

**SENATE BILL No. 304**

By Committee on Financial Institutions and Insurance

1-23

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1 AN ACT concerning insurance; relating to the conversion of a reciprocal  
2 into a mutual insurance company; pertaining to required contents of the  
3 conversion plan; factors affecting approval by the commissioner;  
4 definitions; amending K.S.A. 40-1622 and K.S.A. 2019 Supp. 40-1621  
5 and repealing the existing sections.  
6

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

8 New Section 1. (a) A reciprocal may convert to a Kansas mutual  
9 insurance company in accordance with the terms of a conversion plan filed  
10 with and approved by the commissioner.

11 (b) The commissioner may establish reasonable requirements and  
12 procedures for the submission and approval of a conversion plan required  
13 by subsection (a).

14 (c) No conversion plan shall be approved under this section unless  
15 such conversion plan includes:

16 (1) A provision for converting the existing subscriber interests in the  
17 reciprocal into policyholder interests in the resulting Kansas mutual  
18 insurance company so that each policyholder's interest in the mutual  
19 insurance company shall be fairly proportionate to such subscriber's  
20 interest in the reciprocal;

21 (2) a provision amending the existing subscriber's agreement to  
22 articles of incorporation that complies with the provisions of K.S.A. 40-  
23 1202, 40-1206 and 40-1215, and amendments thereto;

24 (3) a copy of the proposed articles of incorporation;

25 (4) proof of the approval or adoption of the conversion plan by not  
26 less than  $\frac{2}{3}$  of the subscriber interests entitled to vote, represented either in  
27 person or by proxy, at a duly called regular or special meeting of  
28 subscribers of the reciprocal at which a quorum, as determined by the  
29 subscriber's agreement or other chartering documents of the reciprocal, is  
30 present, or, in the absence of any quorum requirement, 10% of outstanding  
31 subscribers;

32 (5) a transition plan for the change of governance of the reciprocal  
33 from an attorney-in-fact to a board of directors and officers that shall be  
34 governed by article 12 of chapter 40 of the Kansas Statutes Annotated, and  
35 amendments thereto; and

36 (6) any other information required by the commissioner.

1 (d) The commissioner shall approve the conversion plan if the  
2 commissioner finds that the proposed conversion will not:

- 3 (1) Be detrimental to the interests of subscribers of the reciprocal;  
4 (2) be detrimental to the interests of the state of Kansas; and  
5 (3) render the insurer incapable of fulfilling the insurer's contractual  
6 obligations.

7 (e) Upon approval of a conversion plan under this section, the  
8 commissioner shall issue a new or amended certificate of authority, which  
9 shall be deemed to be the final act of conversion at which time the  
10 reciprocal shall concurrently become a mutual insurance company. The  
11 mutual insurance company shall be deemed to be a continuation of the  
12 reciprocal and deemed to have been organized at the time the converted  
13 reciprocal was organized.

14 (f) Each mutual insurance company created pursuant to this section  
15 shall comply with all provisions of article 12, article 40 and such other  
16 articles of chapter 40 of the Kansas Statutes Annotated, and amendments  
17 thereto, that are otherwise applicable to mutual insurance companies.

18 (g) As used in this section:

19 (1) "Conversion plan" means a document detailing the process and  
20 requirements that a reciprocal shall undertake and satisfy to convert from a  
21 reciprocal company to a mutual insurance company.

22 (2) "Mutual insurance company" means a mutual insurance company  
23 that is organized under the provisions of K.S.A. 40-1201, and amendments  
24 thereto, except that the provisions of K.S.A. 40-1201(a), and amendments  
25 thereto, shall not apply.

26 (3) "Reciprocal" has the same meaning as set forth in K.S.A. 40-  
27 1623, and amendments thereto.

28 Sec. 2. K.S.A. 2019 Supp. 40-1621 is hereby amended to read as  
29 follows: 40-1621. Within 15 days of the date of the commissioner's  
30 approval or denial of ~~the~~ a conversion plan submitted in accordance with  
31 K.S.A. 40-1620, *or section 1*, and amendments thereto, the insurance  
32 company *or reciprocal* shall have the right to request a hearing by filing a  
33 written request with the commissioner. The commissioner shall conduct  
34 the hearing in accordance with the provisions of the Kansas administrative  
35 procedure act within 30 days after such request is filed. Any action of the  
36 commissioner pursuant to this section is subject to review in accordance  
37 with the provisions of the Kansas judicial review act.

38 Sec. 3. K.S.A. 40-1622 is hereby amended to read as follows: 40-  
39 1622. The provisions of K.S.A. 40-1620 ~~and 40-1621, and 40-1623, 40-~~  
40 ~~1624, 40-1625, 40-1626, 40-1627, 40-1628, 40-1629 and~~ *through* 40-1630,  
41 *and section 1*, and amendments thereto, shall be *a part of and*  
42 supplemental to article 16 of chapter 40 of the Kansas Statutes Annotated,  
43 and amendments thereto.

1       Sec. 4. K.S.A. 40-1622 and K.S.A. 2019 Supp. 40-1621 are hereby  
2 repealed.

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