

The Service Contract Compass

NEBRASKA 1ST Dollar CLP Requirement Repealed

Nebraska Legislative Bill 774 has been signed. The new legislation repeals provisions of Nebraska’s Motor Vehicle service contract law which previously required first-dollar coverage Contractual Liability Policies (CLPs) for all vehicle service contract programs. The new law also repeals provisions of current law which previously prohibited a use of a “failure-to-perform” or “excess” CLP that only provides coverage in the event of the provider’s insolvency or default.

This legislation amends the definition of “motor vehicle service contract reimbursement insurance policy” to now allow a CLP issued to a motor vehicle service contract provider to either provide reimbursement to the provider under the terms of the insured VSCs or sold by the provider or, in the event of the provider’s nonperformance, to pay on behalf of the provider all covered contractual obligations incurred by the provider under the terms of the contracts issued or sold by the provider in this state.

The legislation also requires a “60-day cut-through” provision in a CLP, allowing the contract holder to apply directly to the CLP insurer, a common feature in many service contract laws throughout the country.

The effective date of the legislation will depend upon the date the Governor signed.

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