

FAX*from the City Clerk's Office*

TO: Kansas Insurance Department
FAX: 785-296-2283
PHONE: 800-432-2484

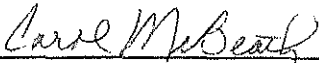
FROM: Carol McBeath
FAX: 529-5925
PHONE: 529-5900

DATE: June 13, 2006

SUBJECT: Insurance Proceeds Ordinance

I am faxing a copy of an ordinance passed by the City of Haysville regarding insurance proceeds.

If you have any questions or need anything further, please let me know.



Carol McBeath, City Clerk

ORDINANCE NO. 804

AN ORDINANCE AUTHORIZING THE ESTABLISHMENT OF A PROCEDURE FOR THE PAYMENT OF CERTAIN PROCEEDS OF ANY INSURANCE POLICY BASED UPON A 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.

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF HAYSVILLE , KANSAS:

SECTION 1: The city is hereby authorized to utilize the procedures established by K.S.A. 40-3901 et sec., and amendments thereto, 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, explosion or windstorm, where the amount recoverable for the loss or damage to the building or other structure under all policies is in excess of seventy-five percent 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: The governing body of the city hereby creates a lien in favor of the city on the proceeds of any 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, explosion or windstorm, where the amount recoverable for all the loss or damage to the building or other structure under all policies is in excess of seventy-five percent 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, whether or not evidenced by written instrument, or such tax, levy, assessment, expense or other charge that is remained undischarged for at least one year prior to the filing of a proof of loss.

SECTION 3: (a) Prior to final settlement on any claim covered by Section 2, the insurer or insurers shall contact the county treasurer, Sedgwick 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, Sedgwick County, Kansas.

(b) Such transfer of proceeds shall be on a pro rate basis by all insurance companies insuring the building or other structure.

SECTION 4: (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 seventy-five percent 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, shall have been paid, the insurance company or companies shall execute a draft payable to the city of Haysville in an amount equal to the sum of fifteen percent of the covered claim payment, unless the public works director or designee 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 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 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 director of finance shall contact the named insured or insureds, by required mail, notify them that said insurance proceeds have been received by the city and apprise them of the procedures to be followed under this chapter.

SECTION 5: The director of finance is authorized and shall create a fund to be known as the "fire insurance proceeds fund." All moneys received by the director of finance as provided by this ordinance shall be placed in said fund and deposited in an interest-bearing account.

SECTION 6: (a) Upon receipt of moneys as provided for by this ordinance, the director of finance shall immediately notify the public works director or designee of said receipt, and transmit all documentation received from the insurance company or companies to him or her.

(b) Within twenty days of the receipt of said moneys, the public works director or designee shall determine, after prior investigation, whether the city shall instigate proceedings under the provisions of K.S.A. 12-1750 et seq., and amendments thereto.

(c) Prior to the expiration of the twenty days established by subsection (b) of this section, the public works director or designee shall notify the director of finance whether he or she intends to initiate proceedings under K.S.A. 12-1750 et seq., and amendments thereto.

(d) If the public works director or designee has determined that proceeds under K.S.A. 12-1750 et seq. and amendments thereto, shall be initiated, he or she will do so immediately but not later than thirty days after receipt of the moneys by the director of finance.

(e) Upon notification of the director of finance by the public works director or designee that no proceedings shall be initiated under K.S.A. 12-1750 et seq., and amendments thereto, the director of finance shall return all such moneys received, plus accrued interest, to the insured or insureds as identified in the communications from the insurance company or companies. Such return shall be accomplished within thirty days of the receipt of the moneys from the insurance company or companies.

SECTION 7: If the public works director or designee has proceeded under the provisions of K.S.A. 12-1750 et seq., and amendments thereto, 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 8: If the public works director or designee, with regard to a building or other structure damaged by fire, explosion or windstorm, determines that it is necessary to act under K.S.A. 12-1756 and amendments thereto, any proceeds received by the director of finance under the authority of Section 4 (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, and amendments thereto. The public works director or designee shall be responsible for notifying the director of finance of the amount of these expenses incurred by the city. Upon reimbursement from the insurance proceeds, the director of finance 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 director of finance under Section 4 (a), he or she shall publish a new lien as authorized by K.S.A. 12-1756, and amendments thereto, in an amount equal to such excess expenses incurred.

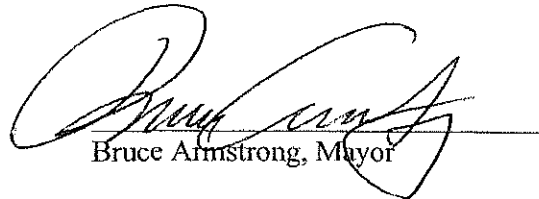
SECTION 9: This ordinance shall not make the city a party to any insurance contract, nor is the insurer liable to any party for any amount in excess of the proceeds otherwise payable under its insurance policy.

SECTION 10: 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 chapter, or releasing or disclosing any information pursuant to this ordinance.

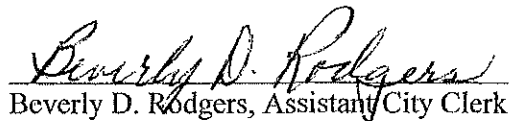
SECTION 11: All ordinances or parts of ordinances inconsistent or in conflict with the terms and provisions hereof shall be and the same are hereby repealed.

SECTION 12: This ordinance shall be effective from and after its passage, approval and publication in the official city newspaper.

PASSED AND APPROVED by the Governing Body of the City of Haysville, Kansas this 13th day of November, 2001


Bruce Armstrong, Mayor

(Seal)


Beverly D. Rodgers, Assistant City Clerk

VERIFICATION OF
PASSAGE OF THIS
ORDINANCE.
MINUTES BOOK
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