

LEGISLATIVE BILL 656

Approved by the Governor March 3, 1978

Introduced by Banking, Commerce and Insurance, Schmit,
23, Vice Chmn.; Mills, 44; Duis, 39; Merz, 1;
Labeledz, 5; Brennan, 9

AN ACT to adopt the Nebraska Professional Association
Mutual Insurance Company Act; and to declare
an emergency.

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

Section 1. This act shall be known and may be
cited as the Nebraska Professional Association Mutual
Insurance Company Act.

Sec. 2. The intent and purpose of this act is
to establish procedures for organizing and regulating the
operations of professional association mutual insurance
companies within the State of Nebraska and thereby to
promote the general welfare of the people of the State of
Nebraska.

Sec. 3. As used in this act, unless the context
otherwise requires:

(1) Professional association mutual insurance
company shall mean any domestic insurance company
licensed under this act for the purpose of making
insurance as provided in sections 4 and 5 of this act.
For the purposes of this subdivision, professional
association shall mean any organization of individual
professional practitioners who are required by this state
to obtain a license or other legal authorization prior to
performing a professional service, including but not
limited to certified public accountants, public
accountants, dentists, osteopaths, physicians and
surgeons, veterinarians, or attorneys at law.

(2) Director shall mean the Director of
Insurance; and

(3) Member shall mean an individual belonging to
an association as defined in subdivision (1) of this
section and whose principal practice is located in this
state.

Sec. 4. The business of an insurance company
licensed pursuant to this act shall be limited to making
insurance, as provided in section 5 of this act, on the

risks, hazards, and liabilities of members of an association whose principal practice is located in the State of Nebraska for professional practitioners' errors and omissions or malpractice liability.

Sec. 5. Any professional association mutual insurance company applying for a certificate of authority to engage in the insurance business in this state shall demonstrate to the satisfaction of the director that adequate insurance markets in the United States are not reasonably available to cover the risks, hazards, and liabilities of the members to be insured for professional practitioners' errors and omissions or malpractice liability, and that the total insurance coverage necessary to insure such risks, hazards, and liabilities of the members to be insured would develop, in the aggregate, gross annual premiums of at least two hundred fifty thousand dollars.

Sec. 6. No professional association mutual insurance company shall be issued a certificate of authority to do any business in this state until it has filed with the director acceptable evidence that it has, and shall maintain, a minimum surplus aggregating at least five hundred thousand dollars in cash, in the investments specified in section 44-309, Reissue Revised Statutes of Nebraska, 1943, or a letter of credit issued by a Nebraska banking institution in accordance with loan restrictions prescribed by the laws of this state.

Sec. 7. No professional association mutual insurance company shall be issued a certificate of authority to do any business in this state until it has received not less than two hundred applications for insurance, and it shall have received in cash one annual premium for each such application.

Sec. 8. Any professional association mutual insurance company shall not be a member of the Nebraska Property and Liability Insurance Guaranty Association described in Chapter 44, article 24, Reissue Revised Statutes of Nebraska, 1943, and amendments thereto.

Sec. 9. Any professional association mutual insurance company may collect, at the time a policy is issued, a membership fee. Such fee shall be in addition to any premium charged for insurance and shall be paid into the company's surplus.

Sec. 10. (1) In addition to the premium tax prescribed in sections 77-907 to 77-914, Reissue Revised Statutes of Nebraska, 1943, every professional association mutual insurance company licensed pursuant to

this act shall, on or before March 1 of each year, pay an administrative fee to the director in the amount of three-tenths of one per cent of the gross amount of direct-writing premiums received by it during the preceding calendar year for business done in this state.

(2) The computation of the administrative fee shall be made on forms furnished by the Department of Insurance and the fee shall be forwarded to the department together with a sworn statement by an appropriate officer of the company attesting the accuracy of the fee computation. The department shall furnish such forms prior to the end of the year for which the fees are payable.

(3) The director shall rescind or refuse to reissue the license of any company which fails to remit the administrative fee in conformity with this section. Prior to rescinding such license, the director shall issue an order to the company directing the company to show cause why such rescission should not be made. The director shall give not less than ten days' notice of a rescission hearing before the department. Should the company be aggrieved by such determination, an appeal may be made under sections 84-917 and 84-918, Reissue Revised Statutes of Nebraska, 1943.

Sec. 11. The director may establish and from time to time amend such reasonable rules and regulations as are necessary to enable him to carry out his duties under this act.

Sec. 12. To the extent applicable and when not in conflict with the provisions of this act, Chapters 21, 44, and 77, Reissue Revised Statutes of Nebraska, 1943, and amendments thereto, relating to corporations and insurance shall apply to companies incorporated pursuant to this act.

Sec. 13. Since an emergency exists, this act shall be in full force and take effect, from and after its passage and approval, according to law.