

HOUSE BILL No. 2042

By Committee on Insurance

Requested by Eric Turek, Kansas Insurance Department

1-21

1 AN ACT concerning insurance; relating to title insurance; requiring title
2 agents to make their audit reports available for inspection upon request
3 of the commissioner of insurance instead of submitting such reports
4 annually; requiring the amount of surety bonds filed with the
5 commissioner to be \$100,000; eliminating the controlled business
6 exemption in certain counties; amending K.S.A. 40-1139 and K.S.A.
7 2024 Supp. 40-1137 and 40-2404 and repealing the existing sections.
8

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

10 Section 1. K.S.A. 2024 Supp. 40-1137 is hereby amended to read as
11 follows: 40-1137. A title insurance agent may operate as an escrow,
12 settlement or closing agent, provided that:

13 (a) All funds deposited with the title insurance agent in connection
14 with an escrow, settlement or closing shall be submitted for collection to,
15 invested in or deposited in a separate fiduciary trust account or accounts in
16 a qualified financial institution no later than the close of the next business
17 day, in accordance with the following requirements:

18 (1) The funds shall be the property of the person or persons entitled to
19 them under the provisions of the escrow, settlement or closing agreement
20 and shall be segregated for each depository by escrow, settlement or
21 closing in the records of the title insurance agent in a manner that permits
22 the funds to be identified on an individual basis;

23 (2) the funds shall be applied only in accordance with the terms of the
24 individual instructions or agreements under which the funds were
25 accepted; and

26 (3) an agent shall not retain any interest on any money held in an
27 interest-bearing account without the written consent of all parties to the
28 transaction.

29 (b) Funds held in an escrow account shall be disbursed only:

30 (1) Pursuant to written authorization of buyer and seller;

31 (2) pursuant to a court order; or

32 (3) when a transaction is closed according to the agreement of the
33 parties.

1 (c) A title insurance agent shall not commingle the agent's personal
2 funds or other moneys with escrow funds. In addition, the agent shall not
3 use escrow funds to pay or to indemnify against the debts of the agent or
4 of any other party. The escrow funds shall be used only to fulfill the terms
5 of the individual escrow and none of the funds shall be utilized until the
6 necessary conditions of the escrow have been met. All funds deposited for
7 real estate closings, including closings involving refinances of existing
8 mortgage loans, which exceed \$2,500 shall be in one of the following
9 forms:

10 (1) Lawful money of the United States;

11 (2) wire transfers such that the funds are unconditionally received by
12 the title insurance agent or the agent's depository;

13 (3) cashier's checks, certified checks, teller's checks or bank money
14 orders issued by a federally insured financial institution and
15 unconditionally held by the title insurance agent;

16 (4) funds received from governmental entities, federally chartered
17 instrumentalities of the United States or drawn on an escrow account of a
18 real estate broker licensed in the state or drawn on an escrow account of a
19 title insurer or title insurance agent licensed to do business in the state;

20 (5) other negotiable instruments that have been on deposit in the
21 escrow account at least 10 days; or

22 (6) a real-time or instant payment through the FedNow service
23 operated by the federal reserve banks or the clearing house payment
24 company's real-time payments (RTP) system.

25 (d) Each title insurance agent shall have an annual audit made of its
26 escrow, settlement and closing deposit accounts, conducted by a certified
27 public accountant or by a title insurer for which the title insurance agent
28 has a licensing agreement. The title insurance agent shall provide a copy of
29 the audit report to the commissioner ~~within 30 days after the close of the~~
30 ~~calendar year for which an audit is required~~ *upon request*. Title insurance
31 agents who are attorneys and who issue title insurance policies as part of
32 their legal representation of clients are exempt from the requirements of
33 this subsection. However, the title insurer, at its expense, may conduct or
34 cause to be conducted an annual audit of the escrow, settlement and
35 closing accounts of the attorney. Attorneys who are exclusively in the
36 business of title insurance are not exempt from the requirements of this
37 subsection.

38 (e) The commissioner may promulgate rules and regulations setting
39 forth the standards of the audit and the form of audit report required.

40 (f) If the title insurance agent is appointed by two or more title
41 insurers and maintains fiduciary trust accounts in connection with
42 providing escrow and closing settlement services, the title insurance agent
43 shall allow each title insurer reasonable access to the accounts and any or

1 all of the supporting account information in order to ascertain the safety
2 and security of the funds held by the title insurance agent.

3 (g) Nothing in this section is intended to amend, alter or supersede
4 other laws of this state or the United States, regarding an escrow holder's
5 duties and obligations.

6 Sec. 2. K.S.A. 40-1139 is hereby amended to read as follows: 40-
7 1139. (a) ~~The A~~ title insurance agent ~~who~~ *that* handles escrow, settlement
8 or closing accounts shall file with the commissioner a \$100,000 surety
9 bond or irrevocable letter of credit in a form acceptable to the
10 commissioner; *Such surety bond or irrevocable letter of credit shall be*
11 *issued by an insurance company or financial institution that is* authorized
12 to conduct business in this state; securing the applicant's or the title
13 insurance agent's faithful performance of all duties and obligations set out
14 in K.S.A. 40-1135 through 40-1141, and amendments thereto.

15 (b) ~~The terms of the bond or irrevocable letter of credit shall be:~~

16 ~~(1) The surety bond shall provide that such bond may not be~~
17 ~~terminated without 30 days prior written notice to the commissioner.~~

18 ~~(2) An~~(c) *The irrevocable letter of credit shall:*

19 (1) Be issued by a bank ~~which~~ *that* is insured by the federal deposit
20 insurance corporation or its successor ~~if such letter of credit is;~~ *and*

21 (2) initially *be* issued for a term of at least one year and by its terms is
22 automatically renewed at each expiration date for at least an additional
23 one-year term unless at least 30 days prior written notice of intention not
24 to renew is ~~given~~ *provided* to the commissioner of insurance.

25 (e) ~~The amount of the surety bond or irrevocable letter of credit for~~
26 ~~those agents servicing real estate transactions on property located in~~
27 ~~counties having a certain population shall be required as follows:~~

28 ~~(1) \$100,000 surety bond or irrevocable letter of credit in counties~~
29 ~~having a population of 40,001 and over;~~

30 ~~(2) \$50,000 surety bond or irrevocable letter of credit in counties~~
31 ~~having a population of 20,001 to 40,000; and~~

32 ~~(3) \$25,000 surety bond or irrevocable letter of credit in counties~~
33 ~~having a population of 20,000 or under.~~

34 (d) The surety bond or irrevocable letter of credit shall be for the
35 benefit of any person suffering a loss if the title insurance agent converts
36 or misappropriates money received or held in escrow, deposit or trust
37 accounts while acting as a title insurance agent providing any escrow or
38 settlement services.

39 Sec. 3. K.S.A. 2024 Supp. 40-2404 is hereby amended to read as
40 follows: 40-2404. The following are hereby defined as unfair methods of
41 competition and unfair or deceptive acts or practices in the business of
42 insurance:

43 (1) *Misrepresentations and false advertising of insurance policies.*

1 Making, issuing, circulating or causing to be made, issued or circulated,
2 any estimate, illustration, circular, statement, sales presentation, omission
3 or comparison that:

4 (a) Misrepresents the benefits, advantages, conditions or terms of any
5 insurance policy;

6 (b) misrepresents the dividends or share of the surplus to be received
7 on any insurance policy;

8 (c) makes any false or misleading statements as to the dividends or
9 share of surplus previously paid on any insurance policy;

10 (d) is misleading or is a misrepresentation as to the financial
11 condition of any person, or as to the legal reserve system upon which any
12 life insurer operates;

13 (e) uses any name or title of any insurance policy or class of
14 insurance policies misrepresenting the true nature thereof;

15 (f) is a misrepresentation for the purpose of inducing or tending to
16 induce the lapse, forfeiture, exchange, conversion or surrender of any
17 insurance policy;

18 (g) is a misrepresentation for the purpose of effecting a pledge or
19 assignment of or effecting a loan against any insurance policy; or

20 (h) misrepresents any insurance policy as being shares of stock.

21 (2) *False information and advertising generally.* Making, publishing,
22 disseminating, circulating or placing before the public, or causing, directly
23 or indirectly, to be made, published, disseminated, circulated or placed
24 before the public, in a newspaper, magazine or other publication, or in the
25 form of a notice, circular, pamphlet, letter or poster, or over any radio or
26 television station, or in any other way, an advertisement, announcement or
27 statement containing any assertion, misrepresentation or statement with
28 respect to the business of insurance or with respect to any person in the
29 conduct of such person's insurance business, that is untrue, deceptive or
30 misleading.

31 (3) *Defamation.* Making, publishing, disseminating or circulating,
32 directly or indirectly, or aiding, abetting or encouraging the making,
33 publishing, disseminating or circulating of any oral or written statement or
34 any pamphlet, circular, article or literature that is false, or maliciously
35 critical of or derogatory to the financial condition of any person, and that
36 is calculated to injure such person.

37 (4) *Boycott, coercion and intimidation.* Entering into any agreement
38 to commit, or by any concerted action committing, any act of boycott,
39 coercion or intimidation resulting in or tending to result in unreasonable
40 restraint of the business of insurance, or by any act of boycott, coercion or
41 intimidation monopolizing or attempting to monopolize any part of the
42 business of insurance.

43 (5) *False statements and entries.* (a) Knowingly filing with any

1 supervisory or other public official, or knowingly making, publishing,
2 disseminating, circulating or delivering to any person, or placing before
3 the public, or knowingly causing directly or indirectly, to be made,
4 published, disseminated, circulated, delivered to any person, or placed
5 before the public, any false material statement of fact as to the financial
6 condition of a person.

7 (b) Knowingly making any false entry of a material fact in any book,
8 report or statement of any person or knowingly omitting to make a true
9 entry of any material fact pertaining to the business of such person in any
10 book, report or statement of such person.

11 (6) *Stock operations and advisory board contracts.* Issuing or
12 delivering or permitting agents, officers or employees to issue or deliver,
13 agency company stock or other capital stock, or benefit certificates or
14 shares in any common-law corporation, or securities or any special or
15 advisory board contracts or other contracts of any kind promising returns
16 and profits as an inducement to insurance. Nothing herein shall prohibit
17 the acts permitted by K.S.A. 40-232, and amendments thereto.

18 (7) *Unfair discrimination.* (a) Making or permitting any unfair
19 discrimination between individuals of the same class and equal expectation
20 of life in the rates charged for any contract of life insurance or life annuity
21 or in the dividends or other benefits payable thereon, or in any other of the
22 terms and conditions of such contract.

23 (b) Making or permitting any unfair discrimination between
24 individuals of the same class and of essentially the same hazard in the
25 amount of premium, policy fees or rates charged for any policy or contract
26 of accident or health insurance or in the benefits payable thereunder, ~~or~~ in
27 any of the terms or conditions of such contract; or in any other manner
28 whatever.

29 (c) Refusing to insure, ~~or~~ refusing to continue to insure, ~~or~~ limiting
30 the amount, extent or kind of coverage available to an individual; or
31 charging an individual a different rate for the same coverage solely
32 because of blindness or partial blindness. With respect to all other
33 conditions, including the underlying cause of the blindness or partial
34 blindness, persons who are blind or partially blind shall be subject to the
35 same standards of sound actuarial principles or actual or reasonably
36 anticipated experience as are sighted persons. Refusal to insure includes
37 denial by an insurer of disability insurance coverage on the grounds that
38 the policy defines "disability" as being presumed in the event that the
39 insured loses such person's eyesight. However, an insurer may exclude
40 from coverage disabilities consisting solely of blindness or partial
41 blindness when such condition existed at the time the policy was issued.

42 (d) Refusing to insure, ~~or~~ refusing to continue to insure; or limiting
43 the amount, extent or kind of coverage available for accident and health

1 and life insurance to an applicant who is the proposed insured ~~or charge,~~
2 *charging* a different rate for the same coverage ~~or,~~ excluding or limiting
3 coverage for losses or denying a claim incurred by an insured as a result of
4 abuse based on the fact that the applicant who, is the proposed insured, is,
5 has been, or may be the subject of domestic abuse, except as provided in
6 subsection (7)(d)(v). "~~Abuse~~" As used in this paragraph, "*abuse*" means
7 one or more acts defined in K.S.A. 60-3102, and amendments thereto,
8 between family members, current or former household members; or
9 current or former intimate partners.

10 (i) An insurer ~~may~~ *shall* not ask an applicant for life or accident and
11 health insurance who is the proposed insured if the individual is, has been
12 or may be the subject of domestic abuse, or seeks, has sought or had
13 reason to seek medical or psychological treatment or counseling
14 specifically for abuse, protection from abuse or shelter from abuse.

15 (ii) Nothing in this section shall be construed to prohibit a person
16 from declining to issue an insurance policy insuring the life of an
17 individual who is, has been or has the potential to be the subject of abuse if
18 the perpetrator of the abuse is the applicant or would be the owner of the
19 insurance policy.

20 (iii) No insurer that issues a life or accident and health policy to an
21 individual who is, has been or may be the subject of domestic abuse shall
22 be subject to civil or criminal liability for the death or any injuries suffered
23 by that individual as a result of domestic abuse.

24 (iv) No person shall refuse to insure, refuse to continue to insure,
25 limit the amount, extent or kind of coverage available to an individual or
26 charge a different rate for the same coverage solely because of physical or
27 mental condition, except where the refusal, limitation or rate differential is
28 based on sound actuarial principles.

29 (v) Nothing in this section shall be construed to prohibit a person
30 from underwriting or rating a risk on the basis of a preexisting physical or
31 mental condition, even if such condition has been caused by abuse,
32 provided that:

33 (A) The person routinely underwrites or rates such condition in the
34 same manner with respect to an insured or an applicant who is not a victim
35 of abuse;

36 (B) the fact that an individual is, has been or may be the subject of
37 abuse may not be considered a physical or mental condition; and

38 (C) such underwriting or rating is not used to evade the intent of this
39 section or any other provision of the Kansas insurance code.

40 (vi) Any person who underwrites or rates a risk on the basis of
41 preexisting physical or mental condition as set forth in subsection (7)(d)
42 (v), shall treat such underwriting or rating as an adverse underwriting
43 decision pursuant to K.S.A. 40-2,112, and amendments thereto.

1 (vii) The provisions of this paragraph shall apply to all policies of life
2 and accident and health insurance issued in this state after the effective
3 date of this act and all existing contracts that are renewed on or after the
4 effective date of this act.

5 (e) Refusing to insure, or refusing to continue to insure, or limiting
6 the amount, extent or kind of coverage available for life insurance to an
7 individual, or charging an individual a different rate for the same coverage,
8 solely because of such individual's status as a living organ donor. With
9 respect to all other conditions, persons who are living organ donors shall
10 be subject to the same standards of sound actuarial principles or actual or
11 reasonably anticipated experience as are persons who are not organ
12 donors.

13 (8) *Rebates.* (a) Except as otherwise expressly provided by law,
14 knowingly permitting, offering to make or making any contract of life
15 insurance, life annuity or accident and health insurance, or agreement as to
16 such contract other than as plainly expressed in the insurance contract
17 issued thereon; paying, allowing, giving or offering to pay, allow or give,
18 directly or indirectly, as inducement to such insurance, or annuity, any
19 rebate of premiums payable on the contract, any special favor or advantage
20 in the dividends or other benefits thereon, or any valuable consideration or
21 inducement whatever not specified in the contract; or giving, selling,
22 purchasing or offering to give, sell or purchase as inducement to such
23 insurance contract or annuity or in connection therewith, any stocks, bonds
24 or other securities of any insurance company or other corporation,
25 association or partnership, or any dividends or profits accrued thereon, or
26 anything of value whatsoever not specified in the contract.

27 (b) Nothing in subsection (7)(a) or (8)(a) shall be construed as
28 including within the definition of discrimination or rebates any of the
29 following practices:

30 (i) In the case of any contract of life insurance or life annuity, paying
31 bonuses to policyholders or otherwise abating their premiums in whole or
32 in part out of surplus accumulated from nonparticipating insurance. Any
33 such bonuses or abatement of premiums shall be fair and equitable to
34 policyholders and for the best interests of the company and its
35 policyholders;

36 (ii) in the case of life insurance policies issued on the industrial debit
37 plan, making allowance to policyholders who have continuously for a
38 specified period made premium payments directly to an office of the
39 insurer in an amount that fairly represents the saving in collection
40 expenses;

41 (iii) readjustment of the rate of premium for a group insurance policy
42 based on the loss or expense experience thereunder, at the end of the first
43 or any subsequent policy year of insurance thereunder, which may be

1 made retroactive only for such policy year;

2 (iv) engaging in an arrangement that would not violate section 106 of
3 the bank holding company act amendments of 1972, as interpreted by the
4 board of governors of the federal reserve system or section 5(q) of the
5 home owners' loan act;

6 (v) the offer or provision by insurers or producers, by or through
7 employees, affiliates or third-party representatives, of value-added
8 products or services at no or reduced cost when such products or services
9 are not specified in the policy of insurance if the product or service:

10 (A) Relates to the insurance coverage; and

11 (B) is primarily designed to satisfy one or more of the following:

12 (1) Provide loss mitigation or loss control;

13 (2) reduce claim costs or claim settlement costs;

14 (3) provide education about liability risks or risk of loss to persons or
15 property;

16 (4) monitor or assess risk, identify sources of risk or develop
17 strategies for eliminating or reducing risk;

18 (5) enhance health;

19 (6) enhance financial wellness through items such as education or
20 financial planning services;

21 (7) provide post-loss services;

22 (8) (a) incentivize behavioral changes to improve the health or reduce
23 the risk of death or disability of a customer;

24 (b) as used in this section, "customer" means a policyholder, potential
25 policyholder, certificate holder, potential certificate holder, insured,
26 potential insured or applicant; or

27 (9) assist in the administration of the employee or retiree benefit
28 insurance coverage.

29 (C) The cost to the insurer or producer offering the product or service
30 to any given customer shall be reasonable in comparison to such
31 customer's premiums or insurance coverage for the policy class.

32 (D) If the insurer or producer is providing the product or service
33 offered, the insurer or producer shall ensure that the customer is provided
34 with contact information, upon request, to assist the customer with
35 questions regarding the product or service.

36 (E) The commissioner may adopt rules and regulations when
37 implementing the permitted practices set forth in this section to ensure
38 consumer protection. Such rules and regulations, consistent with
39 applicable law, may address, among other issues, consumer data
40 protections and privacy, consumer disclosure and unfair discrimination.

41 (F) The availability of the value-added product or service shall be
42 based on documented objective criteria and offered in a manner that is not
43 unfairly discriminatory. The documented criteria shall be maintained by

1 the insurer or producer and produced upon request by the commissioner.

2 (G) If an insurer or producer does not have sufficient evidence but
3 has a good-faith belief that the product or service meets the criteria in
4 subsection (8)(b)(v)(B), the insurer or producer may provide the product or
5 service in a manner that is not unfairly discriminatory as part of a pilot or
6 testing program for not more than one year. An insurer or producer shall
7 notify the commissioner of such a pilot or testing program offered to
8 consumers in this state prior to launching and may proceed with the
9 program unless the commissioner objects within 21 days of notice.

10 (vi) An insurer or a producer may:

11 (A) Offer or give non-cash gifts, items or services, including meals to
12 or charitable donations on behalf of a customer, in connection with the
13 marketing, sale, purchase or retention of contracts of insurance, as long as
14 the cost does not exceed an amount determined to be reasonable by the
15 commissioner per policy year per term. The offer shall be made in a
16 manner that is not unfairly discriminatory. The customer shall not be
17 required to purchase, continue to purchase or renew a policy in exchange
18 for the gift, item or service.

19 (B) Conduct raffles or drawings to the extent permitted by state law,
20 as long as there is no financial cost to entrants to participate, the drawing
21 or raffle does not obligate participants to purchase insurance, the prizes are
22 not valued in excess of a reasonable amount determined by the
23 commissioner and the drawing or raffle is open to the public. The raffle or
24 drawing shall be offered in a manner that is not unfairly discriminatory.
25 The customer shall not be required to purchase, continue to purchase or
26 renew a policy in exchange for the gift, item or service.

27 (c) An insurer, producer or representative of an insurer or producer
28 shall not offer or provide insurance as an inducement to the purchase of
29 another policy.

30 (9) *Unfair claim settlement practices.* It is an unfair claim settlement
31 practice if any of the following or any rules and regulations pertaining
32 thereto are either committed flagrantly and in conscious disregard of such
33 provisions, or committed with such frequency as to indicate a general
34 business practice:

35 (a) Misrepresenting pertinent facts or insurance policy provisions
36 relating to coverages at issue;

37 (b) failing to acknowledge and act reasonably promptly upon
38 communications with respect to claims arising under insurance policies;

39 (c) failing to adopt and implement reasonable standards for the
40 prompt investigation of claims arising under insurance policies;

41 (d) refusing to pay claims without conducting a reasonable
42 investigation based upon all available information;

43 (e) failing to affirm or deny coverage of claims within a reasonable

1 time after proof of loss statements have been completed;

2 (f) not attempting in good faith to effectuate prompt, fair and
3 equitable settlements of claims in which liability has become reasonably
4 clear;

5 (g) compelling insureds to institute litigation to recover amounts due
6 under an insurance policy by offering substantially less than the amounts
7 ultimately recovered in actions brought by such insureds;

8 (h) attempting to settle a claim for less than the amount to which a
9 reasonable person would have believed that such person was entitled by
10 reference to written or printed advertising material accompanying or made
11 part of an application;

12 (i) attempting to settle claims on the basis of an application that was
13 altered without notice to, or knowledge or consent of the insured;

14 (j) making claims payments to insureds or beneficiaries not
15 accompanied by a statement setting forth the coverage under which
16 payments are being made;

17 (k) making known to insureds or claimants a policy of appealing from
18 arbitration awards in favor of insureds or claimants for the purpose of
19 compelling them to accept settlements or compromises less than the
20 amount awarded in arbitration;

21 (l) delaying the investigation or payment of claims by requiring an
22 insured, claimant or the physician of either to submit a preliminary claim
23 report and then requiring the subsequent submission of formal proof of
24 loss forms, both of which submissions contain substantially the same
25 information;

26 (m) failing to promptly settle claims, where liability has become
27 reasonably clear, under one portion of the insurance policy coverage in
28 order to influence settlements under other portions of the insurance policy
29 coverage; or

30 (n) failing to promptly provide a reasonable explanation of the basis
31 in the insurance policy in relation to the facts or applicable law for denial
32 of a claim or for the offer of a compromise settlement.

33 (10) *Failure to maintain complaint handling procedures.* Failure of
34 any person, who is an insurer on an insurance policy, to maintain a
35 complete record of all the complaints that it has received since the date of
36 its last examination under K.S.A. 40-222, and amendments thereto; but no
37 such records shall be required for complaints received prior to the effective
38 date of this act. The record shall indicate the total number of complaints,
39 their classification by line of insurance, the nature of each complaint, the
40 disposition of the complaints, the date each complaint was originally
41 received by the insurer and the date of final disposition of each complaint.
42 For purposes of this subsection, "complaint" means any written
43 communication primarily expressing a grievance related to the acts and

1 practices set out in this section.

2 (11) *Misrepresentation in insurance applications.* Making false or
3 fraudulent statements or representations on or relative to an application for
4 an insurance policy, for the purpose of obtaining a fee, commission,
5 money or other benefit from any insurer, agent, broker or individual.

6 (12) *Statutory violations.* Any violation of any of the provisions of
7 K.S.A. 40-216, 40-276a, 40-2,155 or 40-1515, and amendments thereto.

8 (13) *Disclosure of information relating to adverse underwriting*
9 *decisions and refund of premiums.* Failing to comply with the provisions of
10 K.S.A. 40-2,112, and amendments thereto, within the time prescribed in
11 such section.

12 (14) *Rebates and other inducements in title insurance.* (a) No title
13 insurance company or title insurance agent, or any officer, employee,
14 attorney, agent or solicitor thereof, may pay, allow or give, or offer to pay,
15 allow or give, directly or indirectly, as an inducement to obtaining any title
16 insurance business, any rebate, reduction or abatement of any rate or
17 charge made incident to the issuance of such insurance, any special favor
18 or advantage not generally available to others of the same classification, or
19 any money, thing of value or other consideration or material inducement.
20 The words "charge made incident to the issuance of such insurance"
21 includes, without limitations, escrow, settlement and closing charges.

22 (b) No insured named in a title insurance policy or contract nor any
23 other person directly or indirectly connected with the transaction involving
24 the issuance of the policy or contract, including, but not limited to,
25 mortgage lender, real estate broker, builder, attorney or any officer,
26 employee, agent representative or solicitor thereof, or any other person
27 may knowingly receive or accept, directly or indirectly, any rebate,
28 reduction or abatement of any charge, or any special favor or advantage or
29 any monetary consideration or inducement referred to in subsection (14)
30 (a).

31 (c) Nothing in this section shall be construed as prohibiting:

32 (i) The payment of reasonable fees for services actually rendered to a
33 title insurance agent in connection with a title insurance transaction;

34 (ii) the payment of an earned commission to a duly appointed title
35 insurance agent for services actually performed in the issuance of the
36 policy of title insurance; or

37 (iii) the payment of reasonable entertainment and advertising
38 expenses.

39 (d) Nothing in this section prohibits the division of rates and charges
40 between or among a title insurance company and its agent, or one or more
41 title insurance companies and one or more title insurance agents, if such
42 division of rates and charges does not constitute an unlawful rebate under
43 the provisions of this section and is not in payment of a forwarding fee or a

1 finder's fee.

2 (e) As used in subsections (14)(e) through (14)(i), unless the context
3 otherwise requires:

4 (i) "Associate" means any firm, association, organization, partnership,
5 business trust, corporation or other legal entity organized for profit in
6 which a producer of title business is a director, officer or partner thereof,
7 or owner of a financial interest; the spouse or any relative within the
8 second degree by blood or marriage of a producer of title business who is a
9 natural person; any director, officer or employee of a producer of title
10 business or associate; any legal entity that controls, is controlled by, or is
11 under common control with a producer of title business or associate; and
12 any natural person or legal entity with whom a producer of title business or
13 associate has any agreement, arrangement or understanding or pursues any
14 course of conduct, the purpose or effect of which is to evade the provisions
15 of this section.

16 (ii) "Financial interest" means any direct or indirect interest, legal or
17 beneficial, where the holder thereof is or will be entitled to 1% or more of
18 the net profits or net worth of the entity in which such interest is held.
19 Notwithstanding the foregoing, an interest of less than 1% or any other
20 type of interest shall constitute a "financial interest" if the primary purpose
21 of the acquisition or retention of that interest is the financial benefit to be
22 obtained as a consequence of that interest from the referral of title
23 business.

24 (iii) "Person" means any natural person, partnership, association,
25 cooperative, corporation, trust or other legal entity.

26 (iv) "Producer of title business" or "producer" means any person,
27 including any officer, director or owner of 5% or more of the equity or
28 capital or both of any person, engaged in this state in the trade, business,
29 occupation or profession of:

30 (A) Buying or selling interests in real property;

31 (B) making loans secured by interests in real property; or

32 (C) acting as broker, agent, representative or attorney for a person
33 who buys or sells any interest in real property or who lends or borrows
34 money with such interest as security.

35 (v) "Refer" means to direct or cause to be directed or to exercise any
36 power or influence over the direction of title insurance business, whether
37 or not the consent or approval of any other person is sought or obtained
38 with respect to the referral.

39 (f) No title insurer or title agent may accept any order for, issue a title
40 insurance policy to, or provide services to, an applicant if it knows or has
41 reason to believe that the applicant was referred to it by any producer of
42 title business or by any associate of such producer, where the producer, the
43 associate, or both, have a financial interest in the title insurer or title agent

1 to which business is referred unless the producer has disclosed to the
2 buyer, seller and lender the financial interest of the producer of title
3 business or associate referring the title insurance business.

4 (g) No title insurer or title agent may accept an order for title
5 insurance business, issue a title insurance policy, or receive or retain any
6 premium, or charge in connection with any transaction if: (i) The title
7 insurer or title agent knows or has reason to believe that the transaction
8 will constitute controlled business for that title insurer or title agent; and
9 (ii) 70% or more of the closed title orders of that title insurer or title agent
10 during the 12 full calendar months immediately preceding the month in
11 which the transaction takes place is derived from controlled business. ~~The~~
12 ~~prohibitions contained in this paragraph shall not apply to transactions~~
13 ~~involving real estate located in a county that has a population, as shown by~~
14 ~~the last preceding decennial census, of 10,000 or less.~~

15 (h) Within 90 days following the end of each business year, as
16 established by the title insurer or title agent, each title insurer or title agent
17 shall file with the department of insurance and any title insurer with which
18 the title agent maintains an underwriting agreement, a report executed by
19 the title insurer's or title agent's chief executive officer or designee, under
20 penalty of perjury, stating the percent of closed title orders originating
21 from controlled business. The failure of a title insurer or title agent to
22 comply with the requirements of this section, at the discretion of the
23 commissioner, shall be grounds for the suspension or revocation of a
24 license or other disciplinary action, with the commissioner able to mitigate
25 any such disciplinary action if the title insurer or title agent is found to be
26 in substantial compliance with competitive behavior as defined by federal
27 housing and urban development statement of policy 1996-2.

28 (i) (1) No title insurer or title agent may accept any title insurance
29 order or issue a title insurance policy to any person if it knows or has
30 reason to believe that such person was referred to it by any producer of
31 title business or by any associate of such producer, where the producer, the
32 associate, or both, have a financial interest in the title insurer or title agent
33 to which business is referred unless the producer has disclosed in writing
34 to the person so referred the fact that such producer or associate has a
35 financial interest in the title insurer or title agent, the nature of the
36 financial interest and a written estimate of the charge or range of charges
37 generally made by the title insurer or agent for the title services. Such
38 disclosure shall include language stating that the consumer is not obligated
39 to use the title insurer or agent in which the referring producer or associate
40 has a financial interest and shall include the names and telephone numbers
41 of not less than three other title insurers or agents that operate in the
42 county in which the property is located. If fewer than three insurers or
43 agents operate in that county, the disclosure shall include all title insurers

1 or agents operating in that county. Such written disclosure shall be signed
2 by the person so referred and must have occurred prior to any commitment
3 having been made to such title insurer or agent.

4 (2) No producer of title business or associate of such producer shall
5 require, directly or indirectly, as a condition to selling or furnishing any
6 other person any loan or extension thereof, credit, sale, property, contract,
7 lease or service, that such other person shall purchase title insurance of any
8 kind through any title agent or title insurer if such producer has a financial
9 interest in such title agent or title insurer.

10 (3) No title insurer or title agent may accept any title insurance order
11 or issue a title insurance policy to any person it knows or has reason to
12 believe that the name of the title company was pre-printed in the sales
13 contract, prior to the buyer or seller selecting that title company.

14 (4) Nothing in this paragraph shall prohibit any producer of title
15 business or associate of such producer from referring title business to any
16 title insurer or title agent of such producer's or associate's choice, and, if
17 such producer or associate of such producer has any financial interest in
18 the title insurer, from receiving income, profits or dividends produced or
19 realized from such financial interest, so long as:

20 (a) Such financial interest is disclosed to the purchaser of the title
21 insurance in accordance with paragraphs (i)(1) through (i)(4);

22 (b) the payment of income, profits or dividends is not in exchange for
23 the referral of business; and

24 (c) the receipt of income, profits or dividends constitutes only a return
25 on the investment of the producer or associate.

26 (5) Any producer of title business or associate of such producer who
27 violates the provisions of paragraphs (i)(2) through (i)(4), or any title
28 insurer or title agent who accepts an order for title insurance knowing that
29 it is in violation of paragraphs (i)(2) through (i)(4), in addition to any other
30 action that may be taken by the commissioner of insurance, shall be
31 subject to a fine by the commissioner in an amount equal to five times the
32 premium for the title insurance and, if licensed pursuant to K.S.A. 58-3034
33 et seq., and amendments thereto, shall be deemed to have committed a
34 prohibited act pursuant to K.S.A. 58-3602, and amendments thereto, and
35 shall be liable to the purchaser of such title insurance in an amount equal
36 to the premium for the title insurance.

37 (6) Any title insurer or title agent that is a competitor of any title
38 insurer or title agent that, subsequent to the effective date of this act, has
39 violated or is violating the provisions of this paragraph, shall have a cause
40 of action against such title insurer or title agent and, upon establishing the
41 existence of a violation of any such provision, shall be entitled, in addition
42 to any other damages or remedies provided by law, to such equitable or
43 injunctive relief as the court deems proper. In any such action under this

1 subsection, the court may award to the successful party the court costs of
2 the action together with reasonable attorney fees.

3 (7) The commissioner shall also require each title agent to provide
4 core title services as required by the real estate settlement procedures act.

5 (j) The commissioner shall adopt any rules and regulations necessary
6 to carry out the provisions of this act.

7 (15) *Disclosure of nonpublic personal information.* (a) No person
8 shall disclose any nonpublic personal information contrary to the
9 provisions of title V of the Gramm-Leach-Bliley act of 1999 (public law
10 106-102). The commissioner may adopt rules and regulations necessary to
11 carry out this subsection. Such rules and regulations shall be consistent
12 with and not more restrictive than the model regulation adopted on
13 September 26, 2000, by the national association of insurance
14 commissioners entitled "Privacy of consumer financial and health
15 information regulation".

16 (b) Nothing in this subsection shall be deemed or construed to
17 authorize the promulgation or adoption of any regulation that preempts,
18 supersedes or is inconsistent with any provision of Kansas law concerning
19 requirements for notification of, or obtaining consent from, a parent,
20 guardian or other legal custodian of a minor relating to any matter
21 pertaining to the health and medical treatment for such minor.

22 Sec. 4. K.S.A. 40-1139 and K.S.A. 2024 Supp. 40-1137 and 40-2404
23 are hereby repealed.

24 Sec. 5. This act shall take effect and be in force from and after
25 **January 1, 2026, and** its publication in the ~~statute book~~ **Kansas register.**