

**SUMMARY OF LEOTI CITY ORDINANCE  
2016-11**

**AN ORDINANCE ESTABLISHING POLICIES AND PROCEDURES UNDER K.S.A. 40-3901, WHICH GRANTS MUNICIPALITIES THE AUTHORITY TO PLACE A LIEN ON INSURANCE PROCEEDS FOR ANY COVERED CLAIMS FOR DAMAGE TO A STRUCTURE IN EXCESS OF 75% OF THE FACE VALUE OF THE INSURANCE POLICY.** A complete text of this Ordinance may be obtained or viewed free of charge at the Office of the Leoti City Clerk. Additionally, the full text of this Ordinance may be viewed on the City's official website [www.leotikansas.org](http://www.leotikansas.org) for a minimum of one week following the date of this publication. Leoti City Attorney Rebecca Faurot certifies this summary pursuant to K.S.A 12-3001, K.S.A 12-3007, *et seq.*

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**IMPORTANT:** Upon passage of this ordinance, send a copy to the Commissioner of Insurance at:

Insurance Commissioner  
420 S.W. 9th Street  
Topeka, KS 66612

ORDINANCE NO.2016-11  
CITY OF LEOTI, WICHITA CITY, KANSAS

**AN ORDINANCE CONCERNING PAYMENT OF INSURANCE PROCEEDS**

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

WHEREAS, 40-3901 grants municipalities the authority to place a lien on insurance proceeds of any covered claims for damage to a structure in excess of 75% of the face value of the insurance policy; and

WHEREAS, the City Council deems it appropriate to establish a procedure under such statute to provide for the health, safety, and welfare of the citizens of Leoti.

THEREFORE, be it ordained as follows:

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, 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 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, 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, Wichita 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, Wichita 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 Code Enforcement Officer 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 Code Enforcement Officer 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. CODE ENFORCEMENT OFFICER; INVESTIGATION, REMOVAL OF STRUCTURE.

(a) Upon receipt of moneys as provided for by this ordinance, the city treasurer shall immediately notify the chief Code Enforcement Officer of said receipt, and transmit all documentation received from the insurance company or companies to the chief Code Enforcement Officer.

(b) Within 30 days of the receipt of said moneys, the chief Code Enforcement Officer 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 30 days established by subsection (b) of this ordinance, the chief Code Enforcement Officer 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 Code Enforcement Officer 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 45 days after receipt of the moneys by the city treasurer.

(e) Upon notification to the city treasurer by the chief Code Enforcement Officer 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 45 days of the receipt of the moneys from the insurance company or companies.

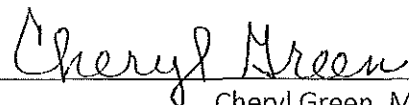
Section 8. REMOVAL OF STRUCTURE; EXCESS MONEYS. If the chief Code Enforcement Officer has proceeded under the provisions of K.S.A. 12-1750 et seq., as amended, all moneys in excess of that which is ultimately necessary to comply with the provisions for the removal of the building or structure, less salvage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

Section 9. SAME; DISPOSITION OF FUNDS. If the chief Code Enforcement Officer, with regard to a building or other structure damaged, 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 for any expenses incurred by the city in proceeding under K.S.A. 12-1756. Upon reimbursement from the insurance proceeds, the chief Code Enforcement Officer 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 5(a), the chief Code Enforcement Officer shall publish a new lien as authorized by K.S.A. 12-1756, in an amount equal to such excess expenses incurred.

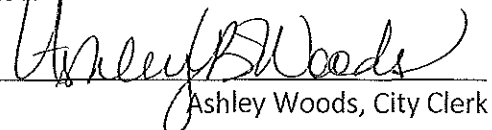
Section 10. EFFECT UPON INSURANCE POLICIES. This ordinance shall not make the city a party to any insurance contract, nor is the insurer liable to any party for any amount in excess of the proceeds otherwise payable under its insurance policy.

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.

ADOPTED this 7<sup>th</sup> day of November, 2016, by the City Council, City of Leoti, Kansas and shall become effective upon its adoption and publication.

  
Cheryl Green, Mayor

ATTEST:

  
Ashley Woods, City Clerk

Published: December 7, 2016