

SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2879

As Amended by House Committee on
Insurance

Brief*

HB 2879, as amended, concerns the cancellation of automobile insurance. The bill allows a company to refuse to renew a policy of automobile insurance based upon the insured's failure to maintain membership in a bona fide association. Any insurance company seeking to use this authority must first file a certificate with the Insurance Commissioner verifying the eligibility of the company to claim the right to non-renew on this basis.

Additionally, membership fees collected by the bona fide association are not premiums and may not be used by the insurance company to defray any costs or expenses in connection with the sale or purchase of the insurance.

A bona fide association is one that has been in existence for at least five consecutive years; was formed and maintained for purposes other than obtaining or providing insurance and does not condition membership on the purchase of insurance; and has a relationship with one or more specific insurance companies and identifies each company.

The House Committee amendment was technical.

Background

HB 2879 was requested by Farm Bureau Mutual Insurance Company, Inc., whose representatives explained, that existing law allows the Company to require persons purchasing insurance in the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi>

mutual company to be a member of the Farm Bureau. However, persons purchasing insurance through KFB Insurance Company, a wholly owned stock company, and through Farm Bureau companies in other states, cannot be required to purchase a membership in Farm Bureau and cannot be non-renewed for failure to be a member. Company spokespersons commented that this disparity in eligibility rules allows some persons to enjoy the benefits of insurance without being a member of Kansas Farm Bureau.