

Approved: Jan 27, 1998  
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Dennis Wilson at 1:30 p.m. on January 22, 1998 in Room 527-S of the State Capitol.

All members were present except: Representative Douglas Johnston, excused

Committee staff present: Bill Wolff, Legislative Research Department  
Beth James, Committee Secretary

Conferees appearing before the committee: Dave Rose, Farm Bureau Mutual Ins Co  
Tom Wilder, Kansas Insurance Department  
David Hanson, KS Assoc of Property & Casualty Ins Co's  
Brad Smoot, American Insurance Association

Others attending: See attached list

The meeting was called to order by Chairperson Wilson at 1:30 p.m. The Chairperson introduced The Kansas City Chapter of the Risk and Insurance Maintenance Society. They are executives from around the greater Kansas City area representing many major corporations interested in insurance concerns in this state, and they are being hosted by Jackie Clark of Hallmark Cards.

As announced in the weekly agenda the committee would be having hearings on HB2636 and HB2640.

**HB2636:** **Clarification of reinsurance statute to comply with NAIC model.**

**HB2640:** **Fire lien notification requirements.**

The Chairperson called Tom Wilder to the podium to speak as a proponent of HB2636. (Attachment #1). Mr. Wilder said that the intention of the bill was as a technical amendment to the reinsurance laws. He explained how reinsurance works and how it fits in with this bill. There was a short question and answer period. Mr. Wilder was asked if there would be any downside to the "policyholders". He said he did not believe there was a downside.

There were no other proponents to HB2636, and there were no opponents. The hearing was closed on that bill.

Chairperson Wilson then opened the hearing on HB2640, and called Tom Wilder to the podium. Mr. Wilder introduced Bill Wempe, the head of the fire and casualty division of the Department of Insurance. Mr. Wilder spoke as a proponent of the bill. Mr. Wilder told the committee to kind of ignore the bill because they would be bringing in some different language in a couple of weeks in the form of an amendment or a substitute bill. He explained to the committee how the laws, or process, works now and what the problem is that they are trying to solve. (Attachment # 2).

There were no other proponents of this bill.

Chairperson Wilson called David Hanson to the podium. Mr. Hanson spoke as an opponent to this bill only because of the present form since they do appreciate the efforts to minimize or eliminate non-essential administrative tasks. (Attachment #3).

CONTINUATION SHEET  
HOUSE COMMITTEE ON INSURANCE, JANUARY 22, 1998  
ROOM 527 AT 1:30 P.M.

The next opponent of **HB2640** was Brad Smoot. (Attachment #4). Mr. Smoot gave some background on the companies he represents. His group supports the insurance departments efforts to reduce costs and they also disagree with the language in this bill. They encourage the development of more efficient notice mechanisms.

The final opponent of the bill was Dave Rose, who is a regional claims manager. His company also believes that there should be an alternative procedure that would make the process easier to administer.

There were no other speakers on **HB2640**. The hearing on this bill is left open at this time. There was no old business or new business. The meeting was adjourned at 2:00 p.m.

# HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: 1-22-98

NAME	REPRESENTING
Mike McClellan	KARL
Kevin Davis	Am Family Ins
Roberta Stuke	KID
Elizabeth DeWitt	KID
Bill Wenge	KID
Kim Mulley	League of KS Municipalities
Patrick Mulvihill	KID
JEFF KUNTZ	K.U. LAW SCHOOL
DAVE ROSE	FARM BUREAU MUTUAL INS CO
David Hanson	Ks Assn of P & C Insur
BRAD SMOOT	AIA
RICK SHEPARD	Guest of Rep Wilson
Teresa Silkman	State Farm
Carrie Jill Denton	KS Assor. of Health Plans



**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**

**MEMORANDUM**

To: House Insurance Committee  
From: Tom Wilder  
Re: House Bill 2636 (Reinsurance)  
Date: January 22, 1997

House Bill 2636 was introduced at the request of the Insurance Department to make a technical amendment to our law on reinsurance agreements. The current statute allows insurance companies which are authorized to do business in Kansas to reinsure risks with insurance carriers that are not licensed in the state under certain conditions. One of the provisions of our existing law allows reinsurance set up through a trust established with a United States financial institution in an amount of at least \$20 million.

This law is based on a model reinsurance act developed by the National Association of Insurance Commissioners (NAIC). The statute provides that funds in the trust be held for the payment of the claims of "policyholders and ceding insurers." We are asking that the statute be amended to delete the reference to policyholders which would bring the act into compliance with the NAIC model law. The funds in the trust are paid for claims made by the ceding insurance companies which reinsure through the trust. The term "policyholders" is not appropriate when referring to reinsurance agreements.

I would ask that you approve House Bill 2636 favorably for passage.

*HOUSE Insurance  
Attachment #1*

*1-22-98*



**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**

**MEMORANDUM**

To: House Insurance Committee

From: Tom Wilder

Re: House Bill 2640 (Fire Liens)

Date: January 22, 1997

I am appearing today to ask for legislation which will change the record keeping required of the Kansas Insurance Department for "fire lien" ordinances approved by cities and counties. Current law authorizes cities and counties to pass ordinances or resolutions which allow them to file liens against property damaged by fire. The liens can be filed against up to 15% of the proceeds of a property and casualty insurance on the structure. The funds from the policy are used to salvage or remove the building from the property.

The statute which we would like to amend provides that once a city or county passes a fire lien ordinance or resolution they send a copy to the Department of Insurance. Our agency must in turn send copies of the ordinance or resolution to every insurance carrier authorized to write fire insurance in Kansas. The Insurance Department must mail out notices to over 800 property and casualty carriers each time a ordinance is sent to us by a city or county. I have attached a copy of an ordinance notice which our department mailed out last December together with a list of the 42 ordinances which were mailed out in 1997. As you can see, the mailing of notices is an expensive and time consuming task for our agency.

We are working with the insurance industry to simplify the process and will bring a revised bill to this committee within the next few weeks. I would ask for your support for this effort.

420 SW 9th Street  
Topeka, Kansas 66612-1678

913 296-3071  
Fax 913 296-2283  
Printed on Recycled Paper

*Attachment #2-1*  
*HOUSE INSURANCE*  
*1-22-98*  
☎ **Consumer Assistance Hotline**  
1 800 432-2484 (Toll Free)



Kathleen Sebelius  
 Commissioner of Insurance  
**Kansas Insurance Department**

Fire and Casualty Division  
 Fire Lien Bulletin No. 157

TO: All Insurers Issuing Fire, Explosion or Windstorm Insurance in the State of Kansas

IMPORTANT: FOR DISTRIBUTION TO SUPERVISOR(S) OF KANSAS OPERATIONS

FROM: Kathleen Sebelius  
 Commissioner of Insurance

SUBJECT: Promulgation of Ordinances by Winfield, Kansas under the Purview of K.S.A. 40-3901, et.seq.

DATE: December 29, 1997

Pursuant to K.S.A. 40-3905, I am enclosing a copy of an ordinance adopted by Winfield, Kansas, which creates a lien on certain insurance proceeds. For the purpose of complying with this ordinance, please refer to K.S.A. 40-3901, et. seq. for necessary procedures and responsibilities that must be implemented by the insurance company. Failure to comply with statutory provisions may result in duplicate claim payments. This revised ordinance includes a change due to a revision in K.S.A. 40-3901 through enactment of House Bill No. 2045 of the 1997 legislative session. **This change includes the peril of windstorm in addition to fire and explosion which affects the proceeds of an insurance policy.**

You will note that you have 60 days from the date of this Bulletin to establish the necessary procedures and advise adjusters, agents or other persons responsible for your operations in Winfield, Kansas of the steps to be taken to comply with the statutory provision under K.S.A. 40-3901, et. seq.

Please be advised that the Winfield, Kansas ordinance has not been reviewed by the Kansas Insurance Department for compliance with K.S.A. 40-3901, et. seq. It is the responsibility of all insurance companies insuring buildings and other structures against loss by fire, explosion or windstorm in Winfield, Kansas to comply with the provisions in K.S.A. 40-3901, et. seq.

**ACKNOWLEDGMENT OF RECEIPT OF THIS NOTICE IS NOT REQUIRED.**

Kathleen Sebelius  
 Commissioner of Insurance

2-2

KS:rs  
 420 SW 9th Street  
 Topeka, Kansas 66612-1678

785 296-3071  
 Fax 785 296-2283  
 Printed on Recycled Paper

Consumer Assistance Hotline  
 1 800 432-2484 (Toll Free)

AN ORDINANCE

REPEALING Chapter 12, Article 6 of the Revised Ordinances of the City of Winfield, Cowley County, Kansas, and adopting a new Chapter 12, Article 6 Insurance Proceeds Fund, pursuant to K.S.A. 40-3901 et seq.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF WINFIELD, KANSAS:

Section 1. Scope and Application. The city is hereby authorized to utilize the procedures established by K.S.A. 40-3901 et seq., whereby no insurance company shall pay a claim of a named insured for loss or damage to any building or other structure located within the city, arising out of any fire, explosion, or windstorm, where the amount recoverable for the loss or damage to the building or other structure under all policies is in excess of 75 percent of the face value of the policy covering such building or other insured structure, unless there is compliance with the procedures set out in this ordinance.

Section 2. Lien Created. The governing body of the city hereby creates a lien in favor of the city on the proceeds of any insurance policy based upon a covered claim payment made for damage or loss to a building or other structure located within the city, caused by or arising out of any fire, explosion, or windstorm, where the amount recoverable for all the loss or damage to the building or other structure under all policies is in excess of 75 percent of the face value of the policy(s) covering such building or other insured structure. The lien arises upon any unpaid tax, special ad valorem levy, or any other charge imposed upon real property by or on behalf of the city which is an encumbrance on real property, whether or not evidenced by written instrument, or such tax, levy, assessment, expense or other charge that has remained undischarged for at least one year prior to the filing of a proof of loss.

Section 3. Same: Encumbrances. Prior to final settlement on any claim covered by Section 2, the insurer or insurers shall contact the county treasurer, Cowley County, Kansas, to determine whether any such encumbrances are presently in existence. If the same are found to exist, the insurer or insurers shall execute and transmit in an amount equal to that owing under the encumbrances a draft payable to the county treasurer, Cowley County, Kansas.

Section 4. Same: Pro Rata Basis. Such transfer of proceeds shall be on a pro rata basis by all insurance companies insuring the building or other structure.

Section 5. Procedure. (a) When final settlement on a covered claim has been agreed to or arrived at between the named insured or insureds and the company or companies, and the final settlement exceeds 75 percent of the face value of the policy covering any building or other insured structure, and when all amounts due the holder of a first real estate mortgage against the building or other structure, pursuant to the terms of the policy and endorsements thereto, shall have been paid, the insurance company or companies shall execute a draft payable to the city treasurer in an amount equal to the sum of 15 percent of the covered claim payment unless the city manager of the city has issued a certificate to the insurance company or companies that the insured has removed the damaged building or other structure, as well as all associated debris, or repaired, rebuilt, or otherwise made the premises safe and secure. (b) Such transfer of funds shall be on a pro rata basis by all companies insuring the building or other structure. Policy proceeds remaining after the transfer to the city shall be disbursed in accordance with the policy terms. (c) Upon the transfer of the funds as required by subsection (a) of this section, the insurance company shall provide the city with the name and address of the named insured or insureds, the total insurance coverage applicable to said building or other structure, and the amount of the final settlement agreed to or arrived at between the insurance company or companies and the insured or insureds, whereupon the city manager shall contact the named insured or insureds by registered mail, notifying them that said insurance proceeds have been received by the city and apprise them of the procedures to be followed under this ordinance.

Section 6. Fund Created: Deposit of Moneys. The city treasurer is hereby authorized and shall create a fund to be known as the "Insurance Proceeds Fund." All moneys received by the city treasurer as provided for by this ordinance shall be placed in said fund and deposited in an interest-bearing account.

Section 7. City Manager: Investigation: Removal of Structure. (a) Upon receipt of moneys as provided for by this ordinance, the city treasurer shall immediately notify the city manager of said receipt, and transmit all documentation received from the insurance company or companies to the city manager. (b) Within 20 days of the receipt of said moneys, the city manager shall determine, after prior investigation, whether the city shall instigate proceedings under the provisions of K.S.A. 12-1750 et seq., as amended. (c) Prior to the expiration of the 20 days established by subsection (b) of this section, the city manager shall notify the city treasurer whether he or she intends to initiate proceedings under K.S.A. 12-1750 et seq., as amended. (d) If the city manager has determined that proceedings under K.S.A. 12-1750 et seq., as amended shall be initiated, he or she will do so immediately but no later than 30 days after receipt of the moneys by the city treasurer. (e) Upon notification to the city treasurer by the city manager that no proceedings shall be initiated under K.S.A. 12-1750 et seq., as amended, the city treasurer shall return all such moneys received, plus accrued interest, to the insured or insureds as identified in the communication from the insurance company or companies. Such return shall be accomplished within 30 days of the receipt of the moneys from the insurance company or companies.

Section 8. Removal of Structure: Excess Moneys. If the city manager has proceeded under the provisions of K.S.A. 12-1750 et seq., as amended, all moneys in excess of that which is ultimately necessary to comply with the provisions for the removal of the building or structure, less salvage value, if any, shall be paid to the insured.

Section 9. Same: Disposition of Funds. If the city manager, with regard to a building or other structure damaged by fire, explosion, or windstorm, determines that it is necessary to act under K.S.A. 12-1756, any proceeds received by the city treasurer under the authority of Section 5(a) relating to that building or other structure shall be used to reimburse the city for any expenses incurred by the city in proceeding under K.S.A. 12-1756. Upon reimbursement from the insurance proceeds, the city manager shall immediately effect the release of the lien resulting therefrom. Should the expenses incurred by the city exceed the insurance proceeds paid over to the city treasurer under Section 5(a), the city manager shall publish a new lien as authorized by K.S.A. 12-1756, in an amount equal to such excess expenses incurred.

Section 10. Effect upon Insurance Policies. This ordinance shall not make the city a party insurance contract, nor is the insurer liable to any party for any amount in excess of the otherwise payable under its insurance policy.

Section 11. Insurers: Liability. Insurers complying with this ordinance or attempting in good faith to comply with this ordinance shall be immune from civil and criminal liability and such action shall not be deemed in violation of K.S.A. 40-2404 and any amendments thereto, including withholding payment of any insurance proceeds pursuant to this ordinance, or releasing or disclosing any information pursuant to this ordinance.

Section 12. Effective Date. This ordinance shall be in full force and effect from and after its adoption and publication once in the official city newspaper.

The Governing Body of the City of Winfield, Kansas, this 15th day of December, 1997.



*Phillip R. Jarvis*  
Phillip R. Jarvis, Mayor

*Diane Rosecrans*  
Diane Rosecrans, City Clerk

APPROVED AS TO FORM *Warren Andreas*  
Warren Andreas, City Attorney

APPROVED FOR COMMISSION ACTION: *Warren Porter*  
Warren Porter, City Manager

Fire Lien Bulletin No. 112	Lincoln Center, KS	June 25, 1996
Fire Lien Bulletin No. 113	Lakin, KS	August 23, 1996
Fire Lien Bulletin No. 114	Hiawatha, KS	October 17, 1996
Revision/Correction to Fire Lien Bulletin 114		November 7, 1996
Fire Lien Bulletin No. 115	St. George, KS	December 10, 1996
Fire Lien Bulletin No. 116	Lebo, KS	February 11, 1997
Fire Lien Bulletin NO. 117	Glasco, KS	March 21, 1997
Fire Lien Bulletin No. 118	Robinson, KS	MARCH 21, 1997
Fire Lien Bulletin No. 119	Strong City, KS	June 10, 1997
Fire Lien Bulletin No. 120	Burlington, KS	June 18, 1997
Fire Lien Bulletin No. 121	Goodland, KS	June 27, 1997
Fire Lien Bulletin No. 122	Wichita, KS	June 30, 1997
Fire Lien Bulletin No. 123	Colby, KS	July 11, 1997
Fire Lien Bulletin No. 124	Salina, KS	July 11, 1997
Fire Lien Bulletin No 125	Paola, KS	July 11, 1997
Fire Lien Bulletin No. 126	Beloit, KS	July 17, 1997
Fire Lien Bulletin No. 127	Holton, KS	July 17, 1997
Fire Lien Bulletin No. 128	Caldwell, KS	July 23, 1997
Fire Lien Bulletin No. 129	Hesston, KS	July 23, 1997
Fire Lien Bulletin No. 130	Hutchinson, KS	July 23, 1997
Fire Lien Bulletin No. 131	LaCygne, KS	July 23, 1997
Fire Lien Bulletin No. 132	LaCrosse, KS	August 1, 1997
Fire Lien Bulletin No. 133	Oakley, KS	August 1, 1997
Fire Lien Bulletin No. 134	Erie, KS	August 1, 1997
Fire Lien Bulletin No. 135	Wakeeney, KS	August 1, 1997
Fire Lien Bulletin No. 136	Leavenworth, KS	August 1, 1997
Fire Lien Bulletin No. 137	Oswego, KS	August 1, 1997
Fire Lien bulletin No. 138	Eudora, KS	August 14, 1997
Fire Lien Bulletin No. 139	Robinson, KS	August 14, 1997



Fire Lien Bulletin No. 40	Bison, KS	August 26, 1997
Fire Lien Bulletin No. 141	Humboldt, KS	August 26, 1997
Fire Lien Bulletin No. 142	Ozawkie, KS	August 26, 1997
Fire Lien Bulletin No. 143	Stafford, KS	September 18, 1997
Fire Lien Bulletin No. 144	Emporia, KS	September 29, 1997
Fire Lien bulletin No. 145	Parker, KS	September 29, 1997
Fire Lien Bulletin No. 146	Atchison, KS	October 10, 1997
Fire Lien Bulletin No. 147	Burlingame, KS	October 24, 1997
Fire Lien Bulletin No. 148	Holyrood, KS	October 24, 1997
Fire Lien Bulletin No. 149	Topeka, KS	November 14, 1997
Fire Lien Bulletin No. 150	Hillsboro, KS	November 14, 1997
Fire Lien Bulletin No. 151	Downs, KS	November 26, 1997
Fire Lien Bulletin No. 152	Towanda, KS	November 26, 1997
Fire Lien Bulletin No. 153	Ulysses, KS	November 26, 1997
Fire Lien Bulletin No. 154	Sedan, KS	December 15, 1997
Fire Lien Bulletin No. 155	Miami County, KS	December 29, 1997
Fire Lien Bulletin No. 156	Osawatomie, KS	December 29, 1997
Fire Lien Bulletin No. 157	Winfield, KS	December 29, 1997

David A. Hanson  
Kansas Association of Property & Casualty Insurance Companies  
Topeka, Kansas  
(785) 232-0545

TESTIMONY ON HB 2640

TO: House Insurance Committee  
State Capitol  
Topeka, Kansas

RE: House Bill 2640

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to present testimony on behalf of the Kansas Association of Property and Casualty Insurance Companies, whose members are domestic insurance companies in Kansas.

While we appreciate efforts to minimize or eliminate non-essential administrative tasks, we must respectfully oppose House Bill 2640 in its present form. The statutory provisions allowing local ordinances to require withholding from insurance proceeds have been in effect since 1982 and were amended last year to change the amount of withholding which may be required and to include losses caused by windstorms. If cities and counties choose to enact such ordinances, they are currently required to notify the Commissioner of Insurance within 14 days and the Commissioner then notifies insurance companies. We believe a reliable method of notification to the companies is essential. If there are no provisions for notification, then it would be improper and unfair to assume or presume that insurance companies had any notice or knowledge of any enactment of such ordinances by cities or counties in Kansas. Insurance companies are regulated by the State and have generally relied upon notice from the Insurance Commissioner in order to comply with these provisions. Without such notification, there would be no way of readily ascertaining the enactment of such local ordinances, unless the companies contacted each city and county on each fire, explosion and windstorm claim to try to verify whether such an ordinance had been enacted. In some of the smaller towns, that information may not be readily available. We are concerned that this could result in confusion and delay in processing those types of claims.

An efficient method of notification would therefore seem to be in everyone's best interest. We would certainly be willing to work with the Insurance Commissioner and her staff, as well as the cities and counties, in trying to find a more efficient and effective method of notification.

*House Insurance  
Attachment #3-1  
1-22-98*

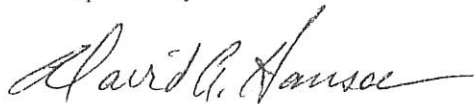
House Insurance Committee  
Testimony on HB2640  
January 22, 1998  
Page 2

Cities and counties in Kansas that have been interested in enacting such ordinances have probably already done so in the 15 ½ years these statutes have been in effect. We believe that only about 25% of the cities and counties have chosen to enact such ordinances during that time and we do not foresee a significant increase in that number in the future. However, we also recognize that a number of cities and counties have amended their existing ordinances to implement the statutory changes adopted last year, which would account for a temporary increase in the number of notifications required.

In order to address these concerns, we would suggest consideration of alternative methods of notification or possibly changing the statutory time frame for the Commissioner's notification to the companies, such as quarterly or semi-annual notification, and leaving the remaining statutory provisions as they are.

Thank you for your consideration.

Respectfully,



DAVID A. HANSON

# BRAD SMOOT

ATTORNEY AT LAW

EIGHTH & JACKSON STREET  
MERCANTILE BANK BUILDING  
SUITE 808  
TOPEKA, KANSAS 66612  
(785) 233-0016  
(785) 234-3687 FAX

10200 STATE LINE ROAD  
SUITE 230  
LEAWOOD, KANSAS 66206  
(913) 649-6836

**Statement of Brad Smoot, Legislative Counsel  
American Insurance Association  
House Insurance Committee  
Regarding 1998 House Bill 2640  
January 22, 1998**

Mr. Chairman and Members:

The American Insurance Association (AIA) is a trade group of more than 270 property and casualty insurers whose members provide various lines of insurance including workers compensation, auto, home and general liability in Kansas and across the nation. On behalf of our member companies and the thousands of Kansans they insure, we must respectfully oppose 1998 House Bill 2640, as currently drafted.

To begin with, we applaud the Kansas Insurance Department's desire to reduce its administrative costs. Since the Department is entirely funded from taxes and fees derived from the insurance industry, we appreciate any effort to control administrative overhead. And despite our opposition to this proposal, we would be pleased to work with the Department to find more efficient and cost effective methods to reduce their administrative burdens and costs with respect to providing fire lien information.

K.S.A. 40-3901 et seq., as amended by L. 1997, Ch. 102, is designed to give cities and counties access to some portion of insurance proceeds to cover demolition and clean up costs associated with fire, explosion or windstorm damage. While AIA generally opposes such laws and only a very few states seem to have adopted them, we do understand the legislative objective and our members have found the current Kansas law workable.

The administrative burden on the Insurance Department seems to have been minimal prior to 1997. There appear to have been less than 120 city ordinances and county resolutions on file with the department over the 15 year history of the fire lien law. However, after the Legislature expanded the lien law to cover windstorms and increased the maximum lien to 15% of the insurance proceeds, the Department has seen a dramatic increase in the number of cities and counties enacting lien ordinances and resolutions. While lien law filings may have increased by more than one third during 1997,

*Attachment # 4-1  
HOUSE Insurance  
1-22-98*

there is no reason to assume that this volume will continue indefinitely into the future. There are only so many cities and counties that will enact fire lien laws. When that is done, the burden on the Department is likely to decline to the experience of previous years.

More importantly, the notice insurers receive is important. Under this law, we are required to withhold proceeds from our insureds who have suffered loss and pay a portion of these insurance proceeds to local governments. Knowing which cities and counties require this payment is essential to compliance.

This bill would "presume" that insurers know the details of every Kansas city and county law. Businesses and homeowners would be denied 15% of the proceeds to which they are entitled until the carrier had contacted the city or county officials regarding such lien laws. It is hard to imagine a more inefficient system than requiring carriers to call each city or county in which a loss occurs to inquire whether that municipality has adopted a fire lien ordinance or resolution. A central repository for this information only makes sense.

Moreover, House Bill 2640 also expands the scope of carrier liability beyond current law by making the insurer liable beyond the policy limits. See Line 27. The concept that a carrier should be obligated beyond what it has agreed to pay to its insureds and for which it has collected appropriate premium is contrary to the entire concept of contract and unusual at best. At worst, it is unfair and possibly unconstitutional.

House Bill 2640 responds to a temporary administrative burden created by a 1997 change in the law by denying insurers actual notice of changes in municipal law. It unnecessarily jeopardizes prompt payments to insureds and shifts administrative burdens to local officials who would be required to respond to regular insurer inquiries.

We urge the committee to reject House Bill 2640 as currently proposed and encourage the development of more efficient notice mechanisms, perhaps through modern electronic communications or alternative procedures.



House Insurance Committee

RE: House Bill No. 2640

The Farm Bureau Mutual Insurance Company empathizes with the burden of the administrative duties of the Kansas Insurance Department in regard to Fire Liens. We believe there needs to be one central agency responsible for receiving the notices for the local governmental entities. The Insurance Department is the administrative regulatory agency of the insurance industry and as such has the information readily available to provide insurance companies with notice of the governmental entities that have enacted ordinances pertaining to fire insurance proceeds.

We also believe there needs to be some statutory notice process in place to protect the insuring public and insurance companies since this is an encumbrance being imposed on a private contract. Companies have relied on this notification in order to comply with these statutory requirements and believe some reliable means of notification should be provided.

In recent years, the number of cities or counties adopting a local ordinance have been minimal. However, in 1997, the number of notices received from the Kansas Insurance Department totaled 34. While there were some cities passing an ordinance for the first time, the majority of these ordinances were modifications to add the peril of windstorm. These changes in ordinances are directly attributable to the passing of House Bill No. 2045 during last year's legislative session.

An alternative would be notice quarterly by mail, still allowing the company 60 days after such notification to establish procedures within such cities or counties to carry out the provisions of this act.

*House Insurance  
Attachment #5-1*

*1-22-98*

The Farm Bureau Mutual Insurance Company would not support a statewide enactment. Based on information received from the Kansas Insurance Department, our records indicate 165 cities and only one county have passed such an ordinance. This indicates less than 35% of the cities and less than 1% of the counties have passed similar ordinances. The public at the local level should make the decision of whether to enact such ordinances.

In closing, Farm Bureau Mutual Insurance Company is willing to work with the Kansas Insurance Department to research ways to make this process easier to administer.

Respectfully submitted,



FARM BUREAU MUTUAL INSURANCE COMPANY, INC.  
Dave Rose, CPCU  
Regional Claims Manager

January 22, 1998

01/22/98 08:48

User IE0332A

Printer C061

LISTING OF CITY ORDINANCES

Date: 01/21/98

From: Melissa Cooper cc: ~claims

To: Scott Campbell

Duane Carlson

Marvin Decker

Jack Hollowell

Steve Fisher

Michael Mueller

Dave Rose

Gary Henton

Bob Stites

Charles Petrik

Michael Shepherd

IE0832A - \*

IE0161A - \*

IE0177A - \*

IE0234A - \*

IE1799A - \*

IE0871A - \*

IE0332A - \*

IE0226A - \*

IE0360A - \*

IE0766A - \*

IE1707A - \*

Subject: City Ordinances (Debris & Taxes)

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The following is a list of cities which have passed local ordinances concerning debris removal and/or taxes. If you know of other cities that need to be added please advise.

H.B. #2045 has revised K.S.A. 40-3901 allowing ordinances to include the peril of wind. We will revise the list as new ordinances adding the peril of wind are passed.

\* Denotes new additions to the list

COUNTY	CITY	EFFECTIVE	DATE WIND PERIL ADDED
	Almena	02/04/91	
	Altoona	03/18/92	
	Anthony	11/05/87	
	Arkansas City	05/19/92	
	Arma	05/04/92	
	Atchison	03/07/88	06/16/97
	Attica	07/23/91	
	Atwood	03/27/92	
	Augusta	10/04/91	
	Baldwin City	10/22/90	
	Basehor	11/06/89	
	Belle Plaine	02/21/84	
	Beloit	03/20/92	07/01/97
	Bentley	02/08/90	
	Benton	09/11/91	
	Bern	05/03/83	
	Bird City	08/03/92	
	Bison	03/01/93	08/04/97
	Blue Mound	02/08/90	
	Blue Rapids	06/08/94	
	Bonner Springs	01/03/83	



Brewster	02/12/91	
Buhler	03/31/92	
Burlingame	04/20/92	10/06/97
Burlington	05/20/92	06/06/97
Caldwell	06/01/92	07/07/97
Caney	03/06/89	
Carbondale	01/20/86	
Cawker City	05/06/92	
Centralia	01/04/89	
Chanute	11/16/87	
Chapman	12/03/87	
Cherryvale	08/12/85	
Claflin	04/22/91	
Clay Center	04/07/92	
Clyde	02/07/91	
Coffeyville	07/28/86	
Colby	06/06/95	
Columbus	02/07/84	
Colwich	06/06/94	
Corning	03/17/83	
Council Grove	06/04/90	
Dodge City	08/26/87	
Douglass	04/08/92	
Downs	02/07/83	07/07/97
Edgerton	02/24/94	
Edwardsville	11/26/90	
Ellinwood	11/24/87	
Ellis	11/27/90	
Emporia	07/18/91	09/03/97
Enterprise	09/06/90	
Erie	09/08/86	08/01/97
Eudora	09/06/88	06/30/97
Fairway	06/06/94	
Florence	04/06/92	
Fort Scott	07/18/89	
Fredonia	09/03/91	
Galena	06/07/88	
Gardner	04/06/92	
Garnett	10/30/84	
Girard	03/23/92	
Glasco	02/04/97	
Glen Elder	06/10/92	
Goodland	06/27/97	06/27/97
Grenola	04/16/86	
Hanover	03/19/92	
Harper	09/14/95	
Hartford	11/06/87	
Hays	09/14/93	

Herington	11/17/92	
Hesston	06/11/90	07/14/97
Hiawatha	10/17/96	
Hillsboro	01/02/90	11/04/97
Holyrood	07/12/95	
Horton	09/22/87	
Hoxie	03/23/92	
Hugoton	08/31/87	
Humboldt	04/11/88	08/11/97
Hutchinson	05/29/90	07/15/97
Independence	12/10/82	
Inman	03/09/92	
Iola	12/13/88	
Junction City	03/28/89	
Kansas City, KS	11/24/82	
Kinsley	12/21/87	
Kiowa	04/06/92	
LaCrosse	05/09/89	
LaCygne	07/16/97	07/16/97
LaHarpe	05/15/92	
Lake Quivera	02/07/94	
Lakin	08/23/96	
Lawrence	02/08/83	
Leavenworth	10/04/95	07/22/97
Lebo	02/11/97	
Lecompton	11/07/88	
LeRoy	09/02/92	
Liberal	08/20/90	
Lenora	09/21/92	
Lincoln Center	06/10/96	
Lindsborg	09/04/90	
Logan	05/07/90	
Louisburg	08/20/90	
Lyndon	06/06/94	
Lyons	04/17/89	
Mankato	03/18/92	
Marion	11/02/92	
Marysville	11/24/87	
Mayetta	04/07/92	
McPherson	05/09/88	
Melvern	07/07/86	
Merriam	03/28/94	
	12/08/97	
* Miami		
Minneapolis	01/05/93	
Mission	06/13/90	
Moline	05/11/92	
Natoma	04/02/92	
Neodesha	03/25/85	

Ness City	12/06/88	
Newton	07/15/92	
Nickerson	07/17/89	
Norton	03/07/95	
Oakley	03/16/92	
Ogden	11/23/87	
Osage City	04/14/92	
Osawatomie	03/20/92	12/11/97
Osborne	11/23/87	
Oskaloosa	12/19/91	
Oswego	08/01/97	08/01/97
Ottawa	06/20/84	
Overland Park	08/19/87	
Oxford	06/07/88	
Ozawkie	08/11/97	08/11/97
Palco	08/09/90	
Paola	12/11/84	
Parker	10/12/95	
Parsons	07/24/97	07/24/97
Pawnee Rock	12/28/87	
Phillipsburg	05/18/92	
Pittsburg	02/08/83	
Pleasanton	04/08/92	
Prairie Village	02/07/94	
Prescott	11/09/87	
Pretty Prairie	04/26/95	
Princeton	05/04/92	
Redfield	08/07/92	
Richmond	04/07/92	
Riley	09/01/92	
Robinson	03/21/97	08/04/97
Roeland Park	01/26/94	
Sabetha	12/14/87	
Salina	11/19/87	06/23/97
Scott City	04/06/92	
Scranton	04/06/93	
Sedan	01/14/92	11/17/97
Shawnee	02/12/90	
Solomon	01/14/91	
South Haven	11/04/85	
South Hutchinson	01/05/88	
Spearville	10/08/90	
Stafford	06/08/92	09/08/97
St George	11/13/96	
St. John	10/01/91	
Strong City	11/13/90	05/13/97
Sylvia	05/02/94	
Topeka	02/04/91	10/21/97

Towanda	11/12/97	11/12/97
Tribune	11/05/87	
Ulysses	11/12/97	11/12/97
Valley Center	11/17/92	
WaKeeney	12/03/91	
Westwood	05/12/94	
White Water	11/17/87	
Wichita	10/03/89	
Winchester	01/09/89	
Winfield	01/20/86	12/15/97
Yates Center	06/20/91	

End of list  
REV.01-21-98