

SESSION OF 2025

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2044

As Recommended by House Committee on
Insurance

Brief*

HB 2044 would amend the Third Party Administrators Act to require third-party administrators (administrators) to maintain a separate fiduciary account for each payor and prohibit co-mingling of funds, either collected or held, in a fiduciary account by the administrator on behalf of multiple payors.

[*Note:* Continuing law requires 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 a payor, to be held by the administrator in a fiduciary capacity. The funds are to be immediately remitted to the person or persons who are entitled to such funds or deposited promptly in a fiduciary account established and maintained by the administrator in a federally- or state-insured financial institution.]

The bill would require an administrator to immediately disclose to the Commissioner of Insurance any bankruptcy petition filed by or on behalf of the administrator pursuant to Chapter 9 or Chapter 11 of the U.S. Bankruptcy Code.

*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 <https://klrd.gov/>

Background

The bill was introduced by the House Committee on Insurance at the request of a representative of the Kansas Insurance Department (Department).

[*Note:* A companion bill, SB 21, has been introduced in the Senate.]

House Committee on Insurance

In the House Committee hearing, **proponent** testimony was provided by a representative of the Department who stated the bill would provide the Department, in cases where an administrator files for bankruptcy, with tools to help businesses move their funds to another administrator to avoid disruptions in service to their employees. The representative noted prohibiting the co-mingling of payor funds would facilitate the return of funds to the appropriate payor.

No other testimony was provided.

Following discussion on the bill, the House Committee recommended the bill be placed on the Consent Calendar.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Department states enactment of the bill would have no fiscal effect.

Insurance; Third Party Administrators Act; third-party administrator; fiduciary accounts; bankruptcy; Commissioner of Insurance; U.S. Bankruptcy Code