

HOUSE BILL No. 2334

By Committee on Insurance
Requested by Representative Tarwater

2-7

AN ACT concerning insurance; relating to captive insurance companies; providing for incorporated cell captive insurance companies and protected cell captive insurance companies; enacting the Kansas protected cell captive insurance company act; providing for a provisional certificate of authority; expanding the types of insurance that a captive insurance company may provide; extending the period of time in-between financial examinations conducted by the commissioner; amending K.S.A. 40-4304, 40-4312 and 40-4314 and K.S.A. 2024 Supp. 40-4302 and 40-4308 and repealing the existing sections.

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

New Section 1. Sections 1 through 10, and amendments thereto, shall be known and may be cited as the Kansas protected cell captive insurance company act.

New Sec. 2. (a) One or more sponsors may form a protected cell captive insurance company under this act. This act shall apply to protected cell captive insurance companies.

(b) A protected cell captive insurance company shall be incorporated as a stock insurer with its capital divided into shares and held by the stockholders as a mutual corporation, as a nonprofit corporation with one or more members or as a limited liability company.

New Sec. 3. As used in this act, unless the context requires otherwise:

(a) "Act" means the Kansas protected cell captive insurance company act;

(b) "general account" means all assets and liabilities of a protected cell captive insurance company not attributable to a protected cell;

(c) "participant" means a person or an entity, authorized to be a participant by section 5, and amendments thereto, or any affiliate of a participant, that is insured by a protected cell captive insurance company if the losses of the participant are limited through a participant contract;

(d) "participant contract" means a contract by which a protected cell captive insurance company insures the risks of a participant and limits the losses of each such participant to its pro rata share of the assets of one or more protected cells identified in such participant contract;

1 insurance, ~~workers' compensation~~, employers' liability insurance coverage,
2 long-term care coverage, critical care coverage, surety, title insurance,
3 credit insurance or any component thereof, except that a technology-
4 enabled fiduciary financial institution insurance company shall be
5 permitted to provide contracts of suretyship and credit insurance in
6 accordance with K.S.A. 2024 Supp. 40-4354, and amendments thereto;

7 ~~(4) A~~ *cap* captive insurance company ~~shall accept or cede~~ *may provide*
8 *workers' compensation insurance, insurance in the nature of workers*
9 *compensation insurance and the reinsurance except as provided in K.S.A.*
10 *40-4311, and amendments thereto of such policies unless prohibited by*
11 *federal law, the provisions of chapter 40 of the Kansas Statutes Annotated,*
12 *and amendments thereto, or any other state having jurisdiction over the*
13 *transaction;*

14 ~~(5) A~~ *cap* captive insurance company *may provide excess or stop-loss*
15 *accident and health insurance unless prohibited by federal law or the laws*
16 *of the state having jurisdiction over the transaction;*

17 ~~(6) Any~~ *cap* captive insurance company *may provide workers'*
18 *compensation insurance, insurance in the nature of workers'*
19 *compensation insurance and reinsurance of such policies unless*
20 *prohibited by federal law, the laws of the state of Kansas or any other*
21 *state having jurisdiction over the transaction;*

22 ~~(7) No~~ *cap* captive insurance company shall provide ~~accident and health,~~
23 life insurance or annuities on a direct basis;

24 ~~(6)(8) No~~ *cap* captive insurance company authorized as a life insurance
25 company shall transact business other than life insurance; and
26 ~~(7)(9) No~~ *cap* captive insurance company authorized to transact business
27 under article 9 or 11 of chapter 40 of the Kansas Statutes Annotated, and
28 amendments thereto, shall engage in the business of life insurance.

29 ~~(b) No~~ *cap* captive insurance company organized under the laws of this
30 state shall do any insurance business in this state unless *such captive*
31 *insurance company*;

32 ~~(1) It~~ First obtains from the commissioner a certificate of authority
33 authorizing it to do insurance business in this state;

34 ~~(2) has~~ its board of directors, members, partners, managers,
35 committee of managers or other governing body ~~holds~~ *hold* at least one
36 meeting each year in this state;

37 ~~(3) It~~ maintains its principal place of business in this state; and

38 ~~(4) It~~ authorizes the commissioner to accept service of process on its
39 behalf in accordance with K.S.A. 40-218, and amendments thereto.

40 ~~(c) Before~~ receiving a certificate of authority, an applicant *cap*itive
41 insurance company shall file with the commissioner:

42 ~~(1) A~~ copy of the applicant *cap*itive insurance company's
43 organizational documents; and

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