40-12-12 Options to promoters, officers or employees.

(a) Issuance of an option of stock of a domestic insurer to promoters, officers or employees shall be authorized only when it is satisfactorily demonstrated that the promoters, officers or employees have rendered a genuine service of value to the company for which they have not otherwise been fully compensated.

(b) The issuance shall be permitted if:

(1) The total number of shares subject to the option shall not exceed 10 percent of the number of authorized shares initially sold and issued for cash.

(2) The exercise price stated in the option to be issued by a domestic insurer is not less than the net price at which shares are sold to public investors at the time the option is granted, plus an increase of 10 percent for each year thereafter elapsing during the life of the option.

(3) The option shall be non-transferable except upon death of the optionee or by operation of law.

(4) The option terms shall not be exercisable more than five years after the date of issue.

(c) The intention to issue an option and the approximate extent shall be fully disclosed in the prospectus or offering circular.

(d) An option shall be a form of promotional expense and shall be justified by a showing of the nature of the service rendered or other consideration justifying the grant of the option. The aggregate of all organizational expenses and promotional expenses, including the value of the option as determined by the board of directors and subject to review by the commissioner, shall be subject to a permissible maximum of 121/2 percent of the total amount actually paid for the issuer's capital stock.

(Authorized by K.S.A. 40-103; implementing K.S.A. 40-205; effective Jan. 1, 1968; amended May 1, 1980; amended May 1, 1981; amended May 1, 1986; amended May 1, 1987.)