AMENDMENTS TO LB 409

Introduced by Banking, Commerce and Insurance

1   1. Strike the original sections and insert the following

2   new section:

3   Section 1. (1) After making payment in full to all

4   mortgagees on a fire and casualty insurance policy on any real

5   property and any structure covered by such policy, the insurer

6   shall reserve ten thousand dollars or ten percent of the basic

7   coverage limit applicable to the damaged property or structure,

8   whichever is greater, to be held as a demolition cost reserve if

9   all of the following apply:

10   (a) The real property is located within the limits of

11 a city or village, including within any extraterritorial zoning

12 jurisdiction exercised by such city or village;

13   (b) The damage to the real property or any insured

14 structure renders such property or structure uninhabitable or unfit

15 for the purpose for which such property or structure was intended,

16 without repair; and

17   (c) Proof of loss has been submitted by the policyholder

18 to the insurer for a sum in excess of seventy-five percent of the

19 face value of the policy covering the property and any insured

20 structure.

21   (2) If an insurer receives proof of loss as provided in

22 subdivision (1)(c) of this section, it shall notify the clerk of

23 the city or village within which the property is located of the

1   existence of the demolition cost reserve. Such notice shall be made

2   by certified mail within fifteen working days after receipt of the

3   proof of loss.

4   (3) The city or village shall release all interest in

5   the demolition cost reserve within ninety days after receiving the

6   notice provided for in subsection (2) of this section unless the

7   city or village has instituted legal proceedings or issued an order

8   for the demolition of the real property or any insured structure

9   and has notified the insurer in writing of such proceedings or

10   order. Failure by the city or village to notify the insurer under

11   this subsection terminates the city's or village's claim to any

12   proceeds from the demolition cost reserve.

13   (4) A demolition cost reserve shall not be required if

14   any of the following is true:

15   (a) The insurer has received notice from both the insured

16   and the applicable city or village that the real property or

17   insured structure has been replaced and rebuilt, repairs have been

18   completed, or demolition of the real property and any insured

19   structure has been completed in compliance with all applicable

20   state and local laws; or

21   (b) The city or village has failed to provide

22   notification to the insurer as required by subsection (3) of this

23   section.

24   (5) If the city or village has instituted legal

25   proceedings, issued an order for demolition, undertaken emergency

26   action, or is required to demolish the real property and insured

27   structure at its expense, the city or village shall present to the

1   insurer a report of demolition costs incurred since the date of

2   damage or other occurrence related directly to the enforcement of a

3   city or village ordinance. Upon receipt of such report, the insurer

4   shall compensate the city or village up to the amount contained in

5   the demolition cost reserve. Any amount remaining in the demolition

6   cost reserve after such compensation shall be paid to the insured

7   if the insured is entitled to any remaining proceeds under the

8   policy.

9   (6) The insurer is not liable for any demolition costs:

10   (a) Not covered under the insurance policy;

11   (b) In excess of the limits of liability set forth in the

12 policy; or

13   (c) To the extent the demolition cost reserve amount is

14 needed to pay in full any interest of any mortgagee on such policy.

15   (7) Any insurer and its agent that complies with this

16 section shall be immune from any civil liability.