

LEGISLATIVE BILL 510

Approved by the Governor May 4, 1971

Introduced by Donald Elrod, 35th District

AN ACT to amend section 44-386, Revised Statutes Supplement, 1969, relating to insurance; to provide an exception for unincorporated mutual associations to continue in business as prescribed; to repeal the original section; and to declare an emergency.
Be it enacted by the people of the State of Nebraska,

Section 1. That section 44-386, Revised Statutes Supplement, 1969, be amended to read as follows:

44-386. Nothing in this chapter shall be so construed as to prevent any number of persons, not to exceed fifteen hundred, who are residents of this state, from making mutual pledges and giving valid obligations to each other for their own insurance from loss by fire, lightning, tornado, cyclone, windstorms, hail, death, or other cause for which insurance may be obtained under any of the laws of this state. Any association of persons numbering less than twenty-five hundred on the effective date of this act may continue in existence without regard to such limitation. Such association of persons shall in no case insure any property not owned by one of their number, and no life except that of their number, nor shall the provisions of sections 44-301 to 44-396 be applicable to such associations of persons except that the Department of Insurance may require such reports as it deems advisable. Such associations of persons shall receive no premiums, make no dividends, nor pay in any case at a rate in excess of five dollars per day to any of their officers or employees, and then only when such officers or employees are performing service for the association, nor shall they hire or compensate any agent, solicitors, adjusters, or appraisers. No such association of persons shall ever make any levies or collect any money from its members or prospective members, except to pay for losses on property or lives insured and such expenses as are necessary and incidental to the operation of such association; Provided, that one membership fee of not more than five dollars per person may be charged at the time of entrance for the purpose of providing a fund which shall not be in excess of one hundred fifty per cent of the average monthly disbursement during such

calendar year at the end of each calendar year unless specifically approved by the director each year out of which benefits may be paid pending assessment receipts and for the purpose of paying initial expenses. All fees and receipts shall be debited to the assets of the association and shall be expended as allowable for expenses, salaries, and benefits or distributed as herein provided. No money shall be paid or donated to any organization or to any person except as a benefit or as an allowable salary or expense. All expenses including salaries shall not exceed twenty per cent of all assessments, levies, and fees received. No surplus except that in the aforementioned fund shall be maintained or allowed. All surplus money except that maintained in the fund and that allowed for expenses and salaries must be distributed to the members; Provided, that:

(1) If membership in such association is limited to the employees or former employees of a particular employer, and

(2) Such employer has contributed funds to such association to be used to pay benefits to the members, in the period during which any such surplus fund was accumulated, then upon any distribution of such surplus, other than in payment of expenses, salaries and benefits, whether upon the order of the Director of Insurance, or otherwise, such distribution shall be equitably divided among the members in good standing on the date of such distribution, and such employer, in proportion to their respective contributions made in the period during which such surplus was accumulated. No such distribution shall be made until approved by the director.

Sec. 2. That original section 44-386, Revised Statutes Supplement, 1969, is repealed.

Sec. 3. Since an emergency exists, this act shall be in full force and take effect, from and after its passage and approval, according to law.