

Kansas Administrative Regulations

Kansas Department of Insurance

Article 12.—Sale of Stock

40-12-13. Officers, directors, and employee stock purchase plans.

Stock option plans in a domestic insurer shall conform to the following specifications:

(a) Stock options shall be provided for by a fair and reasonable plan which has been submitted to and approved by the board of directors and stockholders after the company has been in operation for at least one full year.

(b) The granting of the stock option shall bear a reasonable incentive relationship to the continual employment of the optionee.

(c) The stock option shall be for a stated number of shares, to be paid for in cash.

(d) If the stock is widely traded, the options shall be for the full market value at the time the options are granted. If the stock is not widely traded, the options shall be for a price fixed by the company's board of directors and approved by the commissioner.

(e) The stock option shall fully set forth employment qualifications, conditions for complete exercise of the options, conditions under which cessation of employment shall terminate the option, and the effect of death, resignation, or other similar events.

(f) The stock option shall contain an anti-dilution or proration clause. The clause shall provide that the number of shares allocated to the plan and the number of shares carried by each individual option, and price per share, shall automatically be proportionately adjusted for each increase or decrease in the number of issued and outstanding shares of the corporation. This shall be accomplished without a corresponding increase or decrease in the corporation's paid-in capital.

(g) Only the optionee, or a court appointed guardian, shall exercise the option during the optionee's lifetime. For a specified time after death, only the heirs, administrator or executor shall exercise the option.

(h) The period of time in which an option may be exercised after death shall be no longer than five years.

(i) The total number of shares set aside at any one time for this purpose shall not be inequitably proportioned to the number of shares issued and outstanding.

(Authorized by K.S.A. 40-103, 40-205; implementing K.S.A. 40-205; effective Jan. 1, 1968; amended May 1, 1980; amended May 1, 1986; amended May 1, 1987.)

***** Authenticated Kansas Administrative Regulation *****