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

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

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

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

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

1. A provision for converting the existing subscriber interests in the reciprocal into policyholder interests in the resulting Kansas mutual insurance company so that each policyholder's interest in the mutual insurance company shall be fairly proportionate to such subscriber's interest in the reciprocal;

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

3. A copy of the proposed articles of incorporation;

4. Proof of the approval or adoption of the conversion plan by not less than 2/3 of the subscriber interests entitled to vote, represented either in person or by proxy, at a duly called regular or special meeting of subscribers of the reciprocal at which a quorum, as determined by the subscriber's agreement or other chartering documents of the reciprocal, is present, or, in the absence of any quorum requirement, 10% of outstanding subscribers;

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

6. Any other information required by the commissioner.
(d) The commissioner shall approve the conversion plan if the commissioner finds that the proposed conversion will not:

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

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

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

(g) As used in this section:

(1) "Conversion plan" means a document detailing the process and requirements that a reciprocal shall undertake and satisfy to convert from a reciprocal company to a mutual insurance company.
(2) "Mutual insurance company" means a mutual insurance company that is organized under the provisions of K.S.A. 40-1201, and amendments thereto, except that the provisions of K.S.A. 40-1201(a), and amendments thereto, shall not apply.
(3) "Reciprocal" has the same meaning as set forth in K.S.A. 40-1623, and amendments thereto.

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

Sec. 3. K.S.A. 40-1622 is hereby amended to read as follows: 40-1622. The provisions of K.S.A. 40-1620 and 40-1621, and amendments thereto, shall be a part of and supplemental to article 16 of chapter 40 of the Kansas Statutes Annotated, and amendments thereto.
Sec. 4. K.S.A. 40-1622 and K.S.A. 2019 Supp. 40-1621 are hereby repealed.

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