

HOUSE BILL No. 2099

By Committee on Insurance

1-24

1 AN ACT concerning insurance; ~~pertaining to updating of certain statutory~~
2 ~~references; amending K.S.A. 39-719e, 40-1612 and 40-19a10 and~~
3 ~~K.S.A. 2012 Supp. 40-19e09 and repealing the existing sections; also~~
4 ~~repealing K.S.A. 40-254 pertaining to security deposits; pertaining to~~
5 ~~risk based capital requirements for certain insurers; pertaining to~~
6 ~~investments by insurance companies; pertaining to purchase of~~
7 ~~certain insurance coverage by the Kansas state fair; pertaining to the~~
8 ~~return of premiums separate from the notice of denial of coverage;~~
9 ~~amending K.S.A. 2-224, 40-2a08, 40-2a14, 40-2a28, 40-2b07, 40-~~
10 ~~2b12 and 40-2b29 and K.S.A. 2013 Supp. 40-229a, 40-2a27, 40-2b28,~~
11 ~~40-2c01, 40-3118, 75-4105 and 75-4109 and repealing the existing~~
12 ~~sections.~~
13

14 *Be it enacted by the Legislature of the State of Kansas:*

15 ~~Section 1. K.S.A. 39-719e is hereby amended to read as follows: 39-~~
16 ~~719e. (a) Upon the request of the secretary of social and rehabilitation~~
17 ~~services the department for children and families **for aging and disability**~~
18 ~~**services or the Kansas department of health and environment, or**~~
19 ~~**both,** each medical benefit plan provider that provides or maintains a~~
20 ~~medical benefit plan, that provides any hospital or medical services or any~~
21 ~~other health care or other medical benefits or services, or both, in Kansas,~~
22 ~~shall provide the secretary with information, to the extent known by the~~
23 ~~medical benefit plan provider, identifying each person who is covered by~~
24 ~~such medical benefit plan or who is otherwise provided any such hospital~~
25 ~~or medical services or any other such health care or other medical benefits~~
26 ~~or services, or both, in Kansas under such medical benefit plan. The~~
27 ~~information shall be provided in such form as is prescribed by the~~
28 ~~secretary for the purpose of comparing such information with medicaid~~
29 ~~beneficiary information maintained by the secretary to assist in identifying~~
30 ~~other health care or medical benefit coverage available to medicaid~~
31 ~~beneficiaries. The secretary shall reimburse each medical benefit plan~~
32 ~~provider that provides information under this section for the reasonable~~
33 ~~cost of providing such information.~~

34 ~~(b) All information provided by medical benefit plan providers under~~

1 ~~this section shall be confidential and shall not be disclosed pursuant to the~~
2 ~~provisions of the open records act or under the provisions of any other law.~~
3 ~~Such information may be used solely for the purpose of determining~~
4 ~~whether medical assistance has been paid or is eligible to be paid by the~~
5 ~~secretary for which a recovery from a medical benefit plan provider is due~~
6 ~~under K.S.A. 39-719a, and amendments thereto.~~

7 ~~(e) Failure to provide information pursuant to a request by the~~
8 ~~secretary of social and rehabilitation services *the department for children*~~
9 ~~*and families* **for aging and disability services or the Kansas department**~~
10 ~~**of health and environment, or both,** under this section shall constitute a~~
11 ~~failure to reply to an inquiry of the commissioner of insurance and shall be~~
12 ~~subject to the penalties applicable thereto under K.S.A. 40-226 *40-2.125,*~~
13 ~~and amendments thereto. If a medical plan provider fails to provide~~
14 ~~information to the secretary of social and rehabilitation services *the*~~
15 ~~*department for children and families* **for aging and disability services or**~~
16 ~~**the Kansas department of health and environment, or both,** pursuant to~~
17 ~~a request under this section, the secretary shall notify the commissioner of~~
18 ~~such failure. The commissioner of insurance may pursue each such failure~~
19 ~~to provide such information in accordance with K.S.A. 40-226 *40-2.125,*~~
20 ~~and amendments thereto.~~

21 ~~(d) As used in this section:~~

22 ~~(1) "Medical benefit plan" means any accident and health insurance~~
23 ~~or any other policy, contract, plan or agreement that provides benefits or~~
24 ~~services, or both, for any hospital or medical services or any other health~~
25 ~~care or medical benefits or services, or both, in Kansas, whether or not~~
26 ~~such benefits or services, or both, are provided pursuant to individual,~~
27 ~~group, blanket or certificates of accident and sickness insurance, any other~~
28 ~~insurance providing any accident and health insurance, or any other policy,~~
29 ~~contract, plan or agreement providing any such benefits or services, or~~
30 ~~both, in Kansas, and includes any policy, plan, contract or agreement~~
31 ~~offered in Kansas pursuant to the federal employee retirement income~~
32 ~~security act of 1974 (ERISA) that provides any hospital or medical~~
33 ~~services or any other health care or medical benefits or services, or both, in~~
34 ~~Kansas; and~~

35 ~~(2) "medical benefit plan provider" means any insurance company,~~
36 ~~nonprofit medical and hospital service corporation, health maintenance~~
37 ~~organization, fraternal benefit society, municipal group-funded pool,~~
38 ~~group-funded workers compensation pool or any other entity providing or~~
39 ~~maintaining a medical benefit plan.~~

40 ~~(e) No medicaid provider who rendered professional services to a~~
41 ~~medicaid beneficiary and was paid by the secretary for such services shall~~
42 ~~be liable to the medical benefit plan provider for any amounts recovered~~
43 ~~pursuant to this act or pursuant to the provisions of K.S.A. 39-719a, and~~

1 amendments thereto:

2 Sec. 2. K.S.A. 40-1612 is hereby amended to read as follows: 40-
3 1612. In addition to the provisions of this article, the provisions set forth in
4 the following sections of the Kansas Statutes Annotated, and amendments
5 thereto, which govern other types of insurance companies shall apply to
6 reciprocals to the extent that such provisions do not conflict with the
7 provisions of this article: Sections 40-208, 40-209, 40-214, 40-215, 40-
8 216, 40-218, 40-220, 40-221a, 40-222, 40-223, 40-224, 40-225, 40-229,
9 40-229a, 40-231, 40-233, 40-234, 40-234a, 40-235, 40-236, 40-237, 40-
10 238, 40-239, 40-240, 40-241, 40-242, 40-244, 40-245, 40-246, except as to
11 contracts written through traveling salaried representatives to whom no
12 commissions are paid, 40-246a, 40-247, 40-248, 40-249, 40-250, 40-251,
13 40-253, 40-254, 40-256, 40-281, 40-2,125, 40-2,126, 40-2,127, 40-2,128,
14 40-2,156, 40-2,156a, 40-2,157, 40-2,159, 40-952, 40-2001, 40-2002, 40-
15 2003, 40-2004, 40-2005, 40-2006 and 40-2404 and article 2a of chapter 40
16 of the Kansas Statutes Annotated, and amendments thereto, and any other
17 provision of law pertaining to insurance which specifically refers to
18 reciprocals.

19 Sec. 3. K.S.A. 40-19a10 is hereby amended to read as follows: 40-
20 19a10. (a) Such corporations shall be subject to the provisions of K.S.A.
21 40-214, 40-215, 40-216, 40-218, 40-219, 40-222, 40-223, 40-224, 40-225,
22 40-226, 40-229, 40-230, 40-231, 40-235, 40-236, 40-237, 40-247, 40-248,
23 40-249, 40-250, 40-251, 40-252, 40-254, 40-2,102, 40-2a01 et seq., 40-
24 2215 to 40-2220, inclusive, 40-2253, 40-2401 to 40-2421, inclusive, 40-
25 3301 to 40-3313, inclusive, K.S.A. 40-2,125, 40-2,154 and 40-2,161, and
26 amendments thereto, except as the context otherwise requires, and shall
27 not be subject to any other provisions of the insurance code except as
28 expressly provided in this act.

29 (b) No policy, agreement, contract or certificate issued by a
30 corporation to which this section applies shall contain a provision which
31 excludes, limits or otherwise restricts coverage because medicaid benefits
32 as permitted by title XIX of the social security act of 1965 are or may be
33 available for the same accident or illness.

34 (c) Violation of subsection (b) shall be subject to the penalties
35 prescribed by K.S.A. 40-2407 and 40-2411, and amendments thereto.

36 Sec. 4. K.S.A. 2012 Supp. 40-19e09 is hereby amended to read as
37 follows: 40-19e09. (a) Corporations organized under the nonprofit medical
38 and hospital service corporation act shall be subject to the provisions of
39 the Kansas general corporation code, articles 60 to 74, inclusive, of
40 chapter 17 of the Kansas Statutes Annotated, and amendments thereto,
41 applicable to nonprofit corporations, to the provisions of K.S.A. 40-214,
42 40-215, 40-216, 40-218, 40-219, 40-222, 40-223, 40-224, 40-225, 40-226,
43 40-229, 40-230, 40-231, 40-235, 40-236, 40-237, 40-247, 40-248, 40-249,

1 ~~40-250, 40-251, 40-252, 40-254, 40-2100, 40-2101, 40-2102, 40-2103,~~
2 ~~40-2104, 40-2105, 40-2116, 40-2117, 40-2125, 40-2153, 40-2154, 40-~~
3 ~~2-160, 40-2161, 40-2163 through 40-2170, inclusive, 40-2a01 et seq.,~~
4 ~~40-2111 to 40-2116, inclusive, 40-2215 to 40-2220, inclusive, 40-2221a,~~
5 ~~40-2221b, 40-2229, 40-2230, 40-2250, 40-2251, 40-2253, 40-2254, 40-~~
6 ~~2401 to 40-2421, inclusive, and 40-3301 to 40-3313, inclusive, K.S.A.~~
7 ~~2012 Supp. 40-2,105a, 40-2,105b, 40-2,184 and 40-2,190, and~~
8 ~~amendments thereto, except as the context otherwise requires, and shall~~
9 ~~not be subject to any other provisions of the insurance code except as~~
10 ~~expressly provided in this act.~~

11 ~~(b) No policy, agreement, contract or certificate issued by a~~
12 ~~corporation to which this section applies shall contain a provision which~~
13 ~~excludes, limits or otherwise restricts coverage because medicaid benefits~~
14 ~~as permitted by title XIX of the social security act of 1965 are or may be~~
15 ~~available for the same accident or illness.~~

16 ~~(c) Violation of subsection (b) shall be subject to the penalties~~
17 ~~prescribed by K.S.A. 40-2407 and 40-2411, and amendments thereto.~~

18 ***Section 1. K.S.A. 2013 Supp. 40-229a is hereby amended to read as***
19 ***follows: 40-229a. (a) (1) (A) All cash, securities, real estate deeds,***
20 ***mortgages or other assets, excluding real estate and mortgages, deposited***
21 ***with the commissioner of insurance pursuant to the provisions of the***
22 ***insurance code of the state of Kansas shall be deposited with any Kansas***
23 ***financial institution acceptable to the commissioner through which a***
24 ***custodial or controlled account, a joint custody receipt arrangement or***
25 ***any combination of these or other measures that are acceptable to the***
26 ***commissioner is used.***

27 ***(B) All such deposits shall be held by such financial institution on***
28 ***behalf of the commissioner in trust for the use and benefit of such***
29 ***company and such company's policyholders and creditors. Such assets***
30 ***shall be released from such deposits only upon written approval of the***
31 ***commissioner.***

32 ***(C) All income from deposits belong to the depositing organization***
33 ***and shall be paid to it as it becomes available. The commissioner, upon***
34 ***written approval, may direct the financial institution to permit exchange***
35 ***of securities or assets upon deposit of specified substituted securities or***
36 ***assets.***

37 ***(D) An authorized signature form must be submitted to the***
38 ***commissioner of insurance prior to acceptance of any deposit. Each***
39 ***signature on the authorized signature form must be the original***
40 ***handwritten name of each signee. No copies, facsimiles, electronic or***
41 ***digital signatures will be recognized on this form.***

42 ***(D) (E) All forms for deposit, withdrawal or exchange shall be***
43 ***prescribed, prepared and furnished by the commissioner and no***

1 *facsimile signatures shall be used or recognized.*

2 ~~(E)~~ (F) *The commissioner or assistant commissioner of insurance*
3 *or insurance department employee authorized by the commissioner may*
4 *at any time inspect the securities on deposit in any such financial*
5 *institution.*

6 ~~(F)~~ (G) *Nothing in this act shall be construed to hold the state of*
7 *Kansas, the commissioner, assistant commissioner or authorized*
8 *employee liable either personally or officially for any default of such*
9 *financial institution.*

10 (2) ~~Real estate shall be deposited with the commissioner by the~~
11 ~~depositing organization executing a deed or assignment conveying title~~
12 ~~thereto to the commissioner, in trust for the use and benefit of such~~
13 ~~company. Such deeds or assignment shall be recorded in the office of the~~
14 ~~register of deeds of the county in which such real estate is situated. When~~
15 ~~the depositing organization is authorized to withdraw real estate from~~
16 ~~deposit, the commissioner shall execute deeds to such organization or such~~
17 ~~other persons, companies or corporations as directed by such organization.~~
18 ~~The costs of registering such deeds shall be paid by the depositing~~
19 ~~organization.~~

20 ~~(3)—All deposits made with the commissioner shall be audited by the~~
21 ~~commissioner and the state treasurer not less frequently than once each~~
22 ~~three years. The commissioner may accept an audit performed by~~
23 ~~another governmental agency acceptable to the commissioner, in lieu of~~
24 ~~this audit requirement.~~

25 ~~(b) Assets, except real estate assets, deposited pursuant to this~~
26 ~~section shall be held by the custodian on behalf of the commissioner as~~
27 ~~in trust for the use and benefit of the depositing organization. Such~~
28 ~~assets shall remain the specific property of the organization and shall~~
29 ~~not be subject to the claim of any third party against the custodian.~~

30 ~~(c) The custodian is authorized to redeposit such assets with a~~
31 ~~clearing corporation as defined in K.S.A. 84-8-102, and amendments~~
32 ~~thereto, if such clearing corporation is domiciled in the United States.~~
33 ~~The custodian is authorized to hold such assets through the federal~~
34 ~~reserve bank book-entry system.~~

35 ~~(d) The commissioner shall adopt rules and regulations to establish~~
36 ~~requirements relating to deposits under this section appropriate to~~
37 ~~assure the security and safety of such deposits, including, but not~~
38 ~~limited, to the following:~~

39 ~~(1) Capital and surplus of the custodian;~~

40 ~~(2) title in which deposited assets are held;~~

41 ~~(3) records to be kept by the custodian and the commissioner's~~
42 ~~access thereto;~~

43 ~~(4) periodic reports by the custodian to the commissioner;~~

1 (5) *responsibility of the custodian to indemnify the depositor for*
2 *loss of deposited assets;*

3 (6) *withdrawal or exchange of deposited assets; and*

4 (7) *authority of the commissioner to terminate the deposit if the*
5 *condition of the custodian should threaten the security of the deposited*
6 *assets.*

7 (e) *As used in this section:*

8 (1) *"Commissioner" means the commissioner of insurance; and*

9 (2) *"financial institution" means a federal home loan bank, a*
10 *savings and loan association and savings bank organized under the laws*
11 *of the United States or another state, a national bank, state bank or trust*
12 *company, which have main or branch offices in this state, shall at all*
13 *times during which such federal home loan bank, savings and loan*
14 *association, savings bank, national bank, state bank or trust company*
15 *acts as a custodian be:*

16 (A) *No less than adequately capitalized as determined by the*
17 *standards adopted by the regulator charged with establishing standards*
18 *for, and assessing, the institution's solvency;*

19 (B) *regulated by either state or federal banking laws, the federal*
20 *home loan bank act, as amended or is a member of the federal reserve*
21 *system; and*

22 (C) *legally qualified to accept custody of securities.*

23 (3) *"Main office" and "branch" shall have the meanings ascribed*
24 *to such terms in K.S.A. 9-1408, and amendments thereto.*

25 Sec. 2. *K.S.A. 2013 Supp. 40-2c01 is hereby amended to read as*
26 *follows: 40-2c01. As used in this act:*

27 (a) *"Adjusted RBC report" means an RBC report which has been*
28 *adjusted by the commissioner in accordance with K.S.A. 40-2c04, and*
29 *amendments thereto.*

30 (b) *"Corrective order" means an order issued by the commissioner*
31 *specifying corrective actions which the commissioner has determined*
32 *are required to address an RBC level event.*

33 (c) *"Domestic insurer" means any insurance company or risk*
34 *retention group which is licensed and organized in this state.*

35 (d) *"Foreign insurer" means any insurance company or risk*
36 *retention group not domiciled in this state which is licensed or registered*
37 *to do business in this state pursuant to article 41 of chapter 40 of the*
38 *Kansas Statutes Annotated or K.S.A. 40-209, and amendments thereto.*

39 (e) *"NAIC" means the national association of insurance*
40 *commissioners.*

41 (f) *"Life and health insurer" means any insurance company*
42 *licensed under article 4 or 5 of chapter 40 of the Kansas Statutes*
43 *Annotated, and amendments thereto, or a licensed property and casualty*

1 *insurer writing only accident and health insurance.*

2 (g) *"Property and casualty insurer" means any insurance company*
3 *licensed under articles 9, 10, 11, 12, 12a, 15 or 16 of chapter 40 of the*
4 *Kansas Statutes Annotated, and amendments thereto, but shall not*
5 *include monoline mortgage guaranty insurers, financial guaranty*
6 *insurers and title insurers.*

7 (h) *"Negative trend" means, with respect to a life and health*
8 *insurer, a negative trend over a period of time, as determined in*
9 *accordance with the "trend test calculation" included in the RBC*
10 *instructions defined in subsection (j).*

11 (i) *"RBC" means risk-based capital.*

12 (j) *"RBC instructions" means the risk-based capital instructions*
13 *promulgated by the NAIC, which are in effect on December 31, 2012*
14 *2013, or any later version promulgated by the NAIC as may be adopted*
15 *by the commissioner under K.S.A. 2013 Supp. 40-2c29, and amendments*
16 *thereto.*

17 (k) *"RBC level" means an insurer's company action level RBC,*
18 *regulatory action level RBC, authorized control level RBC, or*
19 *mandatory control level RBC where:*

20 (1) *"Company action level RBC" means, with respect to any*
21 *insurer, the product of 2.0 and its authorized control level RBC;*

22 (2) *"regulatory action level RBC" means the product of 1.5 and its*
23 *authorized control level RBC;*

24 (3) *"authorized control level RBC" means the number determined*
25 *under the risk-based capital formula in accordance with the RBC*
26 *instructions; and*

27 (4) *"mandatory control level RBC" means the product of .70 and*
28 *the authorized control level RBC.*

29 (l) *"RBC plan" means a comprehensive financial plan containing*
30 *the elements specified in K.S.A. 40-2c06, and amendments thereto. If the*
31 *commissioner rejects the RBC plan, and it is revised by the insurer, with*
32 *or without the commissioner's recommendation, the plan shall be called*
33 *the "revised RBC plan."*

34 (m) *"RBC report" means the report required by K.S.A. 40-2c02,*
35 *and amendments thereto.*

36 (n) *"Total adjusted capital" means the sum of:*

37 (1) *An insurer's capital and surplus or surplus only if a mutual*
38 *insurer; and*

39 (2) *such other items, if any, as the RBC instructions may provide.*

40 (o) *"Commissioner" means the commissioner of insurance.*

41 *Sec. 3. K.S.A. 40-2a08 is hereby amended to read as follows: 40-*
42 *2a08. Any insurance company other than life heretofore or hereafter*
43 *organized under any law of this state may invest by loans or otherwise,*

1 *with the direction or approval of a majority of its board of directors or*
2 *authorized committee thereof, any of its funds, or any part thereof in the*
3 ~~common stock equity interests of any corporation~~ *business entity*
4 *organized and doing business under the laws of the United States of*
5 *America, or of any state, district, insular or territorial possession*
6 *thereof; or of the Dominion of Canada or any province thereof; or of*
7 *any other country or subdivision thereof; in an amount, based upon*
8 *cost, not exceeding 15% of its admitted assets—~~or not exceeding the~~*
9 ~~combined capital and surplus, whichever is the lesser, as shown by the~~
10 *company's last annual report as filed with the state commissioner of*
11 *insurance or a more recent quarterly financial statement as filed with*
12 *the commissioner, on a form prescribed by the national association of*
13 *insurance commissioners, within 45 days following the end of the*
14 *calendar quarter to which the interim statement pertains. Such*
15 *insurance company may write exchange traded, covered call options on*
16 ~~shares equity interests it owns and may purchase call options for the sole~~
17 *purpose of closing out a position taken previously with respect to one or*
18 *more options having been written. The purchase of a call option for any*
19 *reason other than as a closing transaction and the writing of naked*
20 *(uncovered) call options are hereby prohibited. Investments in—~~common~~*
21 ~~stocks equity interests and the writing of call options shall be further~~
22 ~~limited as follows:~~ *provided in subsections (a) through (g) except that*
23 *subsections (a) through (e) shall only apply to an amount that exceeds*
24 *7.5% of any insurance company's admitted assets.*

25 *(a) The obligations, if any, shown on the last published annual*
26 *statement of such—~~corporation~~ business entity must be eligible for*
27 *investment under K.S.A. 40-2a05, and amendments thereto;*

28 *(b) cash dividends have been paid during each of the last three*
29 *years preceding the date of acquisition;*

30 *(c) the—~~stock~~ equity interest is registered with a national securities*
31 *exchange regulated under the securities exchange act of 1934, as*
32 *amended, or is regularly traded on a national or regional basis;*

33 *(d) the—~~company~~ business entity shall have earnings in three of the*
34 *last five years preceding the date of acquisition;*

35 *(e) investments in common stock in any one corporation shall at no*
36 *time exceed 2% of the admitted assets of the investing insurance company*
37 *determined on the basis of the cost of such shares to the insurance*
38 *company at time of purchase, and at no time shall an insurance company*
39 *purchase more than 5% of the outstanding shares of stock of any one given*
40 ~~corporation~~ *at no time shall an insurance company invest in more than 5%*
41 *of the outstanding equity interests of any one such business entity, nor an*
42 *amount more than 2% of the investing insurance company's admitted*
43 *assets in the outstanding equity interests of any one such business entity,*

1 determined on the basis of the cost of such equity interests to the insurance
2 company at the time of purchase;

3 (f) ~~stock~~ an equity interest owned by an insurance company that is
4 obligated under an unexpired written call option shall be valued at the
5 lesser of the striking price or current market value. For the purposes of
6 this subsection, "striking price" means the price per ~~share~~ equity
7 interest, exclusive of selling costs, the company would receive should the
8 call option be exercised by the holder;

9 (g) the provisions of subsections (b) and (d) shall not apply, if at the
10 time of acquisition:

11 (1) ~~The issuing corporation~~ business entity has net assets of
12 \$10,000,000 or more;

13 (2) ~~the issuing corporation~~ business entity has a net worth of
14 \$1,000,000 or more; and

15 (3) ~~the issuing corporation~~ business entity has an aggregate market
16 value of \$500,000,000 or more.

17 (h) As used in this section:

18 (1) "Business entity" includes a sole proprietorship, corporation,
19 limited liability company, association, partnership, joint stock company,
20 joint venture, mutual fund, trust, joint tenancy or other similar form of
21 business organization, whether organized for profit or not-for-profit.

22 (2) "Equity interest" means any of the following:

23 (A) Common stock;

24 (B) trust certificate;

25 (C) equity investment in an investment company other than a money
26 market mutual fund permitted under K.S.A. 40-2a22, and amendments
27 thereto;

28 (D) investment in a common trust fund of a bank regulated by a
29 federal or state agency;

30 (E) an ownership interest in minerals, oil or gas, the rights to which
31 have been separated from the underlying fee interest in the real estate
32 where the minerals, oil or gas are located;

33 (F) instruments which are mandatorily, or at the option of the issuer,
34 convertible to equity;

35 (G) limited partnership interests;

36 (H) member interests in limited liability companies;

37 (I) warrants or other rights to acquire equity interests that are
38 created by the person that owns or would issue the equity to be acquired;
39 or

40 (J) any other security representing an ownership interest in a
41 business entity.

42 **Sec. 4. K.S.A. 40-2a14 is hereby amended to read as follows: 40-**
43 **2a14. Any insurance company other than life heretofore or hereafter**

1 *organized under any law of this state may invest with the direction or*
2 *approval of a majority of its board of directors or authorized committee*
3 *thereof, any of its funds, or any part thereof in loans secured by*
4 *collateral consisting of a pledge of bonds, securities, stock or evidences*
5 *of indebtedness qualified in K.S.A. 40-2a01 to 40-2a08, inclusive.*
6 *Provided, That article 2a of chapter 40 of the Kansas Statutes Annotated,*
7 *and amendments thereto, except that **the amount of the loan** is not in*
8 *excess of eighty percent (80%) shall not exceed 80% of the market value*
9 *of the securities. Provided further, That asset securing the loan. In*
10 *addition, **all restrictions, limitations or conditions placed on any security***
11 *investment **authorized within K.S.A. 40-2a01 to 40-2a08, inclusive article***
12 *2a of chapter 40 of the Kansas Statutes Annotated, and amendments*
13 *thereto, shall apply to the collateral securities pledged to the payment of*
14 *loans authorized in this section.*

15 *Sec. 5. K.S.A. 2013 Supp. 40-2a27 is hereby amended to read as*
16 *follows: 40-2a27. (a) No insurance company shall acquire, directly or*
17 *indirectly, any medium grade or lower grade obligation of any institution*
18 *if, after giving effect to any such acquisition, the aggregate amount of*
19 *all medium grade and lower grade obligations then held by such insurer*
20 *would exceed 20% of its admitted assets. Within this limitation no more*
21 *than 10% of its admitted assets shall consist of lower grade obligations;*
22 *no more than three percent of its admitted assets shall consist of*
23 *obligations designated "5" or "6" in the valuations of securities*
24 *manual; and, no more than one percent of its admitted assets shall*
25 *consist of obligations designated "6" in the valuations of securities*
26 *manual. Attaining or exceeding the limit of any one category shall not*
27 *preclude an insurer from acquiring obligations in other categories*
28 *subject to the specific and multi-category limits.*

29 *(b) No insurer organized under the laws of this state may invest*
30 *more than one percent of its admitted assets in medium grade*
31 *obligations issued, guaranteed or insured by any one institution nor may*
32 *it invest more than one-half of one percent of its admitted assets in lower*
33 *grade obligations issued, guaranteed or insured by any one institution.*
34 *In no event, shall such insurer invest more than one percent of its*
35 *admitted assets in any medium or lower grade obligations issued,*
36 *guaranteed or insured by any one institution.*

37 *(c) Nothing contained in this act shall prohibit an insurer from*
38 *acquiring any obligations which it has committed to acquire if the*
39 *insurer would have been permitted to acquire that obligation pursuant to*
40 *this act on the date on which such insurer committed to purchase that*
41 *obligation.*

42 *(d) Notwithstanding the limitations of subsection (b) an insurer*
43 *may acquire an obligation of an institution in which the insurer already*

1 *has one or more obligations, if the obligation is acquired in order to*
2 *protect an investment previously made in the obligations of the*
3 *institution, except all such acquired obligations shall not exceed one-*
4 *half of one percent of the insurer's admitted assets.*

5 *(e) Nothing contained in this act shall prohibit an insurer to which*
6 *this act applies from acquiring an obligation as a result of a*
7 *restructuring of a medium or lower grade obligation already held or*
8 *require such insurer to sell or otherwise dispose of any obligation legally*
9 *acquired prior to the effective date of this act.*

10 *(f) Nothing contained in this act shall permit or be construed as*
11 *permitting an insurer to exceed, alter or otherwise circumvent any of the*
12 *limitations or restrictions applicable to the investments authorized by*
13 *K.S.A. 40-2a01 et seq. article 2a of chapter 40 of the Kansas Statutes*
14 *Annotated, and amendments thereto.*

15 ~~*(g) Notwithstanding the provisions of K.S.A. 40-2a16, and*~~
16 ~~*amendments thereto, the total investment in medium and lower grade*~~
17 ~~*securities shall not exceed the limitations set forth in this section.*~~

18 ~~*(h) (g) The board of directors of any insurance company organized*~~
19 ~~*under the laws of this state which acquires or invests, directly or*~~
20 ~~*indirectly, more than two percent of its admitted assets in medium grade*~~
21 ~~*and lower grade obligations, shall adopt a written plan for the making of*~~
22 ~~*such investments. The plan, in addition to guidelines with respect to the*~~
23 ~~*quality of the issues invested in, shall contain diversification standards*~~
24 ~~*acceptable to the commissioner which may include, but not be limited to,*~~
25 ~~*standards for issuer, industry, duration, liquidity and geographic*~~
26 ~~*location.*~~

27 *Sec. 6. K.S.A. 40-2a28 is hereby amended to read as follows: 40-*
28 *2a28. (a) Any insurance company other than life organized under any*
29 *law of this state may invest, by loans or otherwise, with the direction or*
30 *approval of a majority of its board of directors or authorized committee*
31 *thereof, any of its funds, or any part thereof, in asset-backed securities,*
32 *subject to the following:*

33 *(1) To be an admitted asset under this section, an asset-backed*
34 *security must, at the time of acquisition, be designated "1" or "2" by the*
35 *national association of insurance commissioners in its most recently*
36 *published valuations of securities manual or supplement thereto; and*

37 *(2) the investment in any one issue of asset-backed securities shall*
38 *not exceed 2% of the admitted assets of the investing insurance company*
39 *as shown by its last annual report or a more recent quarterly financial*
40 *statement filed with the commissioner. Each issue designated as*
41 *provided in paragraph (1) shall constitute a single issue regardless of*
42 *any other obligations or securities issued by the same or any affiliated*
43 *issuer; and*

1 ~~(3) the investing company's aggregate investment in asset-backed~~
2 ~~securities as provided in this section shall not exceed 20% of the admitted~~
3 ~~assets of such company, as shown by such company's last annual report as~~
4 ~~filed with the commissioner of insurance or a more recent quarterly~~
5 ~~financial statement as filed with the commissioner, on a form prescribed~~
6 ~~by the national association of insurance commissioners, within 45 days~~
7 ~~following the end of the calendar quarter to which the interim statement~~
8 ~~pertains.~~

9 **(b) As used in this section:**

10 **(1) "Asset-backed security" means any security or other instrument**
11 **representing or evidencing an interest in, a loan to, a participation in a**
12 **loan to, or any other right to receive payments from a business entity of**
13 **any type or form, which has as its primary business activity the**
14 **acquisition and holding of financial assets, directly or through a trustee,**
15 **for the benefit of such business entity's debt or equity holders; and**

16 **(2) "financial asset" means a single asset or a pool of assets**
17 **consisting of interest-bearing obligations or other contractual**
18 **obligations representing or constituting the right to receive payment**
19 **from the asset or pool of assets.**

20 **Sec. 7. K.S.A. 40-2b07 is hereby amended to read as follows: 40-**
21 **2b07. Any life insurance company organized under any law of this state**
22 **may invest by loans or otherwise, with the direction or approval of a**
23 **majority of its board of directors or authorized committee thereof, any of**
24 **its funds, or any part thereof in the common stock equity interests of any**
25 **corporation business entity organized and doing business under the laws**
26 **of the United States or any state, or of the District of Columbia, or of the**
27 **Dominion of Canada or any province of the Dominion of Canada, in an**
28 **amount, based upon cost, not exceeding 15% of its admitted assets or not**
29 **exceeding the combined capital and surplus, whichever is the lesser, as**
30 **shown by the company's last annual report as filed with the state**
31 **commissioner of insurance or a more recent quarterly financial**
32 **statement as filed with the commissioner, on a form prescribed by the**
33 **national association of insurance commissioners, within 45 days**
34 **following the end of the calendar quarter to which the interim statement**
35 **pertains. Such life insurance company may write exchange traded,**
36 **covered call options on shares equity interests it owns and may purchase**
37 **call options for the sole purpose of closing out a position taken**
38 **previously with respect to one or more options having been written. The**
39 **purchase of a call option for any reason other than as a closing**
40 **transaction and the writing of naked, uncovered, call options are hereby**
41 **prohibited. Investments in common stocks equity interests and the**
42 **writing of call options shall be further limited as follows: provided in**
43 **subsections (a) through (g) except that subsections (a) through (e) shall**

1 *only apply to an amount that exceeds 7.5% of a life insurance company's*
2 *admitted assets.*

3 *(a) The obligations, if any, shown on the last published annual*
4 *statement of such—corporation business entity must be eligible for*
5 *investment under K.S.A. 40-2b05, and amendments thereto;*

6 *(b) cash dividends have been paid during each of the last three*
7 *years preceding the date of acquisition;*

8 *(c) the—stock equity interest is registered with a national securities*
9 *exchange regulated under the securities exchange act of 1934, as*
10 *amended, or is regularly traded on a national or regional basis;*

11 *(d) the—company business entity shall have earnings in three of the*
12 *last five years preceding the date of acquisition;*

13 *(e) at no time shall an insurance company invest in more than 5%*
14 *of the total number of the outstanding shares of any one such corporation*
15 *outstanding equity interests of any one such business entity, nor an*
16 *amount more than 2% of the investing insurance company's admitted*
17 *assets in shares the outstanding equity interests of any one such*
18 *corporation business entity, determined on the basis of the cost of such*
19 *shares equity interests to the insurance company at the time of purchase;*

20 *(f) stock an equity interest owned by an insurance company that is*
21 *obligated under an unexpired written call option shall be valued at the*
22 *lesser of the striking price or current market value. For the purposes of*
23 *this subsection, "striking price" means the price per—share equity*
24 *interest, exclusive of selling costs, the company would receive should the*
25 *call option be exercised by the holder;*

26 *(g) the provisions of subsections (b) and (d) shall not apply if at the*
27 *time of acquisition:*

28 *(1) The issuing—corporation business entity has net assets of*
29 *\$10,000,000 or more;*

30 *(2) the issuing—corporation business entity has a net worth of*
31 *\$1,000,000 or more; and*

32 *(3) the issuing—corporation business entity has an aggregate market*
33 *value of \$500,000,000 or more.*

34 *(h) As used in this section:*

35 *(1) "Business entity" includes a sole proprietorship, corporation,*
36 *limited liability company, association, partnership, joint stock company,*
37 *joint venture, mutual fund, trust, joint tenancy or similar form of business*
38 *organization, whether organized for profit or not-for-profit.*

39 *(2) "Equity interest" means any of the following:*

40 *(A) Common stock;*

41 *(B) trust certificate;*

42 *(C) equity investment in an investment company other than a money*
43 *market mutual fund permitted under K.S.A. 40-2b24, and amendments*

1 *thereto;*

2 (D) *investment in a common trust fund of a bank regulated by a*
3 *federal or state agency;*

4 (E) *an ownership interest in minerals, oil or gas, the rights to which*
5 *have been separated from the underlying fee interest in the real estate*
6 *where the minerals, oil or gas are located;*

7 (F) *instruments which are mandatorily, or at the option of the issuer,*
8 *convertible to equity;*

9 (G) *limited partnership interests;*

10 (H) *member interests in limited liability companies;*

11 (I) *warrants or other rights to acquire equity interests that are*
12 *created by the person that owns or would issue the equity to be acquired;*
13 *or*

14 (J) *any other security representing an ownership interest in a*
15 *business entity.*

16 **Sec. 8. K.S.A. 40-2b12 is hereby amended to read as follows: 40-**
17 **2b12. Any life insurance company heretofore or hereafter organized**
18 **under any law of this state may invest by loans or otherwise, with the**
19 **direction or approval of a majority of its board of directors or authorized**
20 **committee thereof, any of its funds, or any part thereof in loans secured**
21 **by collateral consisting of a pledge of bonds, mortgages, securities, stock**
22 **or evidence of indebtedness qualified in K.S.A. 40-2b01 to 40-2b09,**
23 **inclusive. Provided, That article 2b of chapter 40 of the Kansas Statutes**
24 **Annotated, and amendments thereto, except that the amount of the loan is**
25 **not in excess of eighty percent (80%) shall not exceed 80% of the market**
26 **value of the securities. And provided further, That asset securing the**
27 **loan. In addition, all restrictions, limitations or conditions placed on any**
28 **security investment authorized within K.S.A. 40-2b01 to 40-2b09,**
29 **inclusive article 2b of chapter 40 of the Kansas Statutes Annotated, and**
30 **amendments thereto, shall apply to the collateral securities pledged to the**
31 **payment of loans authorized in this section.**

32 **Sec. 9. K.S.A. 2013 Supp. 40-2b28 is hereby amended to read as**
33 **follows: 40-2b28. (a) No insurance company shall acquire, directly or**
34 **indirectly, any medium grade or lower grade obligation of any institution**
35 **if, after giving effect to any such acquisition, the aggregate amount of**
36 **all medium grade and lower grade obligations then held by such insurer**
37 **would exceed 20% of its admitted assets. Within this limitation no more**
38 **than 10% of its admitted assets shall consist of lower grade obligations;**
39 **no more than three percent of its admitted assets shall consist of**
40 **obligations designated "5" or "6" in the valuations of securities**
41 **manual; and, no more than one percent of its admitted assets shall**
42 **consist of obligations designated "6" in the valuations of securities**
43 **manual. Attaining or exceeding the limit of any one category shall not**

1 *preclude an insurer from acquiring obligations in other categories*
2 *subject to the specific and multi-category limits.*

3 *(b) No insurer organized under the laws of this state may invest*
4 *more than one percent of its admitted assets in medium grade*
5 *obligations issued, guaranteed or insured by any one institution nor may*
6 *it invest more than one-half of one percent of its admitted assets in lower*
7 *grade obligations issued, guaranteed or insured by any one institution.*
8 *In no event, shall such insurer invest more than one percent of its*
9 *admitted assets in any medium or lower grade obligations issued,*
10 *guaranteed or insured by any one institution.*

11 *(c) Nothing contained in this act shall prohibit an insurer from*
12 *acquiring any obligations which it has committed to acquire if the*
13 *insurer would have been permitted to acquire that obligation pursuant to*
14 *this act on the date on which such insurer committed to purchase that*
15 *obligation.*

16 *(d) Notwithstanding the limitations of subsection (b), an insurer*
17 *may acquire an obligation of an institution in which the insurer already*
18 *has one or more obligations, if the obligation is acquired in order to*
19 *protect an investment previously made in the obligations of the*
20 *institution, except that all such acquired obligations shall not exceed*
21 *one-half of one percent of the insurer's admitted assets.*

22 *(e) Nothing contained in this act shall prohibit an insurer to which*
23 *this act applies from acquiring an obligation as a result of a*
24 *restructuring of a medium or lower grade obligation already held or*
25 *require such insurer to sell or otherwise dispose of any obligation legally*
26 *acquired prior to the effective date of this act.*

27 *(f) Nothing contained in this act shall permit or be construed as*
28 *permitting an insurer to exceed, alter or otherwise circumvent any of the*
29 *limitations or restrictions applicable to the investments authorized by*
30 *K.S.A. 40-2b01 et seq., article 2b of chapter 40 of the Kansas Statutes*
31 *Annotated, and amendments thereto.*

32 ~~*(g) Notwithstanding the provisions of K.S.A. 40-2b13, and*~~
33 ~~*amendments thereto, the total investment in medium and lower grade*~~
34 ~~*securities shall not exceed the limitations set forth in this section.*~~

35 ~~*(h) The board of directors of any insurance company organized*~~
36 ~~*under the laws of this state which acquires or invests, directly or*~~
37 ~~*indirectly, more than two percent of its admitted assets in medium grade*~~
38 ~~*and lower grade obligations, shall adopt a written plan for the making of*~~
39 ~~*such investments. The plan, in addition to guidelines with respect to the*~~
40 ~~*quality of the issues invested in, shall contain diversification standards*~~
41 ~~*acceptable to the commissioner which may include, but not be limited to,*~~
42 ~~*standards for issuer, industry, duration, liquidity and geographic*~~
43 ~~*location.*~~

1 **Sec. 10. K.S.A. 40-2b29 is hereby amended to read as follows: 40-**
2 **2b29. (a) Any life insurance company organized under any law of this**
3 **state may invest, by loans or otherwise, with the direction or approval of**
4 **a majority of its board of directors or authorized committee thereof, any**
5 **of its funds, or any part thereof, in asset-backed securities, subject to the**
6 **following:**

7 **(1) To be an admitted asset under this section, an asset-backed**
8 **security must, at the time of acquisition, be designated "1" or "2" by the**
9 **national association of insurance commissioners in its most recently**
10 **published valuations of securities manual or supplement thereto; and**

11 **(2) the investment in any one issue of asset-backed securities shall**
12 **not exceed 2% of the admitted assets of the life insurance company as**
13 **shown by its last annual report or a more recent quarterly financial**
14 **statement filed with the commissioner. Each issue designated as**
15 **provided in paragraph (1) shall constitute a single issue regardless of**
16 **any other obligations or securities issued by the same or any affiliated**
17 **issuer; and**

18 ~~**(3) the life insurance company's aggregate investment in asset-backed**~~
19 ~~**securities as provided in this section shall not exceed 20% of the admitted**~~
20 ~~**assets of such company, as shown by such company's last annual report as**~~
21 ~~**filed with the commissioner of insurance or a more recent quarterly**~~
22 ~~**financial statement as filed with the commissioner, on a form prescribed**~~
23 ~~**by the national association of insurance commissioners, within 45 days**~~
24 ~~**following the end of the calendar quarter to which the interim statement**~~
25 ~~**pertains.**~~

26 **(b) As used in this section:**

27 **(1) "Asset-backed security" means any security or other instrument**
28 **representing or evidencing an interest in, a loan to, a participation in a**
29 **loan to, or any other right to receive payments from a business entity of**
30 **any type or form, which has as its primary business activity the**
31 **acquisition and holding of financial assets, directly or through a trustee,**
32 **for the benefit of such business entity's debt or equity holders; and**

33 **(2) "financial asset" means a single asset or a pool of assets**
34 **consisting of interest-bearing obligations or other contractual**
35 **obligations representing or constituting the right to receive payment**
36 **from the asset or pool of assets.**

37 **Sec. 11. K.S.A. 2-224 is hereby amended to read as follows: 2-224.**

38 **(a) The state fair board is hereby authorized to purchase safe burglary**
39 **and messenger robbery insurance coverage in amounts deemed**
40 **appropriate by such board for the period of the annual Kansas state fair**
41 **and during the remainder of the year. Such board is also authorized to**
42 **purchase insurance coverage for any rented or borrowed motorized**
43 **vehicles used during the state fair indemnifying the board against loss or**

1 **damage to such vehicles and against liability for the operation of such**
2 **vehicles.** ~~The insurance shall be acquired through the committee on surety~~
3 ~~bonds and insurance as provided by law.~~

4 (b) *The state fair board is hereby authorized to purchase event*
5 *cancellation and rain insurance coverage in amounts deemed appropriate*
6 *by such board for the period of the annual Kansas state fair and during*
7 *the remainder of the year.*

8 (c) *Any insurance purchased pursuant to this section shall not be*
9 *required to be acquired through the committee on surety bonds and*
10 *insurance as required by K.S.A. 75-4101 et seq., and amendments thereto.*

11 **Sec. 12. K.S.A. 2013 Supp. 75-4105 is hereby amended to read as**
12 **follows: 75-4105. Except as provided in K.S.A. 2013 Supp. 75-4125 and**
13 **K.S.A. 2-224, and amendments thereto, all surety bonds and insurance**
14 **contracts purchased pursuant to this act shall be purchased by the**
15 **committee in the manner prescribed for the purchase of supplies,**
16 **materials, equipment or contractual services under K.S.A. 75-3738 to**
17 **75-3744, inclusive, and amendments thereto. The director of accounts**
18 **and reports shall not pay any premium or rate on any surety bond or**
19 **insurance contract until the purchase of such surety bond or contract**
20 **shall have been approved by the secretary of the committee. Surety**
21 **bonds or insurance contracts having a premium or rate in excess of**
22 **\$500 purchased hereunder shall be purchased on sealed bids as**
23 **provided by law for the purchase of other materials, equipment or**
24 **contractual services. Where more than one state agency is covered by**
25 **any bond or insurance contract, the committee shall prorate the cost of**
26 **premiums or rates on any and all such bonds or contracts, except as**
27 **provided in K.S.A. 75-4114, and amendments thereto, purchased as**
28 **charges upon the funds of the state agency wherein any covered state**
29 **officers or employees are employed or covered property is located or**
30 **controlled. Such prorated charges shall constitute a lawful charge by the**
31 **committee upon the funds available to any such state agency and shall**
32 **be paid by each such state agency to the committee, or to the surety or**
33 **insurance carrier if the committee requires it, in the manner provided by**
34 **law for the payment of other obligations of such state agency.**

35 **Sec. 13. K.S.A. 2013 Supp. 75-4109 is hereby amended to read as**
36 **follows: 75-4109. (a) Subject to the provisions of K.S.A. 2-224, and**
37 **amendments thereto, the committee, at least once every three years, shall**
38 **approve the property and casualty insurance coverages that shall be**
39 **purchased by each state agency.**

40 (b) *Subject to the provisions of K.S.A. 2-224, and amendments*
41 *thereto, the committee shall require that each state agency purchase the*
42 *insurance coverages prescribed by K.S.A. 74-4703, 74-4705, 74-4707,*
43 *75-712e, 75-2728, 76-218, 76-391, 76-394, 76-747 and 76-491, and*

1 ~~amendments to these sections~~ *thereto, and shall prescribe the terms,*
2 *conditions and amounts of such coverage giving due regard to the*
3 *operations and requirements of the agencies involved.*

4 (c) *Subject to the provisions of K.S.A. 2-224, and amendments*
5 *thereto, the committee shall, in addition to the coverages specified in*
6 *subsection (b), designate the insurance coverages to be purchased by*
7 *each state agency that are deemed by the committee to be necessary to*
8 *protect the state for property of others that may be in the possession or*
9 *control of such state agencies.*

10 (d) *Such coverages as are specified in subsections (b) and (c) may*
11 *also include coverages on property of the state that are deemed by the*
12 *committee to be incidental to the basic coverages herein required, and*
13 *the committee shall prescribe the terms, conditions and amounts of all*
14 *insurance coverages purchased pursuant to this section. Property of the*
15 *state board of regents of any university or college which is referred to in*
16 *subsection (b) may be self-insured as provided under this act.*

17 (e) *No property insurance coverage may be purchased by the*
18 *committee, except as provided herein or by K.S.A. 2013 Supp. 75-4125,*
19 *and amendments thereto, or specifically required by other Kansas*
20 *statutes or appropriations.*

21 *Sec. 14. K.S.A. 2013 Supp. 40-3118 is hereby amended to read as*
22 *follows: 40-3118. (a) No motor vehicle shall be registered or reregistered*
23 *in this state unless the owner, at the time of registration, has in effect a*
24 *policy of motor vehicle liability insurance covering such motor vehicle,*
25 *as provided in this act, or is a self-insurer thereof, or the motor vehicle is*
26 *used as a driver training motor vehicle, as defined in K.S.A. 72-5015,*
27 *and amendments thereto, in an approved driver training course by a*
28 *school district or an accredited nonpublic school under an agreement*
29 *with a motor vehicle dealer, and such policy of motor vehicle liability*
30 *insurance is provided by the school district or accredited nonpublic*
31 *school. As used in this section, the term "financial security" means such*
32 *policy or self-insurance. The director shall require that the owner certify*
33 *and provide verification of financial security, in the manner prescribed*
34 *by K.S.A. 8-173, and amendments thereto, that the owner has such*
35 *financial security, and the owner of each motor vehicle registered in this*
36 *state shall maintain financial security continuously throughout the*
37 *period of registration. In addition, when an owner certifies that such*
38 *financial security is a motor vehicle liability insurance policy meeting*
39 *the requirements of this act, the director may require that the owner or*
40 *owner's insurance company produce records to prove the fact that such*
41 *insurance was in effect at the time the vehicle was registered and has*
42 *been maintained continuously from that date. Such records may be*
43 *produced by displaying such records on a cellular phone or any other*

1 *type of portable electronic device. Any person to whom such records are*
2 *displayed on such cellular phone or other type of portable electronic*
3 *device shall be prohibited from viewing any other content or information*
4 *stored on such cellular phone or other type of portable electronic device.*
5 *Failure to produce such records shall be prima facie evidence that no*
6 *financial security exists with regard to the vehicle concerned. It shall be*
7 *the duty of insurance companies, upon the request of the director, to*
8 *notify the director within 30 calendar days of the date of the receipt of*
9 *such request by the director of any insurance that was not in effect on*
10 *the date of registration and maintained continuously from that date.*

11 *(b) Except as otherwise provided in K.S.A. 40-276, 40-276a and 40-*
12 *277, and amendments thereto, and except for termination of insurance*
13 *resulting from nonpayment of premium or upon the request for*
14 *cancellation by the insured, no motor vehicle liability insurance policy,*
15 *or any renewal thereof, shall be terminated by cancellation or failure to*
16 *renew by the insurer until at least 30 days after mailing a notice of*
17 *termination, by certified or registered mail or United States post office*
18 *certificate of mailing, to the named insured at the latest address filed*
19 *with the insurer by or on behalf of the insured. Time of the effective date*
20 *and hour of termination stated in the notice shall become the end of the*
21 *policy period. Every such notice of termination sent to the insured for*
22 *any cause whatsoever shall include on the face of the notice a statement*
23 *that financial security for every motor vehicle covered by the policy is*
24 *required to be maintained continuously throughout the registration*
25 *period, that the operation of any such motor vehicle without maintaining*
26 *continuous financial security therefor is a class B misdemeanor and*
27 *shall be subject to a fine of not less than \$300 and not more than \$1,000*
28 *and that the registration for any such motor vehicle for which*
29 *continuous financial security is not provided is subject to suspension*
30 *and the driver's license of the owner thereof is subject to suspension.*

31 *(c) The director of vehicles shall verify a sufficient number of*
32 *insurance certifications each calendar year as the director deems*
33 *necessary to insure compliance with the provisions of this act. The*
34 *owner or owner's insurance company shall verify the accuracy of any*
35 *owner's certification upon request, as provided in subsection (a).*

36 *(d) (1) In addition to any other requirements of this act, the director*
37 *shall require a person to acquire insurance and for such person's*
38 *insurance company to maintain on file with the division evidence of*
39 *such insurance for a period of one year when a person has been*
40 *convicted in this or another state of any of the violations enumerated in*
41 *K.S.A. 8-285, and amendments thereto.*

42 *(2) The director shall also require any driver whose driving*
43 *privileges have been suspended pursuant to this section to maintain such*

1 *evidence of insurance as required above.*

2 (3) *The company of the insured shall immediately mail notice to the*
3 *director whenever any policy required by this subsection to be on file*
4 *with the division is terminated by the insured or the insurer for any*
5 *reason. The receipt by the director of such termination shall be prima*
6 *facie evidence that no financial security exists with regard to the person*
7 *concerned.*

8 (4) *No cancellation notice shall be sent to the director if the insured*
9 *adds or deletes a vehicle, adds or deletes a driver, renews a policy or is*
10 *issued a new policy by the same company. No cancellation notice shall*
11 *be sent to the director prior to the date the policy is terminated if the*
12 *company allows a grace period for payment until such grace period has*
13 *expired and the policy is actually terminated.*

14 (5) *For the purposes of this act, the term "conviction" includes*
15 *pleading guilty or nolo contendere, being convicted or being found*
16 *guilty of any violation enumerated in this subsection without regard to*
17 *whether sentence was suspended or probation granted. A forfeiture of*
18 *bail, bond or collateral deposited to secure a defendant's appearance in*
19 *court, which forfeiture has not been vacated, shall be equivalent to a*
20 *conviction.*

21 (6) *The requirements of this subsection shall apply whether or not*
22 *such person owns a motor vehicle.*

23 (e) *Whenever the director shall receive prima facie evidence, as*
24 *prescribed by this section, that continuous financial security covering*
25 *any motor vehicle registered in this state is not in effect, the director*
26 *shall notify the owner by registered or certified mail or United States*
27 *post office certificate of mailing that, at the end of 30 days after the*
28 *notice is mailed, the registration for such motor vehicle and the driving*
29 *privileges of the owner of the vehicle shall be suspended or revoked,*
30 *pursuant to such rules and regulations as the secretary of revenue shall*
31 *adopt, unless within 10 days after the notice is mailed: (1) Such owner*
32 *shall demonstrate proof of continuous financial security covering such*
33 *vehicle to the satisfaction of the director. Such proof of continuous*
34 *financial security may be provided by the owner by displaying such*
35 *proof on a cellular phone or other portable electronic device; or (2) such*
36 *owner shall mail a written request which is postmarked within 10 days*
37 *after the notice is mailed requesting a hearing with the director. Any*
38 *person to whom such proof of continuous financial security is displayed*
39 *on a cellular phone or other portable electronic device shall view only*
40 *such evidence of continuous financial security. Such person shall be*
41 *prohibited from viewing any other content or information stored on such*
42 *cellular phone or other portable electronic device. Upon receipt of a*
43 *timely request for a hearing, the director shall afford such person an*

1 *opportunity for hearing within the time and in the manner provided in*
2 *K.S.A. 8-255, and amendments thereto. If, within the ten-day period or*
3 *at the hearing, such owner is unable to demonstrate proof of continuous*
4 *financial security covering the motor vehicle in question, the director*
5 *shall revoke the registration of such motor vehicle and suspend the*
6 *driving privileges of the owner of the vehicle.*

7 *(f) Whenever the registration of a motor vehicle or the driving*
8 *privileges of the owner of the vehicle are suspended or revoked for*
9 *failure of the owner to maintain continuous financial security, such*
10 *suspension or revocation shall remain in effect until satisfactory proof*
11 *of insurance has been filed with the director as required by subsection*
12 *(d) and a reinstatement fee in the amount herein prescribed is paid to*
13 *the division of vehicles. Such reinstatement fee shall be in the amount of*
14 *\$100 except that if the registration of a motor vehicle of any owner is*
15 *revoked within one year following a prior revocation of the registration*
16 *of a motor vehicle of such owner under the provisions of this act such*
17 *fee shall be in the amount of \$300. The division of vehicles shall remit*
18 *such fees to the state treasurer in accordance with the provisions of*
19 *K.S.A. 75-4215, and amendments thereto. Upon receipt of each such*
20 *remittance, the state treasurer shall deposit the entire amount in the*
21 *state treasury to the credit of the state highway fund.*

22 *(g) In no case shall any motor vehicle, the registration of which has*
23 *been revoked for failure to have continuous financial security, be*
24 *reregistered in the name of the owner thereof, the owner's spouse,*
25 *parent or child or any member of the same household, until the owner*
26 *complies with subsection (f). In the event the registration plate has*
27 *expired, no new plate shall be issued until the motor vehicle owner*
28 *complies with the reinstatement requirements as required by this act.*

29 *(h) Evidence that an owner of a motor vehicle, registered or*
30 *required to be registered in this state, has operated or permitted such*
31 *motor vehicle to be operated in this state without having in force and*
32 *effect the financial security required by this act for such vehicle,*
33 *together with proof of records of the division of vehicles indicating that*
34 *the owner did not have such financial security, shall be prima facie*
35 *evidence that the owner did at the time and place alleged, operate or*
36 *permit such motor vehicle to be operated without having in full force*
37 *and effect financial security required by the provisions of this act.*

38 *(i) Any owner of a motor vehicle registered or required to be*
39 *registered in this state who shall make a false certification concerning*
40 *financial security for the operation of such motor vehicle as required by*
41 *this act, shall be guilty of a class A misdemeanor. Any person, firm or*
42 *corporation giving false information to the director concerning*
43 *another's financial security for the operation of a motor vehicle*

1 *registered or required to be registered in this state, knowing or having*
2 *reason to believe that such information is false, shall be guilty of a class*
3 *A misdemeanor.*

4 *(j) The director shall administer and enforce the provisions of this*
5 *act relating to the registration of motor vehicles, and the secretary of*
6 *revenue shall adopt such rules and regulations as may be necessary for*
7 *its administration.*

8 *(k) Whenever any person has made application for insurance*
9 *coverage and such applicant has submitted payment or partial payment*
10 *with such application, the insurance company, if payment accompanied*
11 *the application and if insurance coverage is denied, shall refund the*
12 *unearned portion of the payment to the applicant or agent with the notice*
13 *of denial of coverage. Such refund may:*

14 *(1) Accompany the notice of denial of coverage; or*

15 *(2) be separately returned in not more than 10 days from the date of*
16 *such notice.*

17 *If payment did not accompany the application to the insurance*
18 *company but was made to the agent, the agent shall refund the unearned*
19 *portion of the payment to the applicant upon receipt of the company's*
20 *notice of denial.*

21 *(l) For the purpose of this act, "declination of insurance coverage"*
22 *means a final denial, in whole or in part, by an insurance company or*
23 *agent of requested insurance coverage.*

24 ~~Sec. 5. 15. K.S.A. 39-719e, 40-254, 40-1612 and 40-19a10 and~~
25 ~~K.S.A. 2012 Supp. 40-19e09 2-224, 40-2a08, 40-2a14, 40-2a28, 40-2b07,~~
26 ~~40-2b12 and 40-2b29 and K.S.A. 2013 Supp. 40-229a, 40-2a27, 40-2b28,~~
27 ~~40-2c01, 40-3118, 75-4105 and 75-4109 are hereby repealed.~~

28 ~~Sec. 6. 16. This act shall take effect and be in force from and after its~~
29 ~~publication in the statute book.~~