



STATE OF KANSAS

# KANSAS INSURANCE DEPARTMENT

420 S.W. 9th  
Topeka 66612-1678 913-296-3071

1-800-432-2484  
Consumer Assistance  
Division calls only

MAY  
KANSAS INSURANCE  
EDUCATION MONTH

RON TODD  
Commissioner

Fire and Casualty Division  
Fire Lien Bulletin No. 70

TO: All Insurers Writing Fire and/or Explosion Insurance in the  
State of Kansas

IMPORTANT: FOR DISTRIBUTION TO SUPERVISOR(S) OF KANSAS OPERATIONS

FROM: Ron Todd  
Commissioner of Insurance

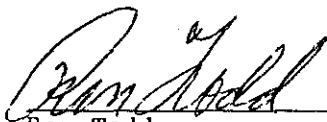
SUBJECT: Promulgation of Ordinances by the City of Arma,  
Kansas under the Purview of K.S.A. 40-3901, et seq.

DATE: May 20, 1992

Pursuant to K.S.A. 40-3905, I am enclosing a copy of an ordinance adopted by Arma, Kansas, which creates a lien on certain insurance proceeds. The ordinance should provide the information needed in order for you to effect compliance therewith. Please read this document carefully as a lack of good faith effort to comply could subject you to the penalty provisions of the Unfair Trade Practices Act, as well as possibly result in duplicate claim payments.

You will note that you have 60 days from the date of this Bulletin to establish necessary procedures and advise adjusters, agents or other persons responsible for your operations in Arma, Kansas of the steps to be taken to comply with this ordinance.

Please acknowledge receipt of this specific Bulletin by referring to Fire Lien Bulletin No. 70. We also ask that you confirm that the necessary procedures have been established and the appropriate personnel have been notified.

  
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Ron Todd  
Commissioner of Insurance

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(FC1514)  
Enclosure

shall have been paid, the insurance company or companies shall execute a draft payable to the City Treasurer in an amount equal to the sum of \$5,000.00 or 10% of the covered claim payment, whichever is less, unless the City has issued a certificate to the insurance company or companies that the insured has removed the damaged building or other structure, as well as all associated debris, or repaired, rebuilt, or otherwise made the premises safe and secure.

(b) Such transfer of funds shall be on a pro rata basis by all companies insuring the building or other structure. Policy proceeds remaining after the transfer to the City shall be disbursed in accordance with the policy terms.

(c) Upon the transfer of the funds as required by subsection (a) of this Section, the insurance company shall provide the City with the name and address of the named insured or insureds, the total insurance coverage applicable to said building or other structure, and the amount of the final settlement agreed to or arrived at between the insurance company or companies and the insured or insureds, whereupon the City Clerk shall contact the named insured or insureds by registered mail, notifying them that said insurance proceeds have been received by the City and apprise them of the procedures to be followed under this ordinance.

SECTION 6. FUND CREATED; DEPOSIT OF MONEYS. The City Treasurer is hereby authorized and shall create a fund to be known as the "Fire Insurance Proceeds Fund." All moneys received by the City Treasurer as provided for by this ordinance shall be placed in said fund and deposited in an interest-bearing account.

SECTION 7. INSPECTION; INVESTIGATION, REMOVAL OF STRUCTURE.

(a) Upon receipt of moneys as provided for by this ordinance, the City Treasurer shall immediately notify the City Council of said receipt, and transmit all documentation received from the insurance company or companies to the City Clerk.

(b) Within 20 days of the receipt of said moneys, the City Council shall determine, after prior investigation, whether the City shall instigate proceedings under the provisions of K.S.A. 12-1750 et. seq., as amended.

(c) Prior to the expiration of the 20 days established by subsection (b) of this Section, the City Council shall notify the City Treasurer whether they intend to initiate proceedings under K.S.A. 12-1750 et. seq., as amended.

(d) If the City Council has determined that proceedings under K.S.A. 12-1750 et. seq., as amended shall be initiated, they will do so immediately but no later than 30 days after receipt of the moneys by the City Treasurer.

(e) Upon notification to the City Treasurer by the City Council that no proceedings shall be initiated under K.S.A. 12-1750 et. seq., as amended, the City Treasurer shall return all such moneys received, plus accrued interest, to the insured or insureds as identified in the communication from the insurance company or companies. Such return shall be accomplished within 30 days of the receipt of the moneys from the insurance company or companies.

ORDINANCE NO. 474

AN ORDINANCE PURSUANT TO K.S.A. 40-3901 ET. SEQ. AUTHORIZING THE PAYMENT OF PROCEEDS OF FIRE INSURANCE POLICIES TO THE CITY OF ARMA, KANSAS, AND REPEALING ORDINANCE NO. 437 AND ALL OTHER ORDINANCES AND PARTS OF ORDINANCES THAT ARE IN CONFLICT WITH THIS ORDINANCE.

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF ARMA, CRAWFORD COUNTY, KANSAS:

SECTION 1. SCOPE AND APPLICATION. The City is hereby authorized to utilize the procedures established by K.S.A. 40-3901 et. seq., whereby no insurance company shall pay a claim of a named insured for loss or damage to any building or other structure located within the city, arising out of any fire or explosion, where the amount recoverable for the loss or damage to the building or other structure under all policies is in excess of 75% of the face value of the policy covering such building or other insured structure, unless there is compliance with the procedures set out in this ordinance.

SECTION 2. LIEN CREATED. The governing body of the City hereby creates a lien in favor of the City on the proceeds of any insurance policy based upon a covered claim payment made for damage or loss to a building or other structure located within the City, caused by or arising out of any fire or explosion, where the amount recoverable for all the loss or damage to the building or other structure under all policies is in excess of 75% of the face value of the policy(s) covering such building or other insured structure. The lien arises upon any unpaid tax, special ad valorem levy, or any other charge imposed upon real property by or on behalf of the City which is an encumbrance on real property, whether or not evidenced by written instrument, or such tax, levy, assessment, expense or other charge that has remained undischarged for at least one year prior to the filing of a proof of loss.

SECTION 3. SAME; ENCUMBRANCES. Prior to final settlement on any claim covered by section 2, the insurer or insurers shall contact the County Treasurer, Crawford County, Kansas, to determine whether any such encumbrances are presently in existence. If the same are found to exist, the insurer or insurers shall execute and transmit in an amount equal to that owing under the encumbrances a draft payable to the County Treasurer, Crawford County, Kansas.

SECTION 4. SAME; PRO RATA BASIS. Such transfer of proceeds shall be on a pro rata basis by all insurance companies insuring the building or other structure.

SECTION 5. PROCEDURE. (a) When final settlement on a covered claim has been agreed to or arrived at between the named insured or insureds and the company or companies, and the final settlement exceeds 75% of the face value of the policy covering any building or other insured structure, and when all amounts due the holder of a first real estate mortgage against the building or other structure, pursuant to the terms of the policy and endorsements thereto,

SECTION 8. REMOVAL OF STRUCTURE; EXCESS MONEYS. If the City Council has proceeded under the provisions of K.S.A. 12-1750 et. seq., as amended, all moneys in excess of that which is ultimately necessary to comply with the provisions for the removal of the building or structure, less salvage value, if any, shall be paid to the insured.

SECTION 9. SAME; DISPOSITION OF FUNDS. If the City Council, with regard to a building or other structure damaged by fire or explosion, determines that it is necessary to act under K.S.A. 12-1756, any proceeds received by the City Treasurer under the authority of Section 2(a) relating to that building or other structure shall be used to reimburse the City for any expenses incurred by the City in proceeding under K.S.A. 12-1756. Upon reimbursement from the insurance proceeds, the City Council shall immediately effect the release of the lien resulting therefrom. Should the expenses incurred by the City exceed the insurance proceeds paid over to the City Treasurer under Section 2(a), the City Council shall publish a new lien as authorized by K.S.A. 12-1756, in an amount equal to such excess expenses incurred.

SECTION 10. EFFECT UPON INSURANCE POLICIES. This ordinance shall not make the City a party to any insurance contract, nor is the insurer liable to any party for any amount in excess of the proceeds otherwise payable under its insurance policy.

SECTION 11. INSURERS; LIABILITY. Insurers complying with this ordinance or attempting in good faith to comply with this ordinance shall be immune from civil and criminal liability and such action shall not be deemed in violation of K.S.A. 40-2404 and any amendments thereto, including withholding payment of any insurance proceeds pursuant to this ordinance, or releasing or disclosing any information pursuant to this ordinance.


SECTION 12. REPEAL. That all ordinances or parts of ordinances that are in conflict with this ordinance are hereby repealed.

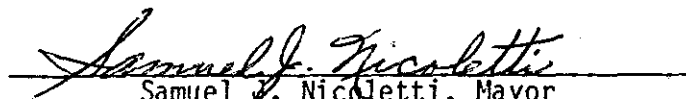
SECTION 13. EFFECTIVE DATE. This ordinance shall be in full force and effect from and after its passage and publication in the official City newspaper.

PASSED AND APPROVED by the Council this 4 day of May, 1992.

(SEAL)

ATTEST:

  
Bette Lessen, City Clerk

  
Samuel J. Nicoletti, Mayor  
City of Arma, Kansas