

**40-282. Extension of credit to policyholder by insurance agent; conditions; request for cancellation of insurance for nonpayment of policyholder's account; exceptions.** (a) Any insurance agent, as defined in K.S.A. 40-239, and amendments thereto, may extend credit to policyholders in connection with the issuance or servicing of policies procured or negotiated by such agent but any such credit so extended shall satisfy one of the following conditions, unless otherwise authorized by law:

(1) If credit is extended to policyholders for a period of not more than 30 days from the date the premium is due, and such credit is not evidenced by a written instrument, there shall be no interest charged for such credit; or

(2) if credit is extended to policyholders for a period of more than 30 days from the date the premium is due, and such credit is not evidenced by a written instrument, interest may be charged for credit extended after 30 days at a rate not exceeding 1 1/2% per month on the unpaid balance; or

(3) if the extension of credit to a policyholder is evidenced by a written instrument setting forth the terms, and signed by the policyholder, any interest charged for such credit shall be clearly stated in the instrument but it shall not exceed the legal rate of interest authorized in K.S.A. 16-207, and amendments thereto.

(b) Any insurance agent extending credit to policyholders as provided in subsection (a) (1) or (2) of this section may request the company to cancel such insurance according to the terms of the policies for nonpayment of the policyholders' accounts, except as provided in K.S.A. 40-277, and amendments thereto, and except for policies paid by an escrow agent, or paid direct by an insured to an insurance company, or where the insured specified that payment apply to a specific policy and all premiums due on that policy have been paid, or where the unearned premium is collateral for a loan under K.S.A. 40-2601 et seq., and amendments thereto.

The insurance agent shall notify the policyholder of the requested cancellation in writing at the time the request is made to the insurance company.

Such insurance agent shall have a lien on any return premium for all policies of the same policyholder to the extent of amounts owed by the policyholder.

**History:** L. 1968, ch. 73, § 1; L. 1980, ch. 132, § 1; L. 1984, ch. 166, § 1; July 1.