

KANSAS OFFICE of  
**REVISOR of STATUTES**  
LEGISLATURE of THE STATE of KANSAS  
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**MEMORANDUM**

To: House Committee on Insurance  
From: Office of Revisor of Statutes  
Date: March 16, 2020  
Subject: Bill Brief for SB 304

SB 304 pertains to the conversion of an insurance reciprocal, or reciprocal, to a Kansas mutual insurance company. The bill was placed on the consent calendar and was passed by a unanimous vote by the Senate Committee of the Whole and referred to this committee upon its receipt and introduction to the House.

I would note that Chapter 40 currently has the process for a mutual insurance company to convert to a reciprocal, which is codified at K.S.A. 40-1620, but we don't have this process codified, so Section 1 of the bill creates a new provision of law.

Section 1 states that the conversion of the reciprocal to a mutual insurance company is subject to approval by the commissioner, upon the commissioner's receipt and approval of the conversion plan. The bill lists the required elements of the conversion plan on page 1 of the bill, lines 16 through 36. On page 2, the bill lists the factors that the commissioner must consider when deciding whether to approve the conversion plan. Should the commissioner approve the conversion plan, the commissioner would issue a new certificate of authority, and resulting mutual insurance company is then deemed to be a continuation of the reciprocal.

Section 2 of the bill amends K.S.A. 40-1621. Under current law, should a mutual insurance company wish to convert to a reciprocal, within 15 days of the commissioner's approval or denial of the conversion plan, the mutual insurance company could request a hearing under the Kansas administrative procedure act. The bill would amend the statute

to include the ability of a reciprocal to request an appeal within 15 days of an approval or denial of a conversion plan to convert to a mutual insurance company.

Finally, Section 3 of the bill formally incorporates Section 1 in article 16 of chapter 14 or the KSAs, pertaining to reciprocals or interinsurance contracts.

The bill would become effective its upon publication in the statute book, and I can stand for questions.

**40-1623. Definitions.** As used in this act:

(a) "Attorney-in-fact" means the person designated and authorized by subscribers as having authority to obligate them on reciprocal insurance contracts.

(b) "Commissioner" means the commissioner of insurance.

(c) "Person" means any association, aggregate of individuals, business, company, corporation, individual, joint-stock company, Lloyds-type of organization, organization, cooperative, partnership, receiver, trustee or society, with power to enter into contractual undertakings within or without the state.

**(d) "Reciprocal" means an aggregation of subscribers under a common name.**

(e) "Reciprocal insurance" means insurance resulting from the mutual exchange of insurance contracts among persons in an unincorporated association under a common name through an attorney-in-fact having authority to obligate each person both as insured and insurer.

(f) "Subscriber" means a person obligated under a reciprocal insurance agreement.