March 14, 2001

Kansas Insurance Dept.
420 S.W. 9th
Topeka, KS. 66612-1251

Attn. Kathy Greenlee

Enclosed is a copy of the Ordinance that the Kanopolis City Council passed on March 13, 2001. This is an Ordinance to establish an insurance proceeds fund.

Sincerely,

Yvonne E. Young
Kanopolis City Clerk
ORDINANCE NO. 01-0-2

AN ORDINANCE ESTABLISHING AN INSURANCE PROCEEDS FUND

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF KANOPOLIS, KANSAS, TO-WIT:

Section 1. SCOPE AND APPLICATION. The city of Kanopolis, Kansas, 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 Kanopolis City limits, 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 75 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. LIEN CREATED. The governing body of the city of Kanopolis hereby creates a lien in favor of the city on the proceeds of any insurance policy upon a covered claim payment made for damage or loss to a building or other structure located within Kanopolis city limits, 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 75 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 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, Ellsworth 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, Ellsworth 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 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 treasurer in an amount equal to the sum of 15 percent of the covered claim payment,
unless the chief building inspector of 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 ordinance, 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 chief building inspector shall contact
the named insured or insureds by certified mail, return receipt requested, 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 "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. BUILDING INSPECTOR; INVESTIGATION, REMOVAL OF STRUCTURE.
(a) Upon receipt of moneys as provided for by this ordinance, the city treasurer shall
immediately notify the chief building inspector of said receipt, and transmit all documentation
received from the insurance company or companies to the chief building inspector.

(b) Within 20 days of the receipt of said moneys, the chief building inspector shall
determine, after prior investigation, whether the city of Kanopolis 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
ordinance, the chief building inspector shall notify the city treasurer whether he or she intends
to initiate proceedings under K.S.A. 12-1750 et seq., as amended.

(d) If the chief building inspector has determined that proceedings under K.S.A. 12-
1750 et seq., as amended shall be initiated, he or she 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 chief building inspector 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.

Section 8. REMOVAL OF STRUCTURE; EXCESS MONEYS. If the chief building
inspector 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 chief building inspector, 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, any proceeds received by the city treasurer under the authority of Section 5(a) relating to that building or other structure shall be used to reimburse the city of Kanopolis for any expenses incurred by the city of Kanopolis in proceeding under K.S.A. 12-1756. Upon reimbursement from the insurance proceeds, the chief building inspector shall immediately effect the release of the lien resulting therefrom. Should the expenses incurred by the city of Kanopolis exceed the insurance proceeds paid over to the city treasurer under Section 5(a), the chief building inspector 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. This Ordinance shall take effect and be in force from and after its passage and publication in one (1) time in the official City Newspaper.

Passed by the Governing Body of the City of Kanopolis on this __ day of March, 2001

Cherie Sauers - Mayor

ATTEST:

Yvonne E. Young
City Clerk