

40-608. Reserve funds; reports. On and after January 1, 1928, every assessment life association transacting business under the provisions of this article shall hold and maintain upon every contract of life insurance thereafter issued assets in excess of other liabilities to provide for reserves not less than the minimum reserves prescribed herein. The basis for minimum reserves under this act shall be the American experience table of mortality and interest at four percentum per annum. Contracts may provide for not more than one-year preliminary-term insurance by incorporating therein a clause plainly showing that the first year's insurance under such contracts is term insurance, purchased by the whole or a part of the contribution to be received during the first contract year, and such contracts may be valued on the basis of the mortality table and interest rate above prescribed by the preliminary-term plan modified as follows: If the premium or contribution charged for any contract exceeds that charged for like insurance under twenty-payment life preliminary-term contracts of the same association, the reserve thereon at the end of any year, including the first, shall not be less than the reserve on a twenty-payment life preliminary-term contract issued in the same year and at the same age, together with an amount which shall be equivalent to the accumulation of a level net premium sufficient to provide for a pure endowment at the end of the premium-paying period equal to the difference between the value at the end of such period of such a twenty-payment life preliminary-term contract and the full level net premium reserve at such time of such a contract.

The premium-paying period is the period during which premiums are concurrently payable under such twenty-payment life preliminary-term contract and such other contract. Under any contract providing, in addition to the regular contributions, for the payment concurrently of additional contributions to the extent needed to pay its share of claims and expenses and to maintain the tabular reserves required by this act, or requiring any such additional amount to be charged as an indebtedness not exceeding the tabular reserves on the contract and providing for terminating the contract whenever such charges shall equal the tabular reserves, no liability shall be charged in any valuation for any deficiency in future contributions so long as such payments are actually collected or such charges are actually made. If any contracts are issued on or after January 1, 1928, which do not contain the above provisions, the association shall maintain as to such contracts the reserves as provided in K.S.A. 40-409, and amendments thereto.

The assets representing the reserves on all contracts issued on and after January 1, 1928, and on such other contracts as the association shall designate upon which a reserve at least equal to the minimum reserve prescribed herein has been accumulated, shall be deposited in the form of approved securities in this state as provided in K.S.A. 40-229a or with the proper official or institution of some other state, for the sole and separate use and benefit of such contracts and the insured and beneficiaries thereunder, and no other contracts, insured, beneficiaries or claimants shall have or acquire any right or interest therein; and provisions shall be made for requiring during each calendar year from such contracts as are not included under this section, contributions, which, together with available assets not so held separate, shall be sufficient to provide for the shares of claims, expenses and other current liabilities to be borne by such contracts as are not included herein. No such separation shall be required whenever reserves on all outstanding contracts are maintained in accordance with the provisions of this code. Such association may accumulate, maintain and distribute a surplus or surpluses over and above such reserves and shall do so as the bylaws of the association may provide in conformity with this code.

Nothing herein shall be construed as giving to any individual contract, insured or beneficiary any right or claim to any reserves or surplus or to any part thereof other than in the manner and to the extent provided in the contract or bylaws of the association; nor as making any such reserves, except the reserves required herein, a liability in determining the solvency of the association. Unless an association shall provide otherwise, the actual mortality experienced on all outstanding contracts shall be determined and distributed between all such outstanding contracts in proportion of the cost of insurance on the basis herein provided or such other mortality table approximating the experience of the association as it may provide. Every association may include in contracts issued hereunder, provisions for total and permanent disability benefits, accidental death benefits, and the payment of the benefits in installments or annuities. It shall maintain for all such added benefits, any additional reserves as may be prescribed by the commissioner of insurance, which additional reserves shall be subject to the provisions herein for segregation of reserves.

An association may provide in its contracts for cash surrender and loan values to an amount not exceeding the reserve, or for the equivalent paid-up or extended term insurance based upon a rate of mortality not lower than and a rate of interest not higher than that used in determining the reserve provided herein. Whenever the assets held separately for contracts issued on and after January 1, 1928, and such other contracts designated as provided herein, shall exceed the reserves thereon by not less than five percentum of such reserves, any excess assets derived from mortality savings, savings from expense loadings, and investment gains may be apportioned, distributed and used as provided by the association.

In addition to the annual report required by law, every such association shall report annually to the commissioner of insurance on or before March 1, the valuation of outstanding contracts issued on and after January 1, 1928, or designated as provided herein, and in force on the preceding December 31. The report shall contain a statement of the rate of earning of the mean invested assets, the interest earnings at such rate on the segregated portion of the assets, the interest required to maintain the reserves, the expected or tabular mortality, the actual mortality experienced, and the amount of reserve released by death and lapse, stated separately. Such report shall be certified by the actuary of the association. Such valuation shall be reported in such manner and such other reports shall be made and such information furnished as the commissioner of insurance may require.

History: L. 1927, ch. 231, 40-608; L. 1996, ch. 25, § 9; July 1.