

**HOUSE BILL No. 2064**

By Committee on Insurance

1-21

1 AN ACT concerning insurance; relating to legal services insurance,  
2 ***nonprofit dental corporations, subscription agreements,***  
3 ***disbursements***; amending K.S.A. 40-1102, ***40-19a11*** and 40-4201 and  
4 repealing the existing sections.

5  
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 40-1102 is hereby amended to read as follows: 40-  
8 1102. Any insurance company, other than a life insurance company,  
9 organized under the laws of this state or authorized to transact business in  
10 this state may make all or any one or more of the kinds of insurance and  
11 reinsurance comprised in any one of the following numbered classes,  
12 subject to and in accordance with its articles of incorporation and the  
13 provisions of this code:

14 (1) (a) To insure against bodily injury or death by accident and  
15 against disablement resulting from sickness and every insurance  
16 appertaining thereto;

17 (b) to insure against the liability of the insured for the death or  
18 disability of or damages suffered by an employee or other person, and to  
19 insure the obligations accepted by or imposed upon employers under the  
20 laws for workmen's compensation;

21 (c) to insure against loss of or damage to, or destruction of property  
22 of the insured, or to the property interests of the insured, and to insure  
23 against such loss or damage to the property of others or to the property  
24 interests of others, for which loss or damage the insured may be liable;

25 (d) to become surety or guarantor for any person, copartnership or  
26 corporation in any position or place of trust or as custodian of money or  
27 property, public or private; to become a surety or guarantor for the  
28 performance by any person, copartnership or corporation of any lawful  
29 obligation, undertaking, agreement or contract of any kind, except  
30 contracts or policies of insurance;

31 (e) to insure titles to property and against loss by reason of defective  
32 titles or encumbrances;

33 (f) to insure the correctness of searches for all instruments, liens, and  
34 charges affecting property;

35 (g) to insure against loss by reason of the insufficiency of the security  
36 conveyed or pledged under mortgage or deed of trust;

1 (h) to insure the payment of bonds and notes secured by mortgages or  
2 deeds of trust, and to buy and sell mortgages or deeds of trust upon real  
3 property and interest therein;

4 (i) to insure against loss or damage which may result from the failure  
5 of debtors to pay their obligations to the insured, and including the  
6 incidental power to acquire and dispose of debts so insured, and to collect  
7 any debts owed to such insurer or to any person so insured by the insurer;

8 (j) to insure the payment of money for personal services under  
9 contracts of hiring;

10 (k) to make inspections of and issue certificates of inspections upon  
11 elevators, boilers, machinery and all mechanical apparatus and appliances  
12 appertaining thereto;

13 (l) to insure against loss of use or occupancy caused by or resulting  
14 from any of the risks comprised within this class; ~~and~~

15 *(m) to insure against the cost of legal services; and*

16 ~~(m)~~ *(n)* to insure against liability, loss or damage from any other risk,  
17 hazard, or contingency which may lawfully be the subject of insurance,  
18 and specific authority for the transaction of which has not been exclusively  
19 delegated to any other class or kind of company. Any company writing  
20 insurance against the loss or damage caused by fire, lightning, or by the  
21 perils of either marine or inland navigation or transportation, to buildings  
22 or other structures erected upon land, to piers, wharves, bulkheads,  
23 warehouses, marine vessels, railroad engines, rolling stock or equipment  
24 of railroads, or carrying charges for shipments of freight shall have a paid-  
25 up capital stock of at least \$900,000, a surplus of at least \$600,000, and  
26 shall have deposited, pursuant to K.S.A. 40-229a, *and amendments*  
27 *thereto*, for the protection of its policyholders or creditors, or both with the  
28 commissioner of insurance securities authorized by K.S.A. 40-227, and  
29 amendments thereto, in an amount equal to not less than the minimum  
30 capital stock required by such a company, and shall maintain all reserves  
31 required by law for the kinds and classes of business transacted. The  
32 deposit required by this section for insurance companies not organized  
33 under the laws of this state may be deposited as provided herein or with  
34 the insurance department of any other state in the United States.

35 Sec. 2. K.S.A. 40-4201 is hereby amended to read as follows: 40-  
36 4201. As used in this act, unless the context requires otherwise:

37 (a) "Prepaid service plan" means any person, company, corporation,  
38 partnership or other legal entity who collects periodic fees on a prepaid  
39 basis from residents of this state in connection with for-profit legal or  
40 dental coverage other than: (1) An employer on behalf of its employees or  
41 the employees of one or more subsidiary or affiliated corporations of such  
42 employer; (2) a union or association on behalf of its members; ~~or~~; (3) an  
43 organization transacting business in this state pursuant to article 19a of

1 chapter 40 of the Kansas Statutes Annotated, *and amendments thereto*,  
2 including their sales representatives when engaged in the performance of  
3 their duties as such; ~~or (4) an insurance company duly authorized to~~  
4 ~~conduct insurance pursuant to K.S.A. 40-1102(1)(m), and amendments~~  
5 ~~thereto; or (5) a company providing products and services to customers~~  
6 ~~for a fee where customers receive consultations with a licensed attorney~~  
7 ~~connected to the customer by the company, so long as the company does~~  
8 ~~not directly provide legal services, pay for legal services beyond a~~  
9 ~~minimal administrative fee per customer or indemnify or reimburse the~~  
10 ~~customer for any legal expenses incurred.~~

11 (b) "Provider" means any attorney or dentist currently licensed and in  
12 good standing in this state who enters into a provider agreement as defined  
13 in this act.

14 (c) "Member" means an individual or person on behalf of a group of  
15 individuals who enters into a membership agreement with a prepaid  
16 service plan which agrees to provide legal or dental services to the  
17 member: (1) For a predetermined monthly membership fee; (2) at a  
18 reduced rate in exchange for such a monthly membership fee; or (3) a  
19 combination of both a predetermined monthly fee and a reduced rate in  
20 exchange for such a monthly membership fee.

21 (d) "Membership agreement" means the written contract between the  
22 member and the prepaid service plan.

23 (e) "Provider agreement" means the written contract between the  
24 provider and the prepaid service plan.

25 **Sec. 3. K.S.A. 40-19a11 is hereby amended to read as follows: 40-**  
26 **19a11. (a) No corporation subject to the provisions of this act shall**  
27 **during any one year disburse more than ~~five percent (5%)~~ 5% of the**  
28 **aggregate amount of the payments received ~~from subscribers~~ pursuant to**  
29 **K.S.A. 40-19a02, and amendments thereto, during that year as**  
30 **expenditures ~~for the soliciting of subscribers~~ solicitation, except that**  
31 **during the first year after the issuance of a permit, such corporation**  
32 **may so disburse not more than ~~twenty percent (20%)~~ 20% of such**  
33 **amount, during the second year not more than ~~fifteen percent (15%)~~**  
34 **15%, and during the third year not more than ~~ten percent (10%)~~ 10%.**

35 (b) **No such corporation shall, during any one year, disburse more**  
36 **than ~~twelve percent (12%)~~ 12% of the aggregate amount of the payments**  
37 **received ~~from subscribers~~ pursuant to K.S.A. 40-19a02, and amendments**  
38 **thereto, during that year as administrative expenses, except that during**  
39 **the first two years after the issuance of the permit, such corporation may**  
40 **disburse not more than ~~twenty percent (20%)~~ 20% of the payments**  
41 **received ~~from subscribers~~ pursuant to K.S.A. 40-19a02, and amendments**  
42 **thereto. The term, "administrative expenses," as used in this section,**  
43 **shall include all expenditures for nonprofessional services and, in**

1 *general, all expenses not directly connected with the furnishing of the*  
2 *benefits specified in this act, but not including expenses referred to in*  
3 *subsection (a) hereof.*

4 Sec. ~~3~~. 4. K.S.A. 40-1102, *40-19a11* and 40-4201 are hereby  
5 repealed.

6 Sec. ~~4~~. 5. This act shall take effect and be in force from and after its  
7 publication in the statute book.