

SESSION OF 2025

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2044

As Amended by Senate Committee on Financial
Institutions and Insurance

Brief*

HB 2044, as amended, would amend the Third Party Administrators Act to require third-party administrators (administrators) to maintain a separate fiduciary account for each payor and prohibit co-mingling of funds, either collected or held, in a fiduciary account by the administrator on behalf of multiple payors.

[*Note:* Continuing law requires all insurance charges, premiums, collateral, and loss reimbursements collected by an administrator on behalf of or for a payor, and the return of premiums or collateral received from a payor, to be held by the administrator in a fiduciary capacity. The funds are to be immediately remitted to the person or persons who are entitled to such funds or deposited promptly in a fiduciary account established and maintained by the administrator in a federally- or state-insured financial institution.]

The bill would require an administrator to disclose to the Commissioner of Insurance any bankruptcy petition filed by or on behalf of the administrator pursuant to Chapter 9 or Chapter 11 of the U.S. Bankruptcy Code at the time such filing is made.

The bill would be in effect upon publication in the *Kansas Register*.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <https://klrd.gov/>

Background

The bill was introduced by the House Committee on Insurance at the request of a representative of the Kansas Insurance Department (Department).

[*Note:* A companion bill, SB 21, has passed the House. Senate and House conference committee members have been appointed.]

House Committee on Insurance

In the House Committee hearing, **proponent** testimony was provided by a representative of the Department who stated the bill would provide the Department, in cases where an administrator files for bankruptcy, with tools to help businesses move their funds to another administrator to avoid disruptions in service to their employees. The representative noted prohibiting the co-mingling of payor funds would facilitate the return of funds to the appropriate payor.

No other testimony was provided.

Following discussion on the bill, the House Committee recommended the bill be placed on the Consent Calendar.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Department who stated the bill stems from a situation in 2024 where an administrator filed for bankruptcy in Kansas. The representative stated the Department had few tools to help those businesses utilizing the administrator quickly move their funds to another administrator to avoid disruptions in service to their employees. The representative stated the bill would ensure the Department is informed of any such bankruptcy,

ensure separate accounts for clients, and ease transition for businesses.

No other testimony was provided.

The Senate Committee amended the bill to clarify that an administrator would be required to disclose to the Commissioner of Insurance any bankruptcy petition filed at the time such filing is made. The Senate Committee also amended the bill to change the effective date to be upon publication in the *Kansas Register*.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Department states enactment of the bill would have no fiscal effect.

Third Party Administrators Act; third-party administrator; fiduciary accounts; bankruptcy; Commissioner of Insurance; U.S. Bankruptcy Code