

40-246b. Excess coverage license to effect insurance or reinsurance in nonadmitted companies; application; fee; affidavit; records; revocation or suspension of license; agent authorized to place business with excess coverage licensees; required information. (a) Upon receipt of a proper application, the commissioner of insurance may issue an excess lines coverage license to any licensed property and casualty agent of this state or any other state. Any agent so licensed may negotiate for insureds whose home state is this state, the types of contracts of fire insurance enumerated in K.S.A. 40-901, and amendments thereto, and the type of casualty insurance contracts enumerated in K.S.A. 40-1102, and amendments thereto, or reinsurance, or to place risks, or to effect insurance or reinsurance for persons or corporations other than such agent, with insurers not authorized to do business in this state. An agent, as defined in K.S.A. 2014 Supp. 40-4902, and amendments thereto, may place the kind or kinds of business specified in this act for which such agent is licensed pursuant to K.S.A. 2014 Supp. 40-4903 and subsection (d) of 40-4906, and amendments thereto, with an insurer not authorized to do business in this state by placing such business with a person licensed pursuant to the provisions of this act and may share in the applicable commissions on such business. Before any such license shall be issued, the applicant shall submit proper application on a form prescribed by the commissioner, which application shall be accompanied by a fee of \$50. Such license shall be renewable each year on May 1, upon the payment of a \$50 fee.

(b) The agent so licensed shall on or before March 1 of each year, file with the insurance department of this state, a sworn affidavit or statement to the effect that, after diligent effort, such agent has been unable to secure the amount of insurance required to protect the property, person, or firm described in such agent's affidavit or statement from loss or damage in regularly admitted companies during the preceding year. Mere rate differential shall not be grounds for placing a particular risk in a nonadmitted carrier when an admitted carrier would accept such risk at a different rate. The licensed excess coverage agent must, prior to placing insurance with an insurer not authorized to do business in this state, obtain the written consent of the prospective named insured and provide such insured the following information in a form promulgated by the commissioner:

- (1) A statement that the coverage will be obtained from an insurer not authorized to do business in this state;
- (2) a statement that the insurer's name appears on the list of companies maintained by the commissioner pursuant to K.S.A. 40-246e, and amendments thereto;
- (3) a notice that the insurer's financial condition, policy forms, rates and trade practices are not subject to the review or jurisdiction of the commissioner;
- (4) a statement that the protection of the guaranty associations is not afforded to policyholders of the insurer; and
- (5) a statement or notice with respect to any other information deemed necessary by the commissioner pertinent to insuring with an insurer not authorized to do business in this state.

(c) In the event the insured desires that coverage be bound with an insurer not admitted to this state and it is not possible to obtain the written consent of the insured prior to binding the coverage, the excess lines agent may bind the coverage after advising the insured of the information set out above and shall obtain written confirmation that the insured desires that coverage be placed with an insurer not admitted to this state within 30 days after binding coverage.

(d) When business comes to a licensed excess lines agent in which this state is the home state for placement with an insurer not authorized to do business in this state from an agent not licensed as an excess lines agent, it shall be the responsibility of the licensed excess lines agent to ascertain that the insured has been provided the preceding information and has consented to being insured with an insurer not authorized to do business in this state. Each excess lines agent shall keep a separate record book in such agent's office showing the transactions of fire and casualty insurance and reinsurance placed in companies not authorized to do business in this state, the amount of gross premiums charged thereon, the insurer with which the policy was placed, the date, term and number of the policy, the location and nature of the risk, the name of the insured and such other information as the commissioner may require and such record shall be available at all times for inspection by the commissioner of insurance or the commissioner's authorized representatives. The commissioner may revoke or suspend any license issued pursuant to the provisions of this act in the same manner and for the same reasons prescribed by K.S.A. 2014 Supp. 40-4909, and amendments thereto.

Any policy issued under the provisions of this statute shall have stamped or endorsed in a prominent manner thereon, the following: This policy is issued by an insurer not authorized to do business in Kansas and, as such, the form, financial condition and rates are not subject to review by the commissioner of insurance and the insured is not protected by any guaranty fund.

If business is placed with a nonadmitted company that is subsequently determined to be insolvent, the excess lines agent placing such business with such company is relieved of any responsibility to the insured as it relates to such insolvency, if the excess lines agent has satisfactorily complied with all requirements of this section pertaining to notification of the insured, has properly obtained the written consent of the insured and has used due diligence in selecting the insurer. It shall be presumed that due diligence was used in selecting the insurer if such insurer was on the list compiled pursuant to K.S.A. 40-246e, and amendments thereto, at the time coverage first became effective.

History: L. 1955, ch. 242, § 1; L. 1975, ch. 242, § 1; L. 1982, ch. 198, § 1; L. 1996, ch. 45, § 3; L. 2004, ch. 159, § 2; L. 2011, ch. 61, § 8; May 19.