

Legislature - First Session - 2019

Introducer's Statement of Intent

LB469

Chairperson: Senator Matt Williams

Committee: Banking, Commerce and Insurance

Date of Hearing: February 05, 2019

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

LB 469, introduced on behalf of the Director of Insurance, amends the Surplus Lines Insurance Act to add provisions to allow for domestic surplus lines insurers in Nebraska.

Surplus lines insurance is insurance sold by a non-admitted insurer on the non-admitted market to consumers who cannot find insurance for their risk in the normal admitted market.

Because these consumers must seek insurance from a non-admitted carrier, by its very nature such an insurer will be an out-of-state insurer. For a Nebraska insurer to sell surplus lines to Nebraskans under current law, it would be forced to form another insurer in another state and then sell back to Nebraskans.

LB 469 seeks to solve this inefficiency and needless regulatory burden by allowing the creation of domestic surplus lines insurers that have at least \$15,000,000 in policyholder surplus, have the ability to sell surplus lines in at least one other state, whose Board of Directors have passed a resolution seeking to be a domestic surplus lines insurer, and have received written authority from the Director of Insurance to act as a domestic surplus lines insurer. Such an insurer will be subject to all financial and solvency regulation of the Department of Insurance.

At least sixteen other states have passed similar legislation. Passage of LB 469 will allow Nebraska to better compete in the attraction of surplus lines insurers to domestic in Nebraska and will provide Nebraskans who need surplus lines insurance an option to buy such insurance from an Nebraskan insurer regulated by the Nebraska Department of Insurance.

In addition, LB 469 amends the Nebraska Insurance Code and eliminates obsolete statutes to allow the repeal of obsolete rules and regulations. Specifically, LB 469 amends the Property and Casualty Rate and Form Act to eliminate the mandate for rules related to qualifying commercial policyholders and the transition from subjective to objective rating systems.

Finally, the bill outright repeals Neb. Rev. Stat. §§ 44-213.01 through 44-213.07 which govern the process of the Department's approval or disapproval of insurer employee benefit plans. This statutory requirement predates the passage of federal law governing employee benefit plans and is, like its accompanying rule, obsolete. Neb. Rev. Stat. § 44-213 is left in

place to retain Department jurisdiction over any issues related to a domestic insurers benefit package and its financial solvency.

Principal Introducer: _____

Senator Brett Lindstrom