

CHAPTER 132

HOUSE Substitute for SENATE BILL No. 379

AN ACT concerning contracts; relating to indemnification provisions and additional insured parties; amending K.S.A. 16-121 and repealing the existing section.

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

Section 1. K.S.A. 16-121 is hereby amended to read as follows: 16-121. (a) When used in this section:

(1) “Construction contract” means an agreement for the design, construction, alteration, renovation, repair or maintenance of a building, structure, highway, road, bridge, water line, sewer line, oil line, gas line, appurtenance or other improvement to real property, including any moving, demolition or excavation, except that no deed, lease, easement, license or other instrument granting an interest in or the right to possess property shall be deemed to be a construction contract even if the instrument includes the right to design, construct, alter, renovate, repair or maintain improvements on such real property. “Construction contract” shall not include any design, construction, alteration, renovation, repair or maintenance of: (A) Dirt or gravel roads used to access oil and gas wells and associated facilities; or (B) oil flow lines or gas gathering lines used in association with the transportation of production from oil and gas wells from the wellhead to oil storage facilities or gas transmission lines.

(2) “Contract” means any construction contract, motor carrier transportation contract, dealer agreement or franchise agreement.

~~(2)~~ (3) “Damages” means personal injury damages, property damages or economic loss.

(4) “Dealership agreement” means an oral or written agreement of definite or indefinite duration between an equipment manufacturer or service provider and an equipment or service dealer which provides for the rights and obligations of the parties with respect to the purchase or sale of such equipment or services.

(5) “Franchise agreement” means any contract or franchise or any other terminology used to describe the contractual relationship between manufacturers, distributors and dealers, by which:

(A) A right is granted one party to engage in the business of offering, selling or otherwise distributing goods or services under a marketing plan or system prescribed in substantial part by the other party, and in which there is a community of interest in the marketing of goods or services at wholesale or retail, by lease, agreement or otherwise; and

(B) the operation of the grantee’s business pursuant to such agreement is substantially associated with the grantor’s trademark, service mark, trade name, logotype, advertising or other commercial symbol designating the grantor or an affiliate of the grantor.

~~(5)~~ (6) “Indemnification provision” means a covenant, promise, agreement, clause or understanding in connection with, contained in, or collateral to a ~~construction~~ contract that requires the promisor to hold harmless, indemnify or defend the promisee or others against liability for loss or damages.

(7) “Motor carrier transportation contract” means, with respect to a motor carrier as defined in K.S.A. 66-1,108, and amendments thereto, a contract, agreement or understanding covering:

(A) The transportation of property by a motor carrier;

(B) the entrance on property by the motor carrier for the purpose of loading, unloading or transporting property; or

(C) a service incidental to activity described in clause (A) or (B) including, but not limited to, storage of property.

“Motor carrier transportation contract” shall not include the uniform intermodal interchange and facilities access agreement administered by the intermodal association of North America or other agreements providing for the interchange, use or possession of intermodal chassis, containers or other intermodal equipment.

(8) “Mutual indemnity obligation” means an indemnity obligation in a contract in which the parties agree to indemnify each other and each other’s contractors and their employees against loss, liability or damages arising in connection with bodily injury, death and damage to property of the respective employees, contractors or their employees, and invitees of each party arising out of or resulting from the performance of the

agreement.

(9) "Promisee" shall include an agent, employee or independent contractor who is directly responsible to the promisee.

(10) "Unilateral indemnity obligation" means an indemnity obligation in a contract in which one of the parties as promisor agrees to indemnify the other party as promisee with respect to claims for personal injury or death to the promisor's employees or agents or to the employees or agents of the promisor's contractors but in which the promisee does not make a reciprocal indemnity to the promisor.

(b) An indemnification provision in a ~~construction contract or other agreement, including, but not limited to, a right of entry, entered into in connection with a construction contract,~~ which requires the indemnitor promisor to indemnify the ~~indemnitee promisee~~ promisee for the ~~indemnitee's~~ promisee's negligence or intentional acts or omissions is against public policy and is void and unenforceable.

(c) A provision in a contract which requires a party to provide liability coverage to another party, as an additional insured, for such other party's own negligence or intentional acts or omissions is against public policy and is void and unenforceable.

(d) This act shall not be construed to affect or impair:

(1) The contractual obligation of a contractor or owner to provide railroad protective insurance or general liability insurance;

(2) an agreement under which an owner, a responsible party or a governmental entity agrees to indemnify a contractor directly or through another contractor with respect to strict liability under environmental laws;

(3) an indemnification agreement that is an integral part of an offer to compromise or a settlement of a disputed claim, if: (A) The settlement is based on consideration; (B) the dispute relates to an alleged event that is related to a construction contract and that occurred before the settlement is made; and (C) the indemnification relates only to claims that have arisen or may arise from the past event;

(4) the validity of any insurance contract, construction bond or other agreement lawfully issued by an insurer or bonding company;

(5) a separately negotiated provision or provisions whereby the parties mutually agree to a reasonable allocation of risk, if each such provision is: (A) Based on generally accepted industry loss experience; and (B) supported by adequate consideration; and

(6) an agreement that provides for indemnity if the parties agree in writing that the indemnity obligation will be supported by liability insurance coverage to be furnished by the promisor subject to the following limitations:

(A) With respect to a mutual indemnity obligation, the indemnity obligation is limited to the extent of the coverage and dollar limits of insurance or qualified self-insurance each party as promisor has agreed to obtain for the benefit of the other party as promisee.

(B) With respect to a unilateral indemnity obligation, the indemnity obligation is limited to the extent of the coverage and dollar limits of insurance the promisor has agreed to obtain for the benefit of the other party as promisee. Such indemnity obligation shall be at the promisee's expense and shall be a separate liability insurance policy.

(e) Notwithstanding any contractual provision to the contrary, the laws of the state of Kansas shall apply to and govern every contract to be performed in this state. Any litigation, arbitration or other dispute resolution proceeding arising from such contract shall be conducted in this state. Any provision, covenant or clause in such contract that conflicts with the provisions of this subsection shall be void and unenforceable.

~~(d)~~ (f) This section applies only to indemnification provisions and additional insured provisions entered into after ~~the act takes effect~~ January 1, 2009.

Sec. 2. K.S.A. 16-121 is hereby repealed.

Sec. 3. This act shall take effect and be in force on and after January 1, 2009, and its publication in the statute book.