

Approved March 15, 1988
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m. ~~p.m.~~ on March 3, 1988 in room 529-S of the Capitol.

All members were present except:

Sen. Gannon - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bill Edds, Revisor of Statutes

Conferees appearing before the committee: None

The minutes of March 2 were approved.

The Chairman asked Sen. Werts to explain an amendment he plans to offer on SB 507. Sen. Werts said the amendment is on line 201 where the origination fee would be made to apply to closed end consumer transactions only if they are payable in installments. Retailers could discount their paper to a finance company or banks by doing so.

The Chairman reminded the committee of a motion on SB 674 made by Sen. Gordon at the end of the meeting yesterday regarding deleting three references from subsection (1) which did not have a second. Sen. Karr seconded Sen. Gordon's motion and the motion carried. A short discussion followed regarding the effect of the removal of the subsections. Sen. Karr made a motion to recommend SB 624 favorable for passage as amended, Sen. Reilly seconded, and the motion carried.

Attention was turned to SB 670 regarding risk pools for accident and sickness insurance which had been previously heard. The Chairman reminded the committee that the Insurance Department had said that the bill has a potential impact of \$4,000,000 on the general fund. Sen. Kerr commented that the Department's note involves a lot of assumption. The Chairman said there is no way of knowing the impact. He said the author's (Sen. Francisco) suggestion had been to pass a resolution adopting the plan in SB 674 and refer SB 670 to an interim study to find another way of financing it. However, adopting the resolution would put a plan into effect with no way of implementing it. Mr. Todd of the Insurance Department said it gives them the authority to enact. They surveyed the need for the plan and found a need for it. For the Department to put the plan into effect, they would need the legislature to approve it. But if it does, there would not be any general fund money or premium offset, and the insurance companies would have to pay any short fall which would not make them happy. However, the legislature could approve the plan but stipulate that it not be put into effect until a later date. The Chairman was agreeable to this suggestion. He said he does not want to delay the bill, but there is a need to look for other ways to finance it, and the only way to do this is to delay implementing SB 674 for a year. Mr. Todd felt that what really needs to be done is to let the bill lay in committee and adopt the Insurance Department's plan. Jack Roberts of Blue Cross/Blue Shield stood to comment that Congress is acting on risk pools now so delaying action on this bill is a valid decision. The Chairman said there is another approach that could be used--leave both bills laying in committee and pass a resolution requesting an interim study. Sen. Reilly so moved, Sen. Warren seconded, and the motion carried.

Attention was turned to SB 489 and the Insurance Subcommittee's report. (See Attachment I.) Sen. Reilly went through the report. He also passed out a balloon of the bill. (See Attachment II.) He said product liability was the problem expressed the most and so the subcommittee dealt with this.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S Statehouse, at 9:00 a.m./~~p.m.~~ on March 3, 1988.

Staff said the balloon needs work in regard to items 12 and 13 on the report. Sen. Kerr said he is not in full agreement with item 2 limiting it to product liability only. He said it seems awfully restrictive. With regard to item 3 on the report, he noted that in Black's legal dictionary, "similar" has a broad definition. Staff explained that "similar" does not mean "the same" except in criminal cases. The Chairman asked if #3 is needed if #2 is included. Sen. Reilly answered that #3 is needed because with this bill the legislature is starting to treat captive companies different from admitted companies, and it is important that the public is kept in mind by keeping these companies under strict scrutiny. Sen. Kerr said that the approach to be taken is to keep in front who is being damaged, and in this case it is not the public because they have no requirements to carry insurance. The real consumer is the party carrying the insurance, and they won't be fooling themselves so there is not point in being overly protective. The Chairman agreed with Sen. Kerr that the public is not being serviced, but it is protecting the company's solvency. Sen. Warren had questions as to a meaning of "completed operations liability", and Sen. Reilly explained. Sen. Reilly then told the committee that the subcommittee had unanimously agreed they have no great deal of trouble with it if the limitations are included.

Sen. Kerr made a motion to delete item 12 from the report (it could be replaced with some sort of disclosure), Sen. Werts seconded the motion. Sen. Karr said he feels that the report should be in its present form because the company is not marketing anything. Sen. Reilly said it is restrictive to let people know that they are not dealing with an insurance company. Sen. Kerr withdrew his motion.

Sen. Kerr made a motion to drop item 2 and replace it with prohibition on workers' comp and automobile insurance up to state required limits. Sen. Burke seconded, and the motion failed. Sen. Kerr called for a division, and the motion failed by a tie vote.

Sen. Karr made a motion to adopt the committee report, Sen. Gordon seconded, and the motion carried.

Sen. Kerr made a motion to report SB 489 favorable for passage as amended, Sen. Burke seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE NAME ADDRESS REPRESENTING

3/3	Ren Todd	Tapeka	Ins Dept
3-3	JACK ROBERTS	"	BC-BS
	John Petersen	"	Kaiser Permanente
	LARRY MAGILL	"	IAK

INSURANCE SUBCOMMITTEE REPORT TO
SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

Senate Bill No. 489

The Subcommittee on Insurance of the Senate Committee on Financial Institutions and Insurance met on two occasions to discuss S.B. 489, a bill concerning the creation of captive insurance companies.

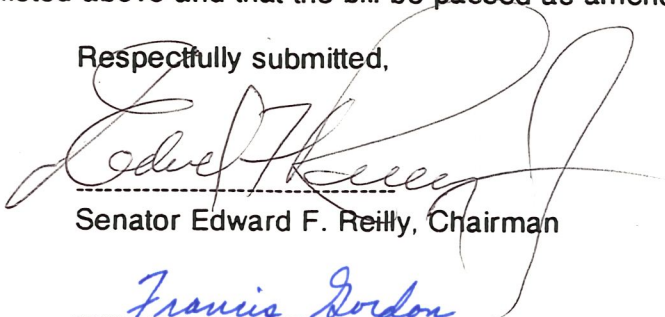
At its last meeting on Friday, February 19, 1988, the subcommittee agreed on the following:

1. Remove all references to "Association" and "Association captive insurance company" thereby authorizing **only** pure captive and industrial captive insurance companies;
2. Limit the type of insurance written by a captive company or industrial captive to products liability or completed operations liability risk exposure;
3. Allow only companies engaged in **the same** or in **similar** lines of business to come together to form a captive company;
4. Prohibit captive companies organized under the laws of this state from accepting reinsurance risk except for products liability and completed operations liability risks ceded by other captive companies;
5. Authorize the Commissioner of Insurance to accept service of process on behalf of a captive company organized under the laws of another state;
6. Set the original examining and investigating fee at \$500;
7. Set the yearly fee and renewal fee at \$110;
8. Require annual reporting by captive companies;
9. Require captive insurance companies to pay tax on premiums in the same percentage as other companies are assessed;
10. Subject captive insurance companies to certain provisions of the unfair trade practices act; and
11. Require captive companies to provide the Insurance Commissioner certain product liability claims information as set out in K.S.A. 40-1126.
12. Require that the word "captive" appear in the name of the company.
13. Require that any portion of the captive company's risk that is reinsured be placed with a company licensed in this state or approved by the Insurance Commissioner.

Attachment I

The Subcommittee recommends that S.B.489 be amended to include the items listed above and that the bill be passed as amended.

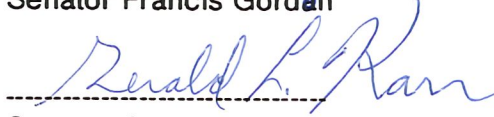
Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read "Edward F. Reilly". The signature is written over a horizontal dashed line.

Senator Edward F. Reilly, Chairman

A handwritten signature in blue ink, appearing to read "Francis Gordon". The signature is written over a horizontal dashed line.

Senator Francis Gordon

A handwritten signature in blue ink, appearing to read "Gerald L. Karr". The signature is written over a horizontal dashed line.

Senator Gerald Karr

SENATE BILL No. 489

By Senator D. Kerr

1-19

0016 AN ACT relating to insurance; concerning captive insurance
0017 companies; incorporation thereof; application for certificate of
0018 authority; authorized and prohibited transactions; capital and
0019 surplus requirements; annual reports and examinations; sus-
0020 pension or revocation of certificate of authority; limitations on
0021 investments; reinsurance; tax on premiums.

0022 *Be it enacted by the Legislature of the State of Kansas:*

0023 Section 1. As used in this act, unless the context requires
0024 otherwise:

0025 (a) "Affiliated company" means any company in the same
0026 corporate system as a parent, an industrial insured, or a member
0027 organization by virtue of common ownership, control, operation
0028 or management.

0029 ~~(b) "Association" means any legal association of individuals,~~
0030 ~~corporations, partnerships or associations that has been in con-~~
0031 ~~tinuous existence for at least one year, the member organizations~~
0032 ~~of which collectively:~~

0033 ~~(1) Own, control, or hold with power to vote all of the out-~~
0034 ~~standing voting securities of an association captive insurance~~
0035 ~~company incorporated as a stock insurer; or~~

0036 ~~(2) have complete voting control over an association captive~~
0037 ~~insurance company incorporated as a mutual insurer.~~

0038 ~~(3) "Association captive insurance company" means any~~
0039 ~~company that insures risks of the member organizations of the~~
0040 ~~association, and their affiliated companies.~~

0041 ~~(d) "Captive insurance company" means any pure captive~~
0042 ~~insurance company, association captive insurance company, or~~
0043 ~~industrial insured captive insurance company formed or licensed~~
0044 ~~under the provisions of this chapter.~~

0045 (e) "Commissioner" means the commissioner of insurance.

(b)

act

(c)

Attachment II

0046 ~~(f)~~ "Industrial insured" means an insured:

0047 (1) Who procures the insurance of any risk or risks by use of
0048 the services of a full-time employee acting as an insurance
0049 manager or buyer;

0050 (2) whose aggregate annual premiums for insurance on all
0051 risks total at least \$25,000; and

0052 (3) who has at least 25 full-time employees.

0053 ~~(g)~~ "Industrial insured captive insurance company" means
0054 any company that insures risks of the industrial insureds that
0055 comprise the industrial insured group, and their affiliated com-
0056 panies.

0057 ~~(h)~~ "Industrial insured group" means any group that meets
0058 either of the following criteria:

0059 ~~(1) Any group of industrial insureds that collectively:~~

0060 ~~(A) Own, control or hold with power to vote all of the out-~~
0061 ~~standing voting securities of an industrial insured captive insur-~~
0062 ~~ance company incorporated as a stock insurer; or~~

0063 ~~(B) have complete voting control over an industrial insured~~
0064 ~~captive insurance company incorporated as a mutual insurer; or~~

0065 ~~(2) any group which is created under the product liability risk~~
0066 ~~retention act of 1981 (U.S. Public Law 97-45), as amended by the~~
0067 ~~risk retention act of 1986, as a corporation or other limited~~
0068 ~~liability association taxable as a stock insurance company or a~~
0069 ~~mutual insurer under the laws of the state of Kansas:~~

0070 (A) Whose primary activity consists of assuming and spread-
0071 ing all, or any portion, of the product liability or completed
0072 operations liability risk exposure of its group members;

0073 (B) which is organized for the primary purpose of conducting
0074 the activity described in subdivision ~~(h)(2)(A)~~ of this section;

0075 (C) which does not exclude any person from membership in
0076 the group solely to provide for members of such group a com-
0077 petitive advantage over such a person; and

0078 (D) which is composed of members each of whose principal
0079 activity consists of the manufacture, design, importation, distri-
0080 bution, packaging, labeling, lease or sale of a product or prod-
0081 ucts.

0082 ~~(i) "Member organization" means any individual, corpora-~~

(d)

(e)

(f)

of industrial insureds in the same or similar
line of business

(1) Collectively owns, controls or holds

(2) collectively has

(3)

(f) (3) (A)

0083 ~~tion, partnership or association that belongs to an association.~~

0084 ~~(j)~~ "Parent" means a corporation, partnership or individual (g)

0085 that directly or indirectly owns, controls or holds with power to
0086 vote more than 50% of the outstanding voting securities of a pure
0087 captive insurance company. (h)

0088 ~~(k)~~ "Pure captive insurance company" means any company
0089 that insures risks of its parent and affiliated companies.

0090 Sec. 2. (a) Any captive insurance company, when permitted
0091 by its articles of incorporation or charter, may apply to the
0092 commissioner for a certificate of authority to ~~do any and all~~
0093 ~~insurance comprised in articles 9 and 11 of chapter 40 of the~~
0094 ~~Kansas Statutes Annotated,~~ except that:

provide product liability or completed operations liability insurance

0095 (1) No pure captive insurance company may insure any risks
0096 other than those of its parent and affiliated companies;

0097 ~~(2) no association captive insurance company may insure any~~
0098 ~~risks other than those of the member organizations of its associ-~~
0099 ~~ation, and their affiliated companies;~~

0100 ~~(3)~~ no industrial insured captive insurance company may (2)

0101 insure any risks other than those of the industrial insureds that
0102 comprise the industrial insured group, and their affiliated com-
0103 panies; (3)

0104 ~~(4)~~ no captive insurance company may provide personal
0105 motor vehicle or homeowner's insurance coverage or any com-
0106 ponent thereof; and (4)

0107 ~~(5)~~ no captive insurance company may accept or cede rein-
0108 surance except as provided in section 11.

organized under the laws of this state

0109 (b) No captive insurance company shall do any insurance
0110 business in this state unless:

0111 (1) It first obtains from the commissioner a certificate of
0112 authority authorizing it to do insurance business in this state;

0113 (2) its board of directors holds at least one meeting each year
0114 in this state;

0115 (3) it maintains its principal place of business in this state;
0116 and

it authorizes the commissioner to accept service of process on its behalf in accordance with K.S.A. 40-218, and amendments thereto.

0117 (4) ~~it appoints a resident agent to accept service of process~~
0118 ~~and to otherwise act on its behalf in this state. Whenever such~~
0119 ~~resident agent cannot with reasonable diligence be found at the~~

0120 ~~registered office of the captive insurance company, the secretary~~
0121 ~~of state shall be an agent of such captive insurance company~~
0122 ~~upon whom any process, notice or demand may be served.~~

0123 (c) (1) Before receiving a certificate of authority, a captive
0124 insurance company shall file with the commissioner a certified
0125 copy of its articles of incorporation and bylaws, a statement
0126 under oath of its president and secretary showing its financial
0127 condition, and any other statements or documents required by
0128 the commissioner.

0129 (2) In addition to the information required by subdivision (1)
0130 of this subsection (c), each applicant captive insurance company
0131 shall file with the commissioner evidence of the following:

0132 (A) The amount and liquidity of its assets relative to the risks
0133 to be assumed;

0134 (B) the adequacy of the expertise, experience and character
0135 of the person or persons who will manage it;

0136 (C) the overall soundness of its plan of operation;

0137 (D) the adequacy of the loss prevention programs of its
0138 parent, ~~member organizations~~ or industrial insureds as applica-
0139 ble; and

0140 (E) such other factors deemed relevant by the commissioner
0141 in ascertaining whether the proposed captive insurance com-
0142 pany will be able to meet its policy obligations.

0143 (d) Each captive insurance company shall pay to the com-
0144 missioner a nonrefundable fee of ~~\$200~~ for examining, investi-
0145 gating and processing its application for a certificate of authority.

\$500

0146 In addition, it shall pay a fee for the year of registration and a
0147 renewal fee for each year thereafter of ~~\$300~~.

\$110

0148 (e) If the commissioner is satisfied that the documents and
0149 statements that such captive insurance company has filed
0150 comply with the provisions of this act, the commissioner may
0151 grant a certificate of authority authorizing it to do insurance
0152 business in this state until April 1 thereafter, which certificate of
0153 authority may be renewed.

0154 Sec. 3. No captive insurance company shall adopt a name
0155 that is the same, deceptively similar or likely to be confused with
0156 or mistaken for any other existing business name registered in

0157 the state of Kansas.

0158 Sec. 4. (a) No pure captive insurance company, ~~association~~
 0159 ~~captive insurance company incorporated as a stock insurer,~~ or
 0160 industrial insured captive insurance company incorporated as a
 0161 stock insurer shall be issued a certificate of authority unless it
 0162 shall possess and thereafter maintain unimpaired paid-in capital
 0163 of:

0164 (1) In the case of a pure captive insurance company, not less
 0165 than \$100,000; _____ and

0166 ~~(2) in the case of an association captive insurance company~~
 0167 ~~incorporated as a stock insurer, not less than \$400,000; and~~ _____ (2)

0168 ~~(3)~~ in the case of an industrial insured captive insurance
 0169 company incorporated as a stock insurer, not less than \$200,000.

0170 (b) Such capital may be in the form of cash or an irrevocable
 0171 letter of credit issued by a bank chartered by the state of Kansas
 0172 or the United State comptroller of currency, domiciled in Kansas,
 0173 and approved by the commissioner.

0174 Sec. 5. (a) No captive insurance company shall be issued a
 0175 certificate of authority unless it shall possess and thereafter
 0176 maintain free surplus of:

0177 (1) In the case of a pure captive insurance company, not less
 0178 than \$150,000;

0179 ~~(2) in the case of an association captive insurance company~~
 0180 ~~incorporated as a stock insurer, not less than \$350,000;~~ _____ (2)

0181 ~~(3)~~ in the case of an industrial insured captive insurance
 0182 company incorporated as a stock insurer, not less than \$300,000; _____ and

0183 ~~(4) in the case of an association captive insurance company~~
 0184 ~~incorporated as a mutual insurer, not less than \$750,000; and~~ _____ (3)

0185 ~~(5)~~ in the case of an industrial insured captive insurance
 0186 company incorporated as a mutual insurer, not less than
 0187 \$500,000.

0188 (b) Such surplus may be in the form of cash or an irrevocable
 0189 letter of credit issued by a bank chartered by the state of Kansas
 0190 or the United States comptroller of currency, domiciled in Kan-
 0191 sas, and approved by the commissioner.

0192 Sec. 6. (a) A pure captive insurance company shall be incor-
 0193 porated as a stock insurer with its capital divided into shares and

0194 held by the stockholders.

0195 (b) An ~~association captive insurance company or an industrial~~
0196 insured captive insurance company may be incorporated:

0197 (1) As a stock insurer with its capital divided into shares and
0198 held by the stockholders; or

0199 (2) as a mutual insurer without capital stock, ~~the governing~~
0200 ~~body of which is elected by the member organizations of its~~
0201 ~~association.~~

0202 (c) A captive insurance company shall have not less than
0203 three incorporators of whom not less than two shall be residents
0204 of this state.

0205 (d) Before the articles of incorporation are transmitted to the
0206 secretary of state, the incorporators shall petition the commis-
0207 sioner to issue a certificate setting forth such commissioner's
0208 finding that the establishment and maintenance of the proposed
0209 corporation will promote the general good of the state. In arriv-
0210 ing at such finding the commissioner shall consider:

0211 (1) The character, reputation, financial standing and pur-
0212 poses of the incorporators;

0213 (2) the character, reputation, financial responsibility, insur-
0214 ance experience and business qualifications of the officers and
0215 directors; and

0216 (3) such other aspects as the commissioner shall deem advis-
0217 able.

0218 (e) The articles of incorporation, such certificate and the
0219 organization fee shall be transmitted to the secretary of state,
0220 who shall thereupon record both the articles of incorporation and
0221 the certificate.

0222 (f) The capital stock of a captive insurance company incor-
0223 porated as a stock insurer shall be issued at not less than par
0224 value.

0225 (g) At least one of the members of the board of directors of a
0226 captive insurance company incorporated in this state shall be a
0227 resident of this state.

0228 (h) Captive insurance companies formed under the provi-
0229 sions of this chapter shall have the privileges and be subject to
0230 the provisions of the general corporation code as well as the

0231 applicable provisions contained in this act. In the event of
0232 conflict between the provisions of the general corporation code
0233 and the provisions of this act, the latter shall control.

0234 Sec. 7. ~~(a) Captive insurance companies shall not be re-~~
0235 ~~quired to make any annual report except as provided in this~~
0236 ~~chapter.~~

0237 ~~(b) Prior to March 1 of each year, each captive insurance~~
0238 ~~company shall submit to the commissioner a report of its finan-~~
0239 ~~cial condition, verified by oath of two of its executive officers.~~
0240 ~~Each association captive insurance company shall file its report~~
0241 ~~in the form required by K.S.A. 40-225, and amendments thereto.~~
0242 ~~The commissioner shall by rule and regulation propose the form~~
0243 ~~in which pure captive insurance companies and industrial in-~~
0244 ~~sured captive insurance companies shall report.~~

0245 Sec. 8. At least once in three years, and whenever the com-
0246 missioner determines it to be prudent, the commissioner shall
0247 personally, or by some competent person appointed by the
0248 commissioner, visit each captive insurance company and
0249 thoroughly inspect and examine its affairs to ascertain its finan-
0250 cial condition, its ability to fulfill its obligations and whether it
0251 has complied with the provisions of this act. The commissioner
0252 upon application, in the exercise of discretion, may enlarge the
0253 aforesaid three-year period to five years, if such captive insur-
0254 ance company is subject to a comprehensive annual audit during
0255 such period of a scope satisfactory to the commissioner by
0256 independent auditors approved by such commissioner. The ex-
0257 penses and charges of the examination shall be paid to the state
0258 by the company or companies examined.

0259 Sec. 9. (a) The certificate of authority of a captive insurance
0260 company to do an insurance business in this state may be
0261 suspended or revoked by the commissioner for any of the fol-
0262 lowing reasons:

- 0263 (1) Insolvency or impairment of capital or surplus;
- 0264 (2) failure to meet the requirements of sections 4 or 5;
- 0265 (3) refusal or failure to submit ~~an annual report, as required~~ the
0266 by section 7, or any other report or statement required by law or
0267 by lawful order of the commissioner;

0268 (4) failure to comply with the provisions of its own articles of
0269 incorporation or bylaws;

0270 (5) failure to submit to examination or any legal obligation
0271 relative thereto, as required by section 8;

0272 (6) refusal or failure to pay the cost of examination as re-
0273 quired by section 8;

0274 (7) use of methods that, although not otherwise specifically
0275 prohibited by law, nevertheless render its operation detrimental
0276 or its condition unsound with respect to the public or to its
0277 policyholders;

0278 (8) failure otherwise to comply with the laws of this state.

0279 (b) If the commissioner finds, upon examination, hearing or
0280 other evidence, that any captive insurance company has com-
0281 mitted any of the acts specified in subsection (a), such commis-
0282 sioner may suspend or revoke such license if such commissioner
0283 deems it in the best interest of the public and the policyholders
0284 of such captive insurance company, notwithstanding any other
0285 provision of this act.

0286 Sec. 10. ~~(a) An association captive insurance company shall~~
0287 ~~comply with the investment requirements contained in K.S.A.~~
0288 ~~40-2a01 et seq., and amendments thereto, as applicable.~~

0289 ~~(b) No pure captive insurance company or industrial insured~~
0290 ~~captive insurance company shall be subject to any restrictions on~~
0291 allowable investments whatever, including those limitations
0292 contained in sections K.S.A. 40-2a01 et seq., and amendments
0293 thereto, except that the commissioner may prohibit or limit any
0294 investment that threatens the solvency or liquidity of any such
0295 company.

0296 Sec. 11. (a) Any captive insurance company may provide
0297 reinsurance, ~~comprised in articles 9 and 11 of chapter 40 of the~~
0298 ~~Kansas Statutes Annotated,~~ on risks ceded by any other insurer.

0299 ~~(b) Any captive insurance company may take credit for re-~~
0300 ~~serves on risks or portions of risks ceded to a reinsurer.~~

0301 ~~(c)~~ In addition, a captive insurance company may take credit
0302 for reserves on risks or portions of risks ceded to a pool, exchange
0303 or association acting as a reinsurer which has been authorized by
0304 the commissioner. The commissioner may require any other

for products liability and completed operations liability

captive insurance company

reinsurer or

0305 documents, financial information or other evidence that such a _____ reinsurer,
 0306 pool, exchange or association will be able to provide adequate
 0307 security for its financial obligations. The commissioner may
 0308 deny authorization or impose any limitations on the activities of a _____ reinsurer or
 0309 reinsurance pool, exchange or association that, in such commis-
 0310 sioner's judgment, are necessary and proper to provide adequate
 0311 security for the ceding captive insurance company and for the
 0312 protection and consequent benefit of the public at large.

0313 Sec. 12. No captive insurance company shall be required to
 0314 join a rating organization.

0315 Sec. 13. No captive insurance company shall be permitted to
 0316 join or contribute financially to any plan, pool, association or
 0317 guaranty or insolvency fund in this state, nor shall any captive
 0318 insurance company, or its insured, or its parent or any affiliated
 0319 company, ~~or any member organization of its association,~~ receive
 0320 any benefit from any such plan, pool, association or guaranty or
 0321 insolvency fund for claims arising out of the operations of such
 0322 captive insurance company.

0323 Sec. 14. ~~(a) Each captive insurance company shall pay to the~~
 0324 ~~commissioner in the month of February of each year, a tax at the~~
 0325 ~~rate of .8% on the first \$15,000,000 and .6% on each dollar~~
 0326 ~~thereafter on the direct premiums collected or contracted for on~~
 0327 ~~policies or contracts of insurance covering property or risks in~~
 0328 ~~this state and on risks and property situated elsewhere upon~~
 0329 ~~which no premium tax is otherwise paid during the year ending~~
 0330 ~~December 31 next preceding, after deducting from the direct~~
 0331 ~~premiums subject to the tax the amounts paid to policyholders as~~
 0332 ~~return premiums which shall include dividends on unabsorbed~~
 0333 ~~premiums or premium deposits returned or credited to policy-~~
 0334 ~~holders.~~

0335 (b) Each captive insurance company shall pay to the com-
 0336 missioner in the month of February of each year a tax at the rate
 0337 of .3% on the first \$15,000,000 of assumed reinsurance premium
 0338 and at the rate of .2% of each dollar thereafter. However, no
 0339 reinsurance tax applies to premiums for risks or portions of risks
 0340 which are subject to taxation on a direct basis pursuant to
 0341 ~~subsection (a) of this section.~~

, at the time it files the report required
 by section 7, pay a tax on all premiums
 received on risks located in this state at
 the rate prescribed in K.S.A. 40-252A, and
 amendments thereto, if organized under this
 act or K.S.A. 40-252D, and amendments thereto,
 if organized under the laws of any other
 state, territory or country. Such taxes
 shall be subject to the procedures and
 provisions of K.S.A. 40-252G, 40-252b, 40-252c
 and 40-253, and amendments thereto.

0342 ~~(c)~~ The tax provided for in this section shall constitute all
 0343 taxes collectible under the laws of this state from any captive
 0344 insurance company, and no other occupation tax or other taxes
 0345 shall be levied or collected from any captive insurance company
 0346 by the state or any county, city or municipality within this state,
 0347 except ad valorem taxes on real and personal property used in
 0348 the production of income.

0349 ~~Sec. 15.~~ The commissioner may adopt such rules and regu-
 0350 lations relating to captive insurance companies as are necessary
 0351 to carry out the provisions of this act.

0352 ~~Sec. 16.~~ No provisions of chapter 40 of the Kansas Statutes
 0353 Annotated, other than those contained in this act or contained in
 0354 specific references contained in this act, shall apply to captive
 0355 insurance companies.

0356 ~~Sec. 17.~~ This act shall take effect and be in force from and
 0357 after its publication in the statute book.

Sec. 15. To the extent the insurance provided or solicited by a captive insurance company involves persons or property not owned or controlled by a parent, affiliate or industrial insured, the provisions of article 24 of chapter 40 of the Kansas Statutes Annotated.

Sec. 16. Captive insurance companies shall be subject to the provisions of K.S.A.40-1132 and 40-1133, and amendments thereto shall apply.

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