

AMENDMENTS TO LB774

Introduced by Banking, Commerce and Insurance.

1       1. Strike the original sections and insert the following new  
2 sections:

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

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

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

26       (3) Credit shall be allowed when the reinsurance is ceded to an  
27 assuming insurer that is accredited by the Director of Insurance as a

1   reinsurer in this state. In order to be eligible for accreditation, a  
2   reinsurer must:

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

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

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

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

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

22                 (4)(a) Credit shall be allowed when the reinsurance is ceded to an  
23   assuming insurer that is domiciled in, or in the case of a United States  
24   branch of an alien assuming insurer is entered through, a state that  
25   employs standards regarding credit for reinsurance substantially similar  
26   to those applicable under this section and the assuming insurer or United  
27   States branch of an alien assuming insurer:

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

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

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

4               (5)(a) Credit shall be allowed when the reinsurance is ceded to an  
5 assuming insurer that maintains a trust fund in a qualified United States  
6 financial institution for the payment of the valid claims of its United  
7 States ceding insurers and their assigns and successors in interest. To  
8 enable the director to determine the sufficiency of the trust fund, the  
9 assuming insurer shall report annually to the director information  
10 substantially the same as that required to be reported on the National  
11 Association of Insurance Commissioners Annual Statement form by licensed  
12 insurers. The assuming insurer shall submit to examination of its books  
13 and records by the director and bear the expense of examination.

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

17               (A) The commissioner of the state where the trust is domiciled; or  
18               (B) The commissioner of another state who, pursuant to the terms of  
19 the trust instrument, has accepted principal regulatory oversight of the  
20 trust.

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

30               (iii) The trust shall remain in effect for as long as the assuming  
31 insurer has outstanding obligations due under the reinsurance agreements

1 subject to the trust. No later than February 28 of each year the trustee  
2 of the trust shall report to the director in writing the balance of the  
3 trust and listing the trust's investments at the preceding year end and  
4 shall certify the date of termination of the trust, if so planned, or  
5 certify that the trust will not expire prior to the following December  
6 31.

7 (c) The following requirements apply to the following categories of  
8 assuming insurer:

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

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

31 (iii)(A) In the case of a group including incorporated and

1 individual unincorporated underwriters:

2 (I) For reinsurance ceded under reinsurance agreements with an  
3 inception, amendment, or renewal date on or after January 1, 1993, the  
4 trust shall consist of a trustee account in an amount not less than the  
5 respective underwriters' several liabilities attributable to business  
6 ceded by United States domiciled ceding insurers to any underwriter of  
7 the group;

8 (II) For reinsurance ceded under reinsurance agreements with an  
9 inception date on or before December 31, 1992, and not amended or renewed  
10 after that date, notwithstanding the other provisions of sections  
11 44-416.05 to 44-416.10, the trust shall consist of a trustee account in  
12 an amount not less than the respective underwriters' several insurance  
13 and reinsurance liabilities attributable to business written in the  
14 United States; and

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

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

23 (C) Within ninety days after its financial statements are due to be  
24 filed with the group's domiciliary regulator, the group shall provide to  
25 the director an annual certification by the group's domiciliary regulator  
26 of the solvency of each underwriter member, or if a certification is  
27 unavailable, financial statements, prepared by independent public  
28 accountants, of each underwriter member of the group.

29 (6)(a) Credit shall be allowed when the reinsurance is ceded to an  
30 assuming insurer that has been certified by the director as a reinsurer  
31 in this state and secures its obligations in accordance with the

1 requirements of this subsection.

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

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

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

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

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

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

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

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

28 (i) The association shall satisfy its minimum capital and surplus  
29 requirements through the capital and surplus equivalents, net of  
30 liabilities, of the association and its members, which shall include a  
31 joint central fund that may be applied to any unsatisfied obligation of

1 the association or any of its members, in an amount determined by the  
2 director to provide adequate protection;

3 (ii) The incorporated members of the association shall not be  
4 engaged in any business other than underwriting as a member of the  
5 association and shall be subject to the same level of regulation and  
6 solvency control by the association's domiciliary regulator as are the  
7 unincorporated members; and

8 (iii) Within ninety days after its financial statements are due to  
9 be filed with the association's domiciliary regulator, the association  
10 shall provide to the director an annual certification by the  
11 association's domiciliary regulator of the solvency of each underwriter  
12 member or, if a certification is unavailable, financial statements,  
13 prepared by independent public accountants, of each underwriter member of  
14 the association.

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

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

1       considered in the discretion of the director.

2           (iii) A list of qualified jurisdictions shall be published through  
3       the National Association of Insurance Commissioners committee process.  
4       The director shall consider this list in determining qualified  
5       jurisdictions. If the director approves a jurisdiction as qualified that  
6       does not appear on the list of qualified jurisdictions, the director  
7       shall provide thoroughly documented justification in accordance with  
8       criteria to be developed under rules and regulations.

9           (iv) United States jurisdictions that meet the requirement for  
10      accreditation under the National Association of Insurance Commissioners  
11      financial standards and accreditation program shall be recognized as  
12      qualified jurisdictions.

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

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

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

25           (ii) In order for a domestic ceding insurer to qualify for full  
26      financial statement credit for reinsurance ceded to a certified  
27      reinsurer, the certified reinsurer shall maintain security in a form  
28      acceptable to the director and consistent with the provisions of section  
29      44-416.07 or in a multibeneficiary trust in accordance with subsection  
30      (5) of this section, except as otherwise provided in this subsection.

31           (iii) If a certified reinsurer maintains a trust to fully secure its

1 obligations subject to subsection (5) of this section and chooses to  
2 secure its obligations incurred as a certified reinsurer in the form of a  
3 multibeneficiary trust, the certified reinsurer shall maintain separate  
4 trust accounts for its obligations incurred under reinsurance agreements  
5 issued or renewed as a certified reinsurer with reduced security as  
6 permitted by this subsection or comparable laws of other United States  
7 jurisdictions and for its obligations subject to subsection (5) of this  
8 section. It shall be a condition to the grant of certification under this  
9 subsection that the certified reinsurer shall have bound itself, by the  
10 language of the trust and agreement with the commissioner with principal  
11 regulatory oversight of each such trust account, to fund, upon  
12 termination of any such trust account, out of the remaining surplus of  
13 such trust any deficiency of any other such trust account.

14 (iv) The minimum trustee surplus requirements provided in  
15 subsection (5) of this section are not applicable with respect to a  
16 multibeneficiary trust maintained by a certified reinsurer for the  
17 purpose of securing obligations incurred under this subsection, except  
18 that such trust shall maintain a minimum trustee surplus of ten million  
19 dollars.

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

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

30 (B) As used in subdivision (6)(f)(vi)(A) of this section, the term  
31 "terminated" refers to revocation, suspension, voluntary surrender, and

1 inactive status.

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

6 (g) If an applicant for certification has been certified as a  
7 reinsurer in a National Association of Insurance Commissioners-accredited  
8 jurisdiction, the director has the discretion to defer to that  
9 jurisdiction's certification and has the discretion to defer to the  
10 rating assigned by that jurisdiction, and such assuming insurer shall be  
11 considered to be a certified reinsurer in this state.

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

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

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

25 (A) A jurisdiction, other than a jurisdiction of the United States,  
26 that is subject to an in-force covered agreement with the United States,  
27 each within its legal authority, or, in the case of a covered agreement  
28 between the United States and European Union, is a member state of the  
29 European Union. For purposes of this subsection, a covered agreement is  
30 an agreement entered into pursuant to the Dodd-Frank Wall Street Reform  
31 and Consumer Protection Act, 31 U.S.C. 313 and 314, as such sections

1   existed on January 1, 2020, that is currently in effect or in a period of  
2   provisional application and that addresses the elimination, under  
3   specified conditions, of collateral requirements as a condition for  
4   entering into any reinsurance agreement with a ceding insurer domiciled  
5   in this state or for allowing the ceding insurer to recognize credit for  
6   reinsurance;

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

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

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

27       (iii) Such assuming insurer shall have and maintain, on an ongoing  
28   basis, the minimum solvency or capital ratio, as applicable, as set forth  
29   in rules and regulations adopted and promulgated by the director pursuant  
30   to section 44-416.09. If such assuming insurer is an association,  
31   including incorporated and individual unincorporated underwriters, such

1   assuming insurer shall have and maintain, on an ongoing basis, a minimum  
2   solvency or capital ratio in the reciprocal jurisdiction where such  
3   assuming insurer has its head office or is domiciled, as applicable, and  
4   is also licensed;

5       (iv) Such assuming insurer shall agree and provide adequate  
6   assurance to the director, in a form specified pursuant to rules and  
7   regulations adopted and promulgated by the director pursuant to section  
8   44-416.09, as follows:

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

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

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

27           (D) Each reinsurance agreement shall include a provision requiring  
28   such assuming insurer to provide security in an amount equal to one  
29   hundred percent of such assuming insurer's liabilities attributable to  
30   reinsurance ceded pursuant to such agreement if such assuming insurer  
31   resists enforcement of a final judgment that is enforceable under the law

1   of the jurisdiction in which such judgment was obtained or a properly  
2   enforceable arbitration award, whether obtained by the ceding insurer or  
3   by its legal successor on behalf of its resolution estate; and

4           (E) Such assuming insurer shall confirm that such assuming insurer  
5    is not presently participating in any solvent scheme of arrangement that  
6   involves this state's ceding insurers and agree to notify the ceding  
7   insurer and the director and to provide security in an amount equal to  
8   one hundred percent of such assuming insurer's liabilities to the ceding  
9   insurer if such assuming insurer enters into such a solvent scheme of  
10   arrangement. Such security shall be in a form consistent with the  
11   provisions of subsection (6) of this section and section 44-416.07 and as  
12   specified in rules and regulations adopted and promulgated by the  
13   director pursuant to section 44-416.09;

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

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

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

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

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

1        (ii) The director's list shall include any reciprocal jurisdiction  
2        as defined under subdivisions (7)(a)(i)(A) and (B) of this section, and  
3        the director shall consider including any other reciprocal jurisdiction  
4        included on the most current list published through the National  
5        Association of Insurance Commissioners' committee process. The director  
6        may approve a jurisdiction that does not appear on the National  
7        Association of Insurance Commissioners' list of reciprocal jurisdictions  
8        in accordance with criteria developed under rules and regulations adopted  
9        and promulgated by the director pursuant to section 44-416.09.

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

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

1    section 44-416.09 except to the extent that any such rules and  
2    regulations conflict with an applicable covered agreement.

3        (e)(i) If the director determines that an assuming insurer no longer  
4    meets one or more of the requirements under this subsection, the director  
5    may revoke or suspend the eligibility of such assuming insurer for  
6    recognition as an assuming insurer under this subsection in accordance  
7    with procedures set forth in rules and regulations adopted and  
8    promulgated by the director pursuant to section 44-416.09.

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

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

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

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

31        (h) Credit may be taken under this subsection only for reinsurance

1    agreements entered into, amended, or renewed on or after the effective  
2    date of this act and only with respect to losses incurred and reserves  
3    reported on or after the later of the date on which such assuming insurer  
4    has met all eligibility requirements pursuant to subdivision (7)(a) of  
5    this section or the effective date of such reinsurance agreement,  
6    amendment, or renewal.

7        (i) This subdivision (7)(h) does not alter or impair a ceding  
8    insurer's right to take credit for reinsurance to the extent that credit  
9    is not available under this subdivision (7)(h) and the reinsurance  
10   qualifies for credit under any other applicable provision of sections  
11   44-416.05 to 44-416.10.

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

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

18       (8) (7) Credit shall be allowed when the reinsurance is ceded to an  
19   assuming insurer not meeting the requirements of subsection (2), (3),  
20   (4), (5), or (6), or (7) of this section, but only as to the insurance of  
21   risks located in jurisdictions where the reinsurance is required by  
22   applicable law or regulation of that jurisdiction.

23       (9) (8) If the assuming insurer is not licensed, accredited, or  
24   certified to transact insurance or reinsurance in this state, the credit  
25   permitted by subsections (4) and (5) of this section shall not be allowed  
26   unless the assuming insurer agrees in the reinsurance agreements:

27        (a)(i) That in the event of the failure of the assuming insurer to  
28   perform its obligations under the terms of the reinsurance agreement, the  
29   assuming insurer, at the request of the ceding insurer, shall submit to  
30   the jurisdiction of any court of competent jurisdiction in any state of  
31   the United States, will comply with all requirements necessary to give

1 the court jurisdiction, and will abide by the final decision of the court  
2 or of any appellate court in the event of an appeal; and

3 (ii) To designate the director or a designated attorney as its true  
4 and lawful attorney upon whom may be served any lawful process in any  
5 action, suit, or proceeding instituted by or on behalf of the ceding  
6 insurer.

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

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

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

25 (b) The assets shall be distributed by and claims shall be filed  
26 with and valued by the state insurance commissioner with regulatory  
27 oversight in accordance with the laws of the state in which the trust is  
28 domiciled that are applicable to the liquidation of domestic insurance  
29 companies;

30 (c) If the state insurance commissioner with regulatory oversight  
31 determines that the assets of the trust fund or any part thereof are not

1 necessary to satisfy the claims of the United States ceding insurers of  
2 the grantor of the trust, the assets or part thereof shall be returned by  
3 the state insurance commissioner with regulatory oversight to the trustee  
4 for distribution in accordance with the trust agreement; and

5 (d) The grantor shall waive any right otherwise available to it  
6 under United States law that is inconsistent with this provision.

7 (11)(a) (10)(a) If an accredited or certified reinsurer ceases to  
8 meet the requirements for accreditation or certification, the director  
9 may suspend or revoke the reinsurer's accreditation or certification.

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

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

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

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

23 (c) While a reinsurer's accreditation or certification is suspended,  
24 no reinsurance contract issued or renewed after the effective date of the  
25 suspension qualifies for credit except to the extent that the reinsurer's  
26 obligations under the contract are secured in accordance with section  
27 44-416.07. If a reinsurer's accreditation or certification is revoked, no  
28 credit for reinsurance may be granted after the effective date of the  
29 revocation except to the extent that the reinsurer's obligations under  
30 the contract are secured in accordance with subdivision (6)(f) of this  
31 section or section 44-416.07.

1       (12)(a) (11)(a) A ceding insurer shall take steps to manage its  
2 reinsurance recoverables proportionate to its own book of business. A  
3 domestic ceding insurer shall notify the director within thirty days  
4 after reinsurance recoverables from any single assuming insurer, or group  
5 of affiliated assuming insurers, exceeds fifty percent of the domestic  
6 ceding insurer's last reported surplus to policyholders, or after it is  
7 determined that reinsurance recoverables from any single assuming  
8 insurer, or group of affiliated assuming insurers, is likely to exceed  
9 this limit. The notification shall demonstrate that the exposure is  
10 safely managed by the domestic ceding insurer.

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

20       Sec. 2. Section 44-416.09, Revised Statutes Cumulative Supplement,  
21 2018, is amended to read:

22       44-416.09 (1) The director may adopt and promulgate rules and  
23 regulations to carry out sections 44-416.05 to 44-416.10.

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

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

29           (i) Life insurance policies with guaranteed nonlevel gross premiums  
30 or guaranteed nonlevel benefits;

31           (ii) Universal life insurance policies with provisions resulting in

1 the ability of a policyholder to keep a policy in force over a secondary  
2 guarantee period;

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

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

5 (v) Such other life and health insurance and annuity products as  
6 determined by the director.

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

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

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

19 (i) Meets the conditions set forth in subsection (7) of section  
20 44-416.06;

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

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

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

31 (B) Licensed to transact insurance or reinsurance in at least ten

1 states and either licensed to transact insurance or is an accredited  
2 reinsurer in a total of at least thirty-five states.

3 (f) The authority to adopt and promulgate rules and regulations  
4 pursuant to this subsection does not limit the director's general  
5 authority to adopt rules and regulations pursuant to subsection (1) of  
6 this section.

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

8 (a) Nebraskans who have a plan of health insurance, health benefits,  
9 or health care services provided through a health insurer and who receive  
10 health care services from a network provider receive such health care  
11 services at rates negotiated by the health insurer;

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

15 (c) The person covered by the health insurer is protected by the  
16 contract between the health insurer and the network provider from  
17 receiving a bill for the balance between the negotiated rate and a billed  
18 charge;

19 (d) Nebraskans need to know the network status of the provider in  
20 order to understand the plan of health insurance, health benefits, or  
21 health care services applicable to the health care services being  
22 provided by the provider; and

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

26 (2) For purposes of this section:

27 (a) Facility means an institution providing health care services or  
28 a health care setting, including, but not limited to, a hospital or other  
29 licensed inpatient center, an ambulatory surgical or treatment center, a  
30 skilled nursing center, a residential treatment center, a diagnostic,  
31 laboratory, or imaging center, or any rehabilitation or other therapeutic

1    health setting. Facility does not include a physician's office;  
2        (b) Health insurer means an entity that contracts, offers to  
3 contract, or enters into an agreement to provide, deliver, arrange for,  
4 pay for, or reimburse any of the costs of health care services, including  
5 a sickness and accident insurance company, a health maintenance  
6 organization, a prepaid limited health service organization, a prepaid  
7 dental service corporation, or any other entity providing a plan of  
8 health insurance, health benefits, or health care services. Health  
9 insurer does not include a self-funded employee benefit plan to the  
10 extent preempted by federal law or a workers' compensation insurer, risk  
11 management pool, or self-insured employer who contracts for services to  
12 be provided through a managed care plan certified pursuant to section  
13 48-120.02; and

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

21            (3) A facility shall not advertise or hold itself out as a network  
22 provider, including any statement that the facility takes or accepts any  
23 health insurer, unless the facility is a network provider of the health  
24 insurer.

25            (4) A facility may advertise or hold itself out as a network  
26 provider if the facility is a network provider of the health insurer.

27            (5) A facility shall not place the name or logo of a health insurer  
28 in any signage or marketing materials if the facility is not a network  
29 provider for the health insurer.

30            (6) Any contract entered into between a facility and a person  
31 covered by a health insurer is voidable at the option of the covered

1    person if the facility violates this section.

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

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

7            (b) Dental carrier means a dental insurance company, a prepaid  
8            limited health service organization, or any other entity authorized to  
9            offer an insurance plan that provides dental services;

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

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

18          (e) Provider network contract means a contract between a contracting  
19          entity and a provider that specifies the rights and responsibilities of  
20          the contracting entity and provides for the delivery and payment of  
21          dental services to an enrollee; and

22          (f) Third party means a person or entity that enters into a contract  
23          with a contracting entity or with another third party to gain access to  
24          the dental services or contractual discounts of a provider network  
25          contract. Third party does not include an employer or other group for  
26          whom the dental carrier or contracting entity provides administrative  
27          services.

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

1       (3) A dental carrier may grant a third party access to a provider  
2 network contract, or a provider's dental services or contractual  
3 discounts provided pursuant to a provider network contract if, at the  
4 time the provider network contract is entered into or renewed, the dental  
5 carrier allows a provider who is part of a dental carrier's provider  
6 network to choose not to participate in third-party access to the  
7 provider network contract. The third-party access provision of the  
8 provider network contract shall be clearly identified. A dental carrier  
9 shall not grant a third party access to the provider network contract of  
10 any provider who does not participate in third-party access to the  
11 provider network contract.

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

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

19           (b) The provider network contract specifically states that the  
20 contracting entity may enter into an agreement with a third party that  
21 would allow the third party to obtain the contracting entity's rights and  
22 responsibilities as if the third party were the contracting entity, and  
23 when the contracting entity is a dental carrier, the provider chose to  
24 participate in third-party access at the time the provider network  
25 contract was entered into; and

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

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

31       (6) Subsections (3), (4), and (5) of this section shall not apply if

1    any of the following is true:

2        (a) The provider network contract is for dental services provided to  
3    a beneficiary of the federal medicare program pursuant to Title XVIII of  
4    the federal Social Security Act, 42 U.S.C. 1395 et seq., or the federal  
5    medicaid program pursuant to Title XIX of the federal Social Security  
6    Act, 42 U.S.C. 1396 et seq., as such sections existed on January 1, 2020;  
7    or

8        (b) Access to a provider network contract is granted to a dental  
9    carrier or an entity operating in accordance with the same brand licensee  
10   program as the contracting entity or to an entity that is an affiliate of  
11   the contracting entity. A list of the contracting entity's affiliates  
12   shall be made available to a provider on the contracting entity's web  
13   site.

14        (7) This section shall take effect on January 1, 2021, and shall  
15   apply to all provider network contracts that are delivered, issued for  
16   delivery, or executed in this state on or after the effective date of  
17   this act.

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

20        44-3520 Sections 44-3520 to 44-3526 and section 8 of this act shall  
21   be known and may be cited as the Motor Vehicle Service Contract  
22   Reimbursement Insurance Act.

23        Sec. 6. Section 44-3521, Revised Statutes Cumulative Supplement,  
24   2018, is amended to read:

25        44-3521 For purposes of the Motor Vehicle Service Contract  
26   Reimbursement Insurance Act:

27            (1) Director means the Director of Insurance;

28            (2) Incidental costs means expenses specified in a motor vehicle  
29   service contract that are incurred by the service contract holder due to  
30   the failure of a vehicle protection product to perform as provided in the  
31   contract. Incidental costs include, but are not limited to, insurance

1 policy deductibles, rental vehicle charges, the difference between the  
2 actual value of the stolen vehicle at the time of theft and the cost of a  
3 replacement vehicle, sales taxes, registration fees, transaction fees,  
4 and mechanical inspection fees. Incidental costs may be reimbursed in  
5 either a fixed amount specified in the motor vehicle service contract or  
6 sales agreement or by use of a formula itemizing specific incidental  
7 costs incurred by the service contract holder;

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

14 (4) Motor vehicle means any motor vehicle as defined in section  
15 60-339;

16 (5)(a) Motor vehicle service contract means a contract or agreement  
17 given for consideration over and above the lease or purchase price of a  
18 motor vehicle that undertakes to perform or provide repair or replacement  
19 service, or indemnification for such service, for the operational or  
20 structural failure of a motor vehicle due to defect in materials or  
21 workmanship or normal wear and tear but does not include mechanical  
22 breakdown insurance.

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

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

29 (ii) The removal of dents, dings, or creases on a motor vehicle that  
30 can be repaired using the process of paintless dent removal without  
31 affecting the existing paint finish and without replacing vehicle body

1 panels, sanding, bonding, or painting;

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

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

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

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

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

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

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

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

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

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

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

6           (iii) Includes a written warranty.

7           (b) Vehicle protection product includes, but is not limited to,  
8 chemical additives, alarm systems, body part marking products, steering  
9 locks, window etch products, pedal and ignition locks, fuel and ignition  
10 kill switches, and electronic, radio, and satellite tracking devices.

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

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

23          (2) In the event covered service is not provided by the motor  
24 vehicle service contract provider within sixty days of proof of loss by  
25 the service contract holder, the service contract holder is entitled to  
26 apply directly to the insurer providing the motor vehicle service  
27 contract reimbursement insurance policy.

28          (3) {2} The motor vehicle service contract reimbursement insurance  
29 policy shall completely and fully reimburse or pay on behalf of the motor  
30 vehicle service contract provider ~~for~~ all repair costs incurred under the  
31 motor vehicle service contract ~~from the first dollar of coverage~~. The

1   motor vehicle service contract reimbursement insurance policy shall not  
2   require or allow a motor vehicle service contract provider to assume any  
3   portion of direct or first-dollar liability for repairs under a motor  
4   vehicle service contract. The motor vehicle service contract  
5   reimbursement insurance policy shall not include any provision whereby  
6   the insurer provides coverage in excess of reserves held by the motor  
7   vehicle service contract provider or only in the event of the motor  
8   vehicle service contract provider's insolvency or default. All unearned  
9   premium reserves and claim reserve funds shall be established as  
10   liabilities on the books of the insurer in accordance with statutory  
11   accounting practices. This subsection shall not apply to programs  
12   directly obligating an automobile dealer to perform under the motor  
13   vehicle service contract.

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

18            (i) A heading in capitals equal to or greater in size than the  
19           surrounding text, or in contrasting type, font, or color to the  
20           surrounding text of the same or lesser size; and

21            (ii) Language in the body of a record or display in larger type than  
22           the surrounding text, or in contrasting type, font, or color to the  
23           surrounding text of the same size, or set off from surrounding text of  
24           the same size by symbols or other marks that call attention to the  
25           language.

26           (2) It is the responsibility of the motor vehicle service contract  
27           provider issuing the motor vehicle service contract to file a true and  
28           correct copy of the motor vehicle service contract form, motor vehicle  
29           service contract reimbursement insurance policy, and the notice of filing  
30           form with the Department of Insurance. Such notice of filing shall be  
31           made on a form provided by the department and must contain the name and

1   address of the business entity filing the form as well as a contact  
2   person, the names and addresses of entities from which the service  
3   contract forms were purchased, the names and addresses of insurers  
4   insuring the provider's contractual liability, and the names and  
5   addresses of sales personnel. It is the responsibility of the motor  
6   vehicle service contract provider to notify the department on a  
7   continuing basis of any changes in the filings.

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

12        (a) Identifies the motor vehicle service contract provider and the  
13   service contract holder;

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

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

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

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

23        (f) Conspicuously states the existence of a deductible amount, if  
24   any;

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

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

31        (i) Sets forth any terms, restrictions, or conditions governing

1     transferability of a service contract, if any;  
2         (j) Sets forth applicable cancellation requirements; and  
3         (k) States that the service contract holder has the right to file a  
4         claim directly with the insurer in the event of nonperformance by the  
5         motor vehicle service contract provider in the event covered service is  
6         not provided by the motor vehicle service contract provider within sixty  
7         days of proof of loss being filed by the service contract holder with the  
8         service contract provider, along with the method, requirements, and  
9         instructions for making such a claim.

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

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

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

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

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

1           Sec. 12. Original sections 44-3520 and 44-3523, Reissue Revised  
2       Statutes of Nebraska, and section 44-3521, Revised Statutes Cumulative  
3       Supplement, 2018, are repealed.