

## HOUSE BILL No. 2044

By Committee on Insurance

Requested by Eric Turek, Kansas Insurance Department

1-21

AN ACT concerning insurance; requiring that third party administrators maintain separate fiduciary accounts for individual payors and not contain funds collected or held on behalf of multiple payors and disclose to the commissioner of insurance any bankruptcy petition filed by or on behalf of such administrator pursuant to chapter 9 or chapter 11 of the United States bankruptcy code; amending K.S.A. 40-3807 and 40-3809 and repealing the existing sections.

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

Section 1. K.S.A. 40-3807 is hereby amended to read as follows: 40-3807. (a) All insurance charges, premiums, collateral and loss reimbursements collected by an administrator on behalf of or for a payor, and the return of premiums or collateral received from that payor, shall be held by the administrator in a fiduciary capacity. Such funds shall be immediately remitted to the person or persons entitled thereto, or shall be deposited promptly in a fiduciary account established and maintained by the administrator in a federally or state-insured financial institution. *A separate fiduciary account shall be maintained by the administrator for each payor and shall not contain funds collected or held by the administrator on behalf of multiple payors.* The written agreement between the administrator and the payor shall provide for the administrator to periodically render an accounting to the payor detailing all transactions performed by the administrator pertaining to the business of the payor, and the written agreement between the payor and the administrator shall include specifications of this reporting.

(b) The administrator shall keep copies of all records of any fiduciary account maintained or controlled by the administrator, and, upon request of a payor, shall furnish the payor with copies of such records pertaining to deposits and withdrawals on behalf of the payor. If charges or premiums so deposited have been collected on behalf of or for more than one payor, or for the payment of claims associated with more than one policy, the administrator shall keep records clearly recording the deposits in and withdrawals from the account on behalf of each payor and relating to each policyholder.

(c) The administrator shall not pay any claim by withdrawals from a

Proposed Amendment to HB 2044  
For Senate Committee on Financial Institutions and Insurance  
By Eileen Ma  
Office of Revisor of Statutes

1 fiduciary account in which premiums or charges are deposited.  
2 Withdrawals from a fiduciary account shall be made as provided in the  
3 written agreement between the administrator and the payor, and only for  
4 the following purposes: (1) Remittance to an insurer entitled thereto; (2)  
5 deposit in an account maintained in the name of the payor; (3) transfer to  
6 and deposit in a claims paying account, with claims to be paid as provided  
7 in subsection (d); (4) payment to a group policyholder for remittance to the  
8 payor entitled thereto; (5) payment to the administrator of its earned  
9 commissions, fees or charges; (6) remittance of return premiums to the  
10 person or persons entitled thereto; or (7) payment to other service  
11 providers as authorized by the payor.

12 (d) All claims paid by the administrator from funds collected on  
13 behalf of or for a payor shall be paid only as authorized by the payor.  
14 Payments from an account maintained or controlled by the administrator  
15 may be made for the following purposes including the payment of claims:  
16 (1) Payment of valid claims; (2) payment of expenses associated with the  
17 handling of claims to the administrator or to other service providers  
18 approved by the payor; (3) remittance to the payor, or transfer to a  
19 successor administrator as directed by the payor, for the purpose of paying  
20 claims and associated expenses; and (4) return of funds held as collateral  
21 or prepayment, to the person entitled to those funds, upon a determination  
22 by the payor that those funds are no longer necessary to secure or facilitate  
23 the payment of claims and associated expenses.

24 Sec. 2. K.S.A. 40-3809 is hereby amended to read as follows: 40-  
25 3809. (a) Where the services of an administrator are utilized, the  
26 administrator shall provide a written notice, approved by the payor, to  
27 covered individuals advising them of the identity of and relationship  
28 among the administrator, the policyholder and the payor.

29 (b) When an administrator collects funds, the reason for collection of  
30 each item shall be identified to the insured party and each item shall be  
31 shown separately from any premium. Additional charges may not be made  
32 for services to the extent the services have already been paid for by the  
33 payor.

34 (c) The administrator shall disclose to the payor all charges, fees and  
35 commissions that the administrator receives arising from services it  
36 provides for the payor, including any fees or commissions paid by payors  
37 providing reinsurance or stop-loss insurance.

38 (d) *An administrator shall immediately disclose to the commissioner*  
39 *any bankruptcy petition filed by or on behalf of such administrator*  
40 *pursuant to chapter 9 or chapter 11 of the United States bankruptcy code.*

41 Sec. 3. K.S.A. 40-3807 and 40-3809 are hereby repealed.

42 Sec. 4. This act shall take effect and be in force from and after its  
43 publication in the statute book.