

SESSION OF 2016

SUPPLEMENTAL NOTE ON SENATE BILL NO. 370

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 370 would amend provisions in the Insurance Code pertaining to the procedure for payment of the proceeds of certain insurance policies by cities and counties. Under current law, cities and counties are permitted, by adoption of an ordinance or resolution, to establish procedures for the payment of an amount not to exceed 15 percent of the proceeds of an insurance policy based on the covered claim payment made for damage or loss to a building or other structure caused by or arising out of any fire, explosion, or windstorm. The bill would delete references to these listed causes for damage or loss and instead permit cities and counties to request payment of insurance proceeds as long as the loss is a covered claim and make similar updates to the law pertaining to cities and counties creating a lien in favor of such proceeds.

The bill also would increase from 30 to 45 days, unless the city or county has instituted legal proceedings, the period specified for the release of the insured's proceeds and any interest that has accrued.

Under existing law, the ordinance or resolution would only apply to covered claims payments in excess of 75 percent of the face value of the insurance policy covering the building or structure.

*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 <http://www.kslegislature.org>

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the League of Kansas Municipalities whose representative indicated some member cities have raised concerns that if the seismic activity the state has been experiencing resulted in a heavily damaged building, the current statutes would not provide any protection to the city. The representative stated the intent of the bill is to expand the process for payment of insurance proceeds to apply to any cause as long as there is insurance coverage for the structure. The extension of time for the release of a lien or to start legal proceedings, the conferee noted, is to address the frequency governing bodies meet. An official with the Kansas Insurance Department appeared in support of the bill. Written proponent testimony was submitted by the City Administrator for the City of Lyons. There was no other testimony provided.

The fiscal note prepared by the Division of the Budget states the bill would have no fiscal effect on the state. However, the bill would allow cities to accept payment from insurance policies on other types of loss, such as earthquakes, which would increase local revenues. The amount of potential increased revenues could not be estimated.