

One Hundred Second Legislature - First Session - 2011

Introducer's Statement of Intent

LB70

Chairperson: Senator Rich Pahls

Committee: Banking, Commerce and Insurance

Date of Hearing: January 18, 2011

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB70, introduced at the request of the Director of Insurance, would amend various sections of the Surplus Lines Insurance Act to conform it to the requirements of the federal Non-Admitted and Reinsurance Reform Act of 2010 (“NRRA”) passed as part of Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173).

The bill would enact new definitions: “affiliated group;” “control;” “exempt commercial purchaser;” “home state;” “nonadmitted insurance;” and “qualified risk manager.” (Section 44-5502) (Section 1 of the bill).

The bill would change the standard for the requirement of licensure as a surplus lines licensee under the act from placement of insurance for a risk located in Nebraska to placement of insurance for an insured whose home state is Nebraska. The bill would replace the reference to “industrial insured” with a reference to “exempt commercial purchaser” for purposes of exemption from the licensure requirement. (Section 44-5504) (Section 2 of the bill).

The bill would require surplus lines licensees to retain in their records the address of the principal residence of the insured or the address at which the insured maintains its principal place of business. (Section 44-5505) (Section 3 of the bill).

The bill would specify that the licensee report include the amount of insurance placed for an insured whose home state is Nebraska. The bill would specify that the basis of taxation is on those premiums received by the licensee for the placement of insurance on behalf of an insured whose home state is Nebraska with any nonadmitted insurer. (Section 44-5506) (Sections 4 of the bill).

The bill would conform the Surplus Lines Insurance Act to the requirements of the federal Non-Admitted and Reinsurance Reform Act of 2010 by replacing the existing requirements with which a surplus lines licensee must comply before placing insurance with a nonadmitted insurer. The bill would require surplus lines licensees to determine that the insurer is authorized to write such insurance in its domiciliary jurisdiction, has sufficient evidence of good business repute and financial integrity, and has minimum capital and surplus of the greater of that required in Nebraska or fifteen million dollars. If the insurer does not have the required minimum capital and surplus, the bill would allow placement with a finding of acceptability by the Director of Insurance if the insurer has minimum capital and surplus of more than \$4.5 million. The bill would prohibit placement of coverage with an insured domiciled outside of the United States unless the insurer is listed on the Quarterly Listing of Alien Insurers maintained by the International Insurers Department of the National Association of Insurance Commissioners. (Section 44-5508) (Section 5 of the bill).

The bill would exempt a surplus lines licensee from performing a due diligence search on behalf of an exempt commercial policyholder to determine whether insurance is available on an admitted basis if the licensee discloses that admitted market coverage may be available and the exempt commercial purchaser requests in writing procurement from a nonadmitted insurer. (Section 44-5510) (Section 6 of the bill).

The bill would exempt surplus lines licensees reporting insurance placed or procured on behalf of an exempt commercial purchaser from the quarterly report of business placed by the licensee. (Section 44-5511) (Section 7 of the bill).

The bill would change references from “industrial insured” to “exempt commercial purchaser.” (Section 44-5515) (Section 8 of the bill).

The bill would provide for an operative date of July 21, 2011 and would provide for the emergency clause. (Sections 9 and 11 of the bill).

Principal Introducer: _____

Senator Rich Pahls