

**40-12a07. Certificate of authority; issuance; conditions; limitation on amount of risk; surplus; deposit of securities.** The commissioner shall issue a certificate of authority when any company, organized under this act, has fully complied with the following conditions:

(a) The company holds bona fide applications for insurance upon which it shall issue at least 20 policies to at least 20 members. If the company is in compliance with all other provisions of this act, the commissioner shall not revoke or refuse to renew the certificate of authority because membership has declined to less than 20 members.

(b) No insurance company organized pursuant to this act shall expose itself to loss on any one risk or hazard to an amount exceeding 20% of its surplus unless the excess is reinsured.

(c) It shall have collected, in accordance with the method provided in the articles of incorporation or the bylaws, the full consideration according to its filed rate on each contract for which application has been made. The total of such consideration shall be held in cash or securities in which such insurance companies are authorized to invest, or one or more clean and irrevocable letters of credit, and it shall possess and thereafter maintain a surplus of lawful assets or letters of credit over and above liabilities in an amount not less than the capital and surplus required of a domestic stock insurance company transacting the same kinds of insurance. Pursuant to K.S.A. 40-229a, the company shall deposit with the commissioner securities in which such insurance companies are authorized to invest, or one or more clean and irrevocable letters of credit, for the benefit of the commissioner, in an amount not less than the minimum capital stock required of a domestic stock insurance company. For the purpose of this act, letters of credit shall be in the form allowed by K.S.A. 40-221a(b)(2), and amendments thereto, drawn on the account of a health care provider for the benefit of the company, or for the benefit of the commissioner if the letter of credit is on deposit in accordance with this section.

**History:** L. 1988, ch. 147, § 7; L. 1996, ch. 25, § 15; July 1.