

2020 Kansas Statutes

- 40-2,203. CGAD report required; contents; filing; rules and regulations.** (a) (1) Nothing in this section shall be construed to prescribe or impose corporate governance standards and internal procedures beyond those required by state corporate law. However, nothing in this section shall be construed to limit the commissioner's authority, or the rights and obligations of third parties under K.S.A. 40-222, and amendments thereto.
- (2) The requirements of this section shall apply to all insurers domiciled in this state.
- (b) As used in this section:
- (1) "Commissioner" means the commissioner of insurance of the state of Kansas.
- (2) "Corporate governance annual disclosure" or "CGAD" means a confidential report filed by the insurer or insurance group made in accordance with the requirements of this section.
- (3) "Insurance group" means those insurers and affiliates included within an insurance holding company system as defined in K.S.A. 40-3302, and amendments thereto.
- (4) "Insurer" shall have the same meaning as set forth in K.S.A. 40-3302, and amendments thereto, except that it shall not include agencies, authorities or instrumentalities of the United States, its possessions and territories, the Commonwealth of Puerto Rico, the District of Columbia or a state or political subdivision of a state.
- (5) "NAIC" means the national association of insurance commissioners.
- (6) "ORSA summary report" means the report filed in accordance with risk management and own risk and solvency assessment act.
- (c) (1) An insurer or the insurance group of which the insurer is a member shall, no later than June 1 of each calendar year, submit to the commissioner a CGAD that contains the information described in subsection (e). Notwithstanding any request from the commissioner made pursuant to subsection (c)(3), if an insurer is a member of an insurance group, the insurer shall submit the report required by this section to the commissioner of the lead state for the insurance group, in accordance with the laws of the lead state, as determined by the procedures outlined in the most recent financial analysis handbook adopted by the national association of insurance commissioners.
- (2) The CGAD must include a signature of the insurer or insurance group's chief executive officer or corporate secretary attesting to the best of that individual's belief and knowledge that the insurer has implemented the corporate governance practices and that a copy of the disclosure has been provided to the insurer's board of directors or the appropriate committee of the insurer thereof.
- (3) An insurer not required to submit a CGAD under this section shall do so upon the commissioner's request.
- (4) For purposes of completing the CGAD, the insurer or insurance group may provide information regarding corporate governance at the ultimate controlling parent level, an intermediate holding company level or the individual legal entity level or both, depending upon how the insurer or insurance group has structured its system of corporate governance. The insurer or insurance group is encouraged to make the CGAD disclosures at the level at which the insurer's or insurance group's risk appetite is determined, or at which the earnings, capital, liquidity, operations and reputation of the insurer are overseen collectively and at which the supervision of those factors are coordinated and exercised, or the level at which legal liability for failure of general corporate governance duties would be placed. If the insurer or insurance group determines the level of reporting based on these criteria, it shall indicate which of the three criteria was used to determine the level of reporting and explain any subsequent changes in level of reporting.
- (5) The review of the CGAD and any additional requests for information shall be made through the lead state as determined by the procedures within the most recent financial analysis handbook referenced in subsection (c)(1).
- (6) Insurers providing information substantially similar to the information required by this section in other documents provided to the commissioner, including proxy

statements filed in conjunction with other state or federal filings or other requirements provided to the commissioner, shall not be required to duplicate that information in the CGAD, but shall only be required to cross reference the document in which the information is included.

(d) The commissioner is hereby authorized to adopt any rules and regulations as are necessary to carry out the provisions of this section. Such rules and regulations shall be adopted no later than January 1, 2019.

(e) (1) The insurer or insurance group shall have discretion over the responses to the CGAD inquiries, provided the CGAD shall contain the material information necessary to permit the commissioner to gain an understanding of the insurer's or group's corporate governance structure, policies and practices. The commissioner may request additional information deemed material and necessary to provide the commissioner with a clear understanding of the corporate governance policies, the reporting or information system or controls implementing those policies.

(2) The CGAD shall be prepared consistent with all department of insurance rules and regulations and documentation. Documentation supporting information shall be maintained and made available upon the commissioner's request.

(f) (1) Documents, materials or other information, including the CGAD, in the possession or control of the department of insurance that are obtained, created by or disclosed to the commissioner or any other person under this section, are recognized by this state as being proprietary and containing trade secrets. All such documents, materials or other information shall be confidential by law and privileged, and shall not be subject to the open records act, K.S.A. 45-215 et seq., and amendments thereto, shall not be subject to subpoena and shall not be subject to discovery or admissible in evidence in any private civil action. However, the commissioner is authorized to use the documents, materials or other information in the furtherance of any regulatory or legal action brought as part of the commissioner's official duties. The commissioner shall not otherwise make the documents, materials or other information public without the prior written consent of the insurer. Nothing in this section shall be construed to require the written consent of the insurer before the commissioner may share or receive confidential documents, materials or other CGAD-related information pursuant to subsection (f)(3) to assist in the performance of the commissioner's regular duties. The provisions of this subsection shall expire on July 1, 2022, unless the legislature reviews and reenacts this provision pursuant to K.S.A 45-229, and amendments thereto, prior to July 1, 2022.

(2) Neither the commissioner nor any person who received documents, materials or other CGAD-related information, through examination or otherwise, while acting under the authority of the commissioner, or with whom such documents, materials or other information are shared pursuant to this section, shall be permitted or required to testify in any private civil action concerning any confidential documents, materials or information subject to subsection (f)(1).

(3) In order to assist in the performance of the commissioner's regulatory duties, the commissioner:

(A) May, upon request, share documents, materials or other CGAD-related information, including the confidential and privileged documents, materials or information subject to subsection (c)(1), including proprietary and trade secret documents and materials with other state, federal and international financial regulatory agencies, including members of any supervisory college as defined in K.S.A. 40-3308, and amendments thereto, with the NAIC and with third-party consultants pursuant to subsection (g), provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the CGAD-related documents, material or other information and has verified in writing the legal authority to maintain confidentiality; and

(B) may receive documents, materials or other CGAD-related information, including otherwise confidential and privileged documents, materials or information, including proprietary and trade secret information or documents, from regulatory officials of other state, federal and international financial regulatory agencies, including members of any supervisory college as defined in the insurance holding company act and from the NAIC, and shall maintain as confidential or privileged any documents, materials or information received with notice or the understanding that it is

confidential or privileged under the laws of the jurisdiction that is the source of the document, material or information.

(4) The sharing of information and documents by the commissioner pursuant to this section shall not constitute a delegation of regulatory authority or rulemaking, and the commissioner is solely responsible for the administration, execution and enforcement of the provisions of this section.

(5) No waiver of any applicable privilege or claim of confidentiality in the documents, proprietary and trade secret materials or other CGAD-related information shall occur as a result of disclosure of such CGAD-related information or documents to the commissioner under this section or as a result of sharing as authorized in this section.

(g) (1) The commissioner may retain, at the insurer's expense, third-party consultants, including attorneys, actuaries, accountants and other experts not otherwise a part of the commissioner's staff as may be reasonably necessary to assist the commissioner in reviewing the CGAD and related information or the insurer's compliance with this section.

(2) Any person retained under subsection (g)(1) shall be under the direction and control of the commissioner and shall act in a purely advisory capacity.

(3) The NAIC and third-party consultants shall be subject to the same confidentiality standards and requirements as the commissioner.

(4) As part of the retention process, a third-party consultant shall verify to the commissioner, with notice to the insurer, that it is free from a conflict of interest and that it has internal procedures in place to monitor compliance with a conflict and to comply with the confidentiality standards and requirements of this section.

(5) A written agreement with NAIC consultants or third-party consultants, or a combination of the same, governing sharing and use of information provided pursuant to this section shall contain the following provisions and expressly require the written consent of the insurer prior to making the information public as provided under this section:

(A) Specific procedures and protocols for maintaining the confidentiality and security of CGAD-related information shared with the NAIC or a third-party consultant pursuant to this section;

(B) procedures and protocols for sharing by the NAIC only with other state regulators from states in which the insurance group has domiciled insurers. The agreement shall provide that the recipient agrees in writing to maintain the confidentiality and privileged status of the CGAD-related documents, materials or other information and has verified in writing the legal authority to maintain confidentiality;

(C) a provision specifying that ownership of the CGAD-related information shared with the NAIC or a third-party consultant remains with the department of insurance and the NAIC or third-party consultant's use of the information is subject to the direction of the commissioner;

(D) a provision that prohibits the NAIC or a third-party consultant from storing the information shared pursuant to this act in a permanent database after the underlying analysis is completed;

(E) a provision requiring the NAIC or third-party consultant to provide prompt notice to the commissioner and to the insurer or insurance group regarding any subpoena, request for disclosure or request for production of the insurer's CGAD-related information; and

(F) a requirement that the NAIC or a third-party consultant consent to intervention by an insurer in any judicial or administrative action in which the NAIC or a third-party consultant may be required to disclose confidential information about the insurer shared with the NAIC or a third-party consultant pursuant to this section.

(h) Any insurer failing, without just cause, to timely file the CGAD as required in this section may be required, after notice and hearing, to pay a penalty for each day's delay, to be recovered by the commissioner, in accordance with any rules and regulations adopted by the commissioner. The commissioner shall remit all moneys received to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fees and

penalties fund.

(i) If any provision of this section other than subsection (f), or the application thereof to any person or circumstance, is held invalid, such determination shall not affect the provisions or applications of this section, which can be given effect without the invalid provision or application, and to that end the provisions of this section, with the exception of subsection (f), are severable.

(j) The first filing of the CGAD shall be in 2018.

(k) The provisions of this section shall be effective on and after January 1, 2018.

History: L. 2017, ch. 72, § 2; July 1.