

LEGISLATURE OF NEBRASKA
ONE HUNDRED THIRD LEGISLATURE
FIRST SESSION
LEGISLATIVE BILL 614

Introduced by Schumacher, 22.

Read first time January 23, 2013

Committee: Banking, Commerce and Insurance

A BILL

1 FOR AN ACT relating to insurance; to provide for the withholding of
2 insurance proceeds for the demolition of real property as
3 prescribed.

4 Be it enacted by the people of the State of Nebraska,

1 Section 1. (1) After making payment in full to all
2 mortgagees on a fire and casualty insurance policy on any real
3 property and any structure covered by such policy, the insurer shall
4 reserve ten thousand dollars or ten percent of the basic coverage
5 limit applicable to the damaged property or structure, whichever is
6 greater, to be held as a demolition cost reserve if all of the
7 following apply:

8 (a) The real property is located within the limits of a
9 city or village or within a county outside of a city or village,
10 including within any extraterritorial zoning jurisdiction exercised
11 by such city or village;

12 (b) The damage to the real property or any insured
13 structure renders such property or structure uninhabitable or unfit
14 for the purpose for which such property or structure was intended,
15 without repair; and

16 (c) Proof of loss has been submitted by the policyholder
17 to the insurer for a sum in excess of seventy-five percent of the
18 face value of the policy covering the property and any insured
19 structure.

20 (2) If an insurer receives proof of loss as provided in
21 subdivision (1)(c) of this section, it shall notify the clerk of the
22 city, village, or county within which the property is located of the
23 existence of the demolition cost reserve. Such notice shall be made
24 by certified mail within fifteen working days after receipt of the
25 proof of loss.

1 (3) The city, village, or county shall release all
2 interest in the demolition cost reserve within one hundred eighty
3 days after receiving the notice provided for in subsection (2) of
4 this section unless the city, village, or county has instituted legal
5 proceedings or issued an order for the demolition of the real
6 property or any insured structure and has notified the insurer in
7 writing of such proceedings or order. Failure by the city, village,
8 or county to notify the insurer under this subsection terminates the
9 city's, village's, or county's claim to any proceeds from the
10 demolition cost reserve.

11 (4) A demolition cost reserve shall not be required if
12 any of the following is true:

13 (a) The insurer has received notice from both the insured
14 and the applicable city, village, or county that the real property or
15 insured structure has been replaced and rebuilt, repairs have been
16 completed, or demolition of the real property and any insured
17 structure has been completed in compliance with all applicable state
18 and local laws; or

19 (b) The city or village has failed to provide
20 notification to the insurer as required by subsection (3) of this
21 section.

22 (5) If the city, village, or county has instituted legal
23 proceedings, issued an order for demolition, undertaken emergency
24 action, or is required to demolish the real property and insured
25 structure at its expense, the city, village, or county shall present

1 to the insurer a report of demolition costs incurred since the date
2 of damage or other occurrence related directly to the enforcement of
3 a city, village, or county ordinance. Upon receipt of such report,
4 the insurer shall compensate the city, village, or county up to the
5 amount contained in the demolition cost reserve. Any amount remaining
6 in the demolition cost reserve after such compensation shall be paid
7 to the insured if the insured is entitled to any remaining proceeds
8 under the 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 arising out of such
17 compliance.