l-u-t-h-e. I'm here to represent Monarch Siding Windows and Roofing out of Papillion. We've been in business 30 years. We're a four-time Integrity Award winner. I could challenge you. You would never find a single homeowner that we've ever represented, whether we've taken an assignment or not, that would be disappointed in our service. And I'm gonna tell you, you take away that ability for us to take an assignment in those times we need it-- we don't take them all that often, but we do need that assignment at times. The insurance companies are wonderful when they work with you 95% of the time. But in that few times that they don't, if we don't have an assignment of benefits, we are not going to get done for the homeowner-- and we've heard some testimony today. There are homeowners that it takes more than a year. And we've been working with one of them that has taken more than a year to get the insurance company to work with us. If we don't have an assignment of benefits, that homeowner is out and

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they're going to be doing, doing this on their own. So-- and they cannot afford-- I mean, this is not a big job. This is a relatively small job. We're not talking about west Omaha with a \$75,000 roof. You know, it's a south Omaha job that's, you know, \$17,000 or \$18,000. We have put 100 hours into this thing and we still haven't solved it. For 17 grand. Doesn't make any sense to me. So-- you know, everything's been said here today. I don't-- I've got really nothing else to add. I'm going to tell you, you know, take what we do and respect what we do because we do represent the homeowner and we take the homeowner seriously and what they need to get from the insurance company. We're not trying to rape them.

JACOBSON: Thank you for what you do. Other questions from the committee? If not, thank you for your testimony. Any other opponents?

KATHERINE KLUG: I'll try to keep this even more brief.

JACOBSON: Oh, you're fine.

KATHERINE KLUG: My name is Katherine Klug, K-a-t-h-e-r-i-n-e K-l-u-g. And I am general counsel for White Castle Roofing, which-- I'm an attorney and in the roofing industry, so I'm not sure how I, how I measure up in this room today. But I work for White Castle Roofing, and they've been-- they're a Nebraska corporation that's been in business for over 40 years. I won't go into many of the policy concerns that have already been shared by these lovely professionals who've already testified. But there are a few things that I did want to talk about as it comes to potential constitutionality issues in the freedom to contract and how this may take away some of those rights that homeowners have. So the language in Secte-- Section 2 explicitly declares post-loss assignments against-- are against public policy, voids otherwise lawful contracts freely entered into between consenting parties. Nebraska has long recognized the freedom to contract shall only be limited when there's compelling public interest. And we've talked about some limits to contracts and those types of things already. But LB1137 does not narrowly address such public policy concerns but instead invalidates an entire category of private agreements regardless of whether the homeowner is informed, the contractor's reputable, or the transaction is fair. It's an extreme remedy and a substantial intrusion on private agreements and is being imposed without evidence that existing laws are insufficient to address these concerns. I think that they invoke some issues with due process and equal protection. And it effectively deprives homeowners of a meaningful opportunity to protect their property

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interests following a loss. Insurance claims directly affect a homeowner's ability to repair and restore their home, which is one of the most significant property interests recognized under the law. Insurance companies engage in claims negotiations with trained adjusters, internal guidelines, and legal resources. Preventing homeowners from receiving technical and practical guidance from their contractors creates a structural imbalance that undermines fundamental fairness. The combined effect of these subsections I think consolidates negotiating power almost exclusively to insurance companies and takes lawful, long-relied on tools from homeowners and their chosen contractors. So I would respectfully urge the committee to vote against this bill or, or remove the-- these provisions specifically. And thank you for your time and consideration.

JACOBSON: Thank you. Questions? Seeing none. Thank you for your testimony.

KATHERINE KLUG: Welcome.

JACOBSON: Any other opponents?

MIKE MILBURN: Hi there.

JACOBSON: Hello.

MIKE MILBURN: My name is Mo-- Mike Milburn. It's M-i-k-e; Milburn, M-i-l-b-u-r-n. And I dropped this off. I'm, I'm going to forgo reading it to you. I'll just let you read it so that you can get out here to supper, so. I have nothing else. Everything that I've got in there has already been discussed by everybody. It's just in addition to it.

JACOBSON: We don't-- it's rare that we get somebody like you that will come in and close out a hearing like that, so.

MIKE MILBURN: Well, I-- unless there's somebody else.

JACOBSON: There may be some neutral person out there, but I, I don't know.

MIKE MILBURN: Well, you looked like you were getting hungry.

JACOBSON: I-- yeah, that's right. My daughter's birthday celebration [INAUDIBLE].

HALLSTROM: He looked that way when we started.

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JACOBSON: Thank you. Questions for the testifier? All right. If not, thank you. Any other opponents? Does anyone wish to unbelievably testify in a neutral capacity?

CRAIG COX: Yes.

JACOBSON: Yes, there is. Wow.

CRAIG COX: Brought you guys notes. It's been a long day. My name is Craig Cox, C-r-a-i-g C-o-x. I am a small business owner, disabled veteran, and I am a partner in a construction company, a public adjuster firm. I am a previous independent adjuster, so I've worked in every capacity on this issue. The things I want to discuss with you isn't so much of, of the contractor's rights because, in Nebraska, we use the same processes as, as most of these contractors do. We are licensed in Nebraska. We do work all the way out to Ogallala, North Platte. And we're also licensed public adjusters and do operate in Iowa. What I see in this bill since you guys have opened up the public adjuster box is you're not going far enough with your public adjuster rules, and that's what I've outlined in here for you guys today. If you take a look at-- you've heard a lot of talk about fair claim process. We have these young adjusters that come out-- and we deal with it too. In the state of Nebraska, to be an adjuster for a contra-- for a carrier or an independent adjuster, it requires a phone, a piece of chalk, a ladder, and a tape measure. There's no test. There's no license. There's no bond. There's nothing that has to be done to be an independent insurance adjuster in the state of Nebraska. Now, you go to Texas, you have to take a test. You go to Florida, you have to take tests. You go to Iowa, you have take tests. In fact, if you go back to-- it's my fourth page-- I have a diagram on here that shows you the requirements of Nebraska's public adjuster and, slash, insurance adjuster rules compared to Iowa's because-- earlier, I heard the gentleman from the National Institute of Adjusters or whatever-- big, tall guy-- he was talking about they were marrying things after Iowa. Well, they're really not. So if you're going to do it, do it right because right now in the state of Nebraska, there's not enough pressure if you do have to go to a public adjuster situation to force that carrier to play ball. But in the other states, there is. We don't have enough litigation or enough reach to, to really affect what the homeowner can get and can't get. I also do feel, if you look in here, there needs to be more accountability. On the state of Nebraska, if-- any time an insurance carrier suspects fraud, they're required by law to report that contractor, that body shop, or that public adjuster, or that insurance

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agent. In Nebraska, if a carrier decides he's going to set his own rules and make his own laws and it happens, there's no accountability. The only person that can turn them in is the homeowner under a bad faith claim, and those result in zero action. Our Department of Insurance is weaker than secret circus lemonade when it comes to protecting our consumers. We are a pro-n-- pro-insurance state, and I see it day in and day out. And I know this because we work in all aspects of this industry. So going to page two, there should be some accountability. And I've just-- I'm not going to go through all these. I'll let you guys read them because you've had a long day. That's why I gave you guys notes. But you'll find that we have no accountability on the adjusters being sent out. As one gentleman, we get a lot of things called SeekNow or-- I can't remember the other name of the company-- and they send a guy out, again, with chalk, a ladder, and a phone. He takes pictures. He sends it back. You have an unqualified person at the desk that's looking at those pictures and makes a determination on the scope of the house without even physically being there. Those are not licensed adjusters. That is not giving the homeowner a fair claim process. That is giving the homeowner a half-ass, cutting corner for the insurance company and benefiting their pocketbook and not the, the consumer of Nebraska.

JACOBSON: Thank you. Questions? All right. Seeing none. I'll ask for any other neutral testifiers. All right. Seeing none. This concludes our hearing for LB110-- LB1137. Oh, yes. We had 3 proponent letters, 63 opponent letters, and 0 neutrals. And-- oh, yeah. Let's do a close. What the heck.

BALLARD: I promised Senator--

JACOBSON: We're still open.

BALLARD: I promised Senator Dungan I'll--

JACOBSON: I'm sure, because he's got some questions for you.

BALLARD: I'm sure he does.

von GILLERN: No, he doesn't.

BALLARD: I, I appreciate the committee's patience. I-- being a former member of this committee, I know you guys like to run on bankers hours and we probably, we probably blew, blew past that two hours ago. So I appreciate it. Thank you for the, the proponents, the opponents. A lot of good insight about ways we can correct this legislation. But I

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think my goal is clear. I handed out the, the Wall Street Journal article regarding Florida that did this a, a number of years ago and that downward pressure on homeowners premiums. I think it is something we really need to consider. And if this committee has any insight on how to lower homeowners premiums or have that downward pressure, I'm all ears. I think this is not the silver bullet. I'm not arguing that. But it, it can help, and I think Florida has shown it, it can help. So with that, I just quickly, quickly want to run through some, some of the opponents. First opponent, public adjuster. I, I think the record can correct me if I'm wrong. I think he-- believe he said, once the assignment of claims-- he represents the, the roofer instead of the homeowner. I believe that's what he said. I think the re-- record can correct me-- which is kind of the whole point of LB1137. Mr. Eagers [SIC]-- I, I like Mr. Eagers a lot, but I think the chairman pointed out some of the problems we're having and the reason for LB11-- LB1137. Senator Harr. I, I think the-- that Senator Ha-- Harr and I had the same idea. I think that's reason enough to question this intent. I maybe need to, to rethink some of my strategies, but I want to say OABs-- it's not a contract. It's an assignment. I think we're very clear of that. Consumer protections. I think the first proponent did a fabulous job, better than I can say, of-- once these assignments are, are established, there's no way out. And so that's the consumer protection we're hammering. I'll reiterate: Nebraska has some of the highest insurance premiums in the country. I keep reiterating that. Property tax, insurance premiums-- those are not good statistics to be included in. And so with that, I'd be happy to answer any questions. But I understand it's almost dinnertime, so I appreciate it.

JACOBSON: Thank you, Senator Ballard, for bringing the bill and for persevering through this. I know this is, what, the second or third year you brought it. And it's [INAUDIBLE] fast, so.

BALLARD: It's been fun.

JACOBSON: Any questions from the committee? Oh, god.

von GILLERN: Oh, jeez.

DUNGAN: Thank you, Chair Jacobson. No-- thank you, Senator Ballard. I'm not gonna belabor the point too much. I just-- for the record, you, you mentioned in, in your opening that you are willing to look at amendments--

BALLARD: Yes.

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DUNGAN: --and you're willing to work through some of the language here. I, I think that-- again, everyone can agree: fraud, bad. Need to make sure that's not happening. Are you open to amending this legislation so that it does still allow the assignment of benefits but tightens up some of the provisions regarding the perceived or potential fraud in that area? Or is the complete ban of assignment of benefits necessary for you to continue to support your own legislation?

BALLARD: That's an interesting question. I, I think I'd have to look at the language on what, what we're trying to tackle.

DUNGAN: Now you sound like me, like a lawyer.

BALLARD: Don't, don't swear at me, Senator Dungan.

DUNGAN: I just meant-- it-- so there's no necessarily line in the sand. You're open to at least having conversations about some of that language.

BALLARD: I am open to having any conversations.

DUNGAN: Thank you for bringing the bill.

BALLARD: Thank you, Senator.

JACOBSON: Other questions? If not, I just want to announce: I did say we're going to exec today. We're not. So how about-- we'll try to get together tomorrow. I-- I'm, I'm sure that we can expect a bill-- filibuster tomorrow and there'll be plenty of opportunity for us to have an exec session then. So thank you all for perservering today. Thank you for the testifiers.