

## HOUSE BILL No. 2126

By Committee on Insurance

1-29

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1 AN ACT concerning life insurance; providing for certain additional riders  
2 on life insurance policies; amending K.S.A. 2012 Supp. 40-401 and  
3 repealing the existing section.  
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5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 2012 Supp. 40-401 is hereby amended to read as  
7 follows: 40-401. Any 10 or more persons, a majority of whom are citizens  
8 of this state, may associate in accordance with the provisions of this code  
9 and form an incorporated company, upon either the stock or mutual plan,  
10 to make insurance upon the lives of persons and every insurance  
11 appertaining thereto or connected therewith and to grant, purchase or  
12 dispose of annuities, and to issue funding agreements, guaranteed  
13 investment contracts and synthetic guaranteed investment contracts. Such  
14 companies may incorporate: (a) In their policies provisions or conditions  
15 for the waiver of premiums or for the granting of an annuity to the insured,  
16 or for special surrender values or other benefits in the event the insured  
17 shall from any cause become unemployed or totally and permanently  
18 disabled; (b) in their policies provisions for acceleration of life or annuity  
19 benefits in advance of the time they would otherwise be payable subject to  
20 such reserve and other regulatory standards as the commissioner may  
21 prescribe by rules and regulations, except that any provision providing for  
22 acceleration of life or annuity benefits for persons diagnosed as having a  
23 medical condition usually requiring continuous confinement for the rest of  
24 the person's life in a nursing home or other eligible facility as defined in  
25 the policy, may also provide for acceleration of benefits upon diagnosis of  
26 such condition even if the person is not confined in a nursing home or  
27 similar facility; (c) in their policies and annuity contracts provisions or  
28 conditions for waiver of surrender charges upon terms and conditions as  
29 specified in the policy or contract, subject to rules and regulations adopted  
30 by the commissioner of insurance; ~~or~~ (d) in their policies provisions for the  
31 payment of a larger sum if death is caused by accident than if it results  
32 from any other causes; *or (e) in their policies which combine insurance on*  
33 *lives of persons with coverage for any of the following categories of*  
34 *coverage whenever all the prescribed minimum standards for each*  
35 *additional category of coverage has been met: Specified illness or disease,*  
36 *hospital indemnity or other fixed indemnity.*

1 Prior to the payment of any accelerated benefit, the insurer shall receive  
2 from any assignee or irrevocable beneficiary of the policy a signed  
3 acknowledgment of concurrence for the payment. For the purposes of this  
4 section, "totally and permanently disabled" means disabled continuously  
5 for a period, such period to be specified in any such provision, of not less  
6 than 60 days nor more than one year, except this provision shall not apply  
7 to and specifically excludes group life insurance. Such company may  
8 make insurance on the health of individuals, against accidental personal  
9 injury, disablement or death and against loss, liability or expense on  
10 account thereof. Such company so transacting such health and accident  
11 insurance business, or either kind, shall maintain statutory and separate  
12 reserves for such business, shall issue such contracts only in separate  
13 policies except as otherwise permitted herein and shall make separate  
14 reports to the commissioner of insurance of the premiums received and  
15 expenses and losses incurred in connection with such business, except that  
16 such reports will not be required for accelerated benefits incorporated in a  
17 life or annuity policy. Long-term care insurance meeting the applicable  
18 requirements of K.S.A. 40-2227 and 40-2228, and amendments thereto,  
19 may be incorporated in life insurance policies and annuities if approved by  
20 the commissioner.

21 The business of life insurance in this state shall not be in any way  
22 conducted or transacted by any company which in this state makes  
23 insurance on marine, fire, inland or any other like risks, except that, life,  
24 health and accident insurance on the group or industrial plan may be  
25 combined in one policy, which shall show the premium charged for life  
26 insurance and the premium charged for health and accident insurance, and  
27 the insured, at the insured's option, may discontinue either and by payment  
28 of the stated premium continue the other. The amount of capital stock of a  
29 company organized on the stock plan shall be not less than \$600,000.

30 Companies organized on the mutual plan shall be required to have  
31 applications from at least 200 persons for insurance upon their lives,  
32 aggregating not less than \$400,000, upon which one full annual premium  
33 in cash shall have been paid. No such company shall transact any business  
34 of insurance until, if a stock company, all the capital stock named in its  
35 charter has been paid in cash including all contributions to surplus to be  
36 made by the original purchasers of such stock. The surplus shall be at least  
37 \$600,000, and at least \$400,000 in securities authorized by this code shall  
38 have been deposited with the commissioner of insurance pursuant to  
39 K.S.A. 40-229a, and amendments thereto, and if a mutual company, a  
40 guaranty fund of at least \$1,200,000, and at least \$400,000 of which shall  
41 be in securities as authorized in this code and deposited with the  
42 commissioner of insurance pursuant to K.S.A. 40-229a, and amendments  
43 thereto. The guaranty fund may be returned to the contributors with

1 interest at 6% per annum whenever the surplus shall equal the amount of  
2 such guaranty fund and interest, and no company shall transact any  
3 business of insurance unless it shall maintain the capital or surplus or both  
4 required of a company commencing to transact business, or, if a mutual  
5 company, the required number and amount of applications for insurance  
6 have been received and the annual premiums collected in cash. The  
7 securities deposited pursuant to this section shall be held by the  
8 commissioner of insurance in trust for the benefit and protection of the  
9 policyholders or creditors, or both, of the company depositing the same  
10 and may be withdrawn only upon order of the commissioner of insurance.

11 The commissioner of insurance may adopt rules and regulations to  
12 implement the provisions of this section.

13 Sec. 2. K.S.A. 2012 Supp. 40-401 is hereby repealed.

14 Sec. 3. This act shall take effect and be in force from and after its  
15 publication in the statute book.