

**SENATE BILL No. 47**

By Committee on Financial Institutions and Insurance

1-21

1 AN ACT concerning insurance; relating to life insurance companies;  
2 reserve valuation method; principle-based valuation; standard  
3 nonforfeiture law; amending K.S.A. 2014 Supp. 40-409 and 40-428  
4 and repealing the existing sections.  
5

6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 2014 Supp. 40-409 is hereby amended to read as  
8 follows: 40-409. (a) *For the purposes of this section, the following*  
9 *definitions apply on or after the operative date of the valuation manual:*

10 (1) *"Accident and health insurance" means contracts that*  
11 *incorporate morbidity risk and provide protection against economic loss*  
12 *resulting from accident, sickness or medical conditions and as may be*  
13 *specified in the valuation manual;*

14 (2) *"appointed actuary" means a qualified actuary who is appointed*  
15 *in accordance with the valuation manual to prepare the actuarial opinion*  
16 *required in subsection (b-1);*

17 (3) *"company" means an entity which: (A) Has written, issued or*  
18 *reinsured life insurance contracts, accident and health insurance*  
19 *contracts or deposit-type contracts in this state and has at least one such*  
20 *policy in force or on claim; or (B) has written, issued or reinsured life*  
21 *insurance contracts, accident and health insurance contracts or deposit-*  
22 *type contracts in any state and is required to hold a certificate of authority*  
23 *to write life insurance, accident and health insurance or deposit-type*  
24 *contracts in this state;*

25 (4) *"deposit-type contract" means contracts that do not incorporate*  
26 *mortality or morbidity risks and as may be specified in the valuation*  
27 *manual;*

28 (5) *"life insurance" means contracts that incorporate mortality risk,*  
29 *including annuity and pure endowment contracts, and as may be specified*  
30 *in the valuation manual;*

31 (6) *"NAIC" means the national association of insurance*  
32 *commissioners;*

33 (7) *"policyholder behavior" means any action a policyholder,*  
34 *contract holder or any other person with the right to elect options, such as*  
35 *a certificate holder, may take under a policy or contract subject to this act*  
36 *including, but not limited to, lapse, withdrawal, transfer, deposit, premium*

1 *payment, loan, annuitization or benefit elections prescribed by the policy*  
2 *or contract, but excluding events of mortality or morbidity that result in*  
3 *benefits prescribed in their essential aspects by the terms of the policy or*  
4 *contract;*

5 (8) *"principle-based valuation" means a reserve valuation that uses*  
6 *one or more methods or one or more assumptions determined by the*  
7 *insurer and is required to comply with subsection (h), as specified in the*  
8 *valuation manual;*

9 (9) *"qualified actuary" means an individual who is qualified to sign*  
10 *the applicable statement of actuarial opinion in accordance with the*  
11 *American academy of actuaries qualification standards for actuaries who*  
12 *sign such statements and who meet the requirements specified in the*  
13 *valuation manual;*

14 (10) *"tail risk" means a risk that occurs either where the frequency of*  
15 *low probability events is higher than expected under a normal probability*  
16 *distribution or where there are observed events of very significant size or*  
17 *magnitude; and*

18 (11) *"valuation manual" means the manual of valuation instructions*  
19 *adopted by the NAIC as specified in this section or as subsequently*  
20 *amended.*

21 (a-1) (1) Every life insurance company transacting business in this  
22 state shall annually file, on or before March 1 of each year, with the  
23 commissioner of insurance a certified valuation of its policies in force as  
24 of December 31 of the preceding year, ~~and~~.

25 (2) *Policies and contracts issued prior to the operative date of the*  
26 *valuation manual.*

27 (A) It shall be the duty of the commissioner of insurance to annually  
28 make or cause to be made net valuations of all the outstanding policies and  
29 additions thereto of every life insurance company transacting business in  
30 this state *prior to the operative date of the valuation manual*, except that in  
31 the case of an alien company such valuation shall be limited to its  
32 insurance transactions in the United States. In making the valuations of life  
33 insurance companies organized under the laws of this state, the valuation  
34 shall include unpaid dividends, and all other policy obligations. Whenever  
35 the laws of any other state of the United States shall authorize the  
36 valuation of life insurance policies by some designated state officer  
37 according to the same standard as herein provided, or some other standard  
38 which will require a reserve not less than the standard herein provided, the  
39 valuation made according to the standard by such officer of the policies  
40 and other obligations of any life insurance company not organized under  
41 the laws of this state, and certified by such officer, may be received as true  
42 and correct, and no further valuation of the same shall be required of such  
43 company by the commissioner of insurance. It shall be the duty of the

1 commissioner of insurance, whenever requested so to do by any life  
2 insurance company organized under the laws of this state, to make annual  
3 valuations of all the outstanding policies and additions thereto of every  
4 such company and deliver to such company certificates of such valuation,  
5 specifying the amount of the company's reserve on policies thus valued.  
6 And for the performance of the duties prescribed by this section the  
7 commissioner of insurance shall be authorized to employ an actuary,  
8 whose compensation shall be paid by the company whose policies,  
9 additions, unpaid dividends or other outstanding policy obligations are  
10 valued, upon a certificate by the commissioner of insurance showing the  
11 compensation due therefor.

12 *(B) The provisions set forth in subsections (d) and (e) shall apply to*  
13 *all policies and contracts, as appropriate, subject to this section issued on*  
14 *or after the operative date of K.S.A. 40-428, and amendments thereto, and*  
15 *prior to the operative date of the valuation manual, and the provisions set*  
16 *forth in subsections (g) and (h) shall not apply to any such policies and*  
17 *contracts.*

18 *(C) The minimum standard for the valuation of policies and contracts*  
19 *issued prior to the operative date of K.S.A. 40-428, and amendments*  
20 *thereto, shall be that provided in subsection (c).*

21 *(3) Policies and contracts issued on or after the operative date of the*  
22 *valuation manual.*

23 *(A) The commissioner shall annually value, or cause to be valued,*  
24 *the reserve liabilities, hereinafter called reserves, for all outstanding life*  
25 *insurance contracts, annuity and pure endowment contracts, accident and*  
26 *health contracts and deposit-type contracts of every company issued on or*  
27 *after the operative date of the valuation manual. In lieu of the valuation of*  
28 *the reserves required of a foreign or alien company, the commissioner may*  
29 *accept a valuation made, or caused to be made, by the insurance*  
30 *supervisory official of any state or other jurisdiction when the valuation*  
31 *complies with the minimum standard provided in this section.*

32 *(B) The provisions set forth in subsections (g) and (h) shall apply to*  
33 *all policies and contracts issued on or after the operative date of the*  
34 *valuation manual.*

35 *(4) Any such company which at any time shall have adopted any*  
36 *standards of valuation producing greater aggregate reserves than those*  
37 *calculated according to the minimum standards hereinafter provided may,*  
38 *with the approval of the commissioner of insurance, adopt any lower*  
39 *standard of valuation, but not lower than the minimum herein provided.*

40 *(b) This subsection shall become operative for the year ending*  
41 *December 31, 1995, and each subsequent calendar year, prior to the*  
42 *operative date of the valuation manual.*

43 *(1) Every life insurance company doing business in this state shall*

1 annually submit the opinion of a qualified actuary as to whether the  
2 reserves and related actuarial items held in support of the policies and  
3 contracts specified by the commissioner by regulation are computed  
4 appropriately, are based on assumptions which satisfy contractual  
5 provisions, are consistent with prior reported amounts and comply with  
6 applicable laws of this state. The commissioner shall adopt an  
7 administrative regulation defining the specific application, scope and  
8 content of this opinion.

9 (2) Except as otherwise provided by law or rules and regulations of  
10 the commissioner, every life insurance company shall also annually  
11 include in the opinion required by ~~subsection~~ *paragraph* (1), an opinion of  
12 the same qualified actuary as to whether the reserves and related actuarial  
13 items held in support of the policies and contracts specified by the  
14 commissioner, when considered in light of the assets held by the company  
15 with respect to the reserves and related actuarial items, including but not  
16 limited to the investment earnings on the assets and the considerations  
17 anticipated to be received and retained under the policies and contracts,  
18 making adequate provision for the company's obligations under the  
19 policies and contracts, including but not limited to the benefits under and  
20 expenses associated with the policies and contracts.

21 (3) The commissioner may provide for a transition period for  
22 establishing any higher reserves which the qualified actuary deems  
23 necessary in order to render the opinion required by this section.

24 (4) Each opinion required by ~~subsection~~ *paragraph* (2) shall comply  
25 with the following provisions:

26 (A) A memorandum, in form and substance acceptable to or  
27 prescribed by the commissioner shall be prepared to support each actuarial  
28 opinion.; *and*

29 (B) if the insurance company fails to provide a supporting  
30 memorandum within a period specified or the commissioner determines  
31 that the supporting memorandum provided by the insurance company fails  
32 to meet the prescribed standards or is otherwise unacceptable to the  
33 commissioner, the commissioner is authorized to employ an actuary whose  
34 compensation and expenses shall be paid by the company whose policies,  
35 additions, unpaid dividends or other outstanding policy or contractual  
36 obligations are valued upon a certificate by the commissioner showing the  
37 compensation and expenses due therefor.

38 (5) Every opinion of the actuary shall comply with the following  
39 provisions:

40 (A) The opinion shall be submitted with the annual statement  
41 required by K.S.A. 40-225, and amendments thereto, reflecting the  
42 valuation of such reserve liabilities for each year ending on or after  
43 December 31, 1995.;

1 (B) the opinion shall apply to all business in force including  
2 individual and group health insurance plans;

3 (C) the opinion shall be based on standards adopted from time to time  
4 by the actuarial standards board of the American academy of actuaries and  
5 on such additional standards as the commissioner prescribes;

6 (D) in the case of an opinion required to be submitted by an insurance  
7 company not domiciled in this state, the commissioner may accept the  
8 opinion filed by that company with the insurance supervisory official of  
9 another state if the commissioner determines that the opinion reasonably  
10 meets the requirements applicable to a company domiciled in this state;

11 (E) for the purposes of this ~~section~~ subsection, "qualified actuary"  
12 means a member in good standing of the American academy of actuaries;

13 (F) except in cases of fraud or willful misconduct, the qualified  
14 actuary shall not be liable for damages to any person, other than the  
15 insurance company and the commissioner, for any act, error, omission,  
16 decision or conduct with respect to the actuary's opinion required by this  
17 act; and

18 (G) any memorandum in support of the opinion, and any other  
19 material provided by the company to the commissioner in connection with  
20 the opinion, shall be kept confidential by the commissioner and shall not  
21 be made public and shall not be subject to subpoena, other than for the  
22 purpose of defending an action seeking damages from any person by  
23 reason of any action required by this ~~section~~ subsection or by rules and  
24 regulations adopted pursuant to this ~~section~~ subsection. Notwithstanding  
25 the provisions of this ~~subpart~~ (G) paragraph, the memorandum or other  
26 material may be released by the commissioner: (i) With the written consent  
27 of the company; or (ii) to the American academy of actuaries upon request  
28 stating that the memorandum or other material is required for the purpose  
29 of professional disciplinary proceedings and setting forth procedures  
30 satisfactory to the commissioner for preserving the confidentiality of the  
31 memorandum or other material. Once any portion of the confidential  
32 memorandum is cited by the company in its marketing or is cited before  
33 any governmental agency other than a state insurance department or is  
34 released by the company to the news media, all portions of the confidential  
35 memorandum shall be no longer confidential.

36 (b-1) *This subsection shall become operative after the operative date*  
37 *of the valuation manual.*

38 (1) *Every company with outstanding life insurance contracts,*  
39 *accident and health insurance contracts or deposit-type contracts in this*  
40 *state and subject to regulation by the commissioner shall annually submit*  
41 *the opinion of the appointed actuary as to whether the reserves and*  
42 *related actuarial items held in support of the policies and contracts are*  
43 *computed appropriately, are based on assumptions that satisfy contractual*

1 provisions, are consistent with prior reported amounts and comply with  
2 applicable laws of this state. The valuation manual will prescribe the  
3 specifics of this opinion including any items deemed to be necessary to its  
4 scope.

5 (2) Every company with outstanding life insurance contracts,  
6 accident and health insurance contracts or deposit-type contracts in this  
7 state and subject to regulation by the commissioner, except as exempted in  
8 the valuation manual, shall also annually include in the opinion required  
9 by paragraph (1), an opinion of the same appointed actuary as to whether  
10 the reserves and related actuarial items, including, but not limited to, the  
11 investment earnings on the assets and the considerations anticipated to be  
12 received and retained under the policies and contracts, make adequate  
13 provision for the company's obligations under the policies and contracts,  
14 including, but not limited to, the benefits under and expenses associated  
15 with the policies and contracts.

16 (3) Each opinion required by subsection (b-1) shall be governed by  
17 the following provisions:

18 (A) A memorandum, in form and substance as specified in the  
19 valuation manual, and acceptable to the commissioner, shall be prepared  
20 to support each actuarial opinion; and

21 (B) if the insurance company fails to provide a supporting  
22 memorandum at the request of the commissioner within a period specified  
23 in the valuation manual or the commissioner determines that the  
24 supporting memorandum provided by the insurance company fails to meet  
25 the standards prescribed by the valuation manual or is otherwise  
26 unacceptable to the commissioner, the commissioner may engage a  
27 qualified actuary at the expense of the company to review the opinion and  
28 the basis for the opinion and prepare the supporting memorandum  
29 required by the commissioner.

30 (4) Every opinion subject to subsection (b-1) shall be governed by the  
31 following provisions:

32 (A) The opinion shall be in form and substance as specified in the  
33 valuation manual and acceptable to the commissioner;

34 (B) the opinion shall be submitted with the annual statement  
35 reflecting the valuation of such reserve liabilities for each year ending on  
36 or after the operative date of the valuation manual;

37 (C) the opinion shall apply to all policies and contracts subject to  
38 subsection (b-1)(2), plus other actuarial liabilities as may be specified in  
39 the valuation manual;

40 (D) the opinion shall be based on standards adopted from time to  
41 time by the actuarial standards board or its successor, and on such  
42 additional standards as may be prescribed in the valuation manual;

43 (E) in the case of an opinion required to be submitted by a foreign or

1 *alien company, the commissioner may accept the opinion filed by such*  
2 *company with the insurance supervisory official of another state if the*  
3 *commissioner determines that the opinion reasonably meets the*  
4 *requirements applicable to a company domiciled in this state;*

5 *(F) except in cases of fraud or willful misconduct, the appointed*  
6 *actuary shall not be liable for damages to any person, other than the*  
7 *insurance company and the commissioner, for any act, error, omission,*  
8 *decision or conduct with respect to the appointed actuary's opinion; and*

9 *(G) disciplinary action by the commissioner against the company or*  
10 *the appointed actuary shall be defined in rules and regulations by the*  
11 *commissioner.*

12 (c) This subsection shall apply to only those policies and contracts  
13 issued prior to the operative date of K.S.A. 40-428, and amendments  
14 thereto, ~~(the standard nonforfeiture law),~~ except as provided in subsection  
15 ~~(d) of this section.~~

16 For the purpose of such valuations and for making special examinations  
17 of the condition of life insurance companies, as provided by the laws of  
18 this state, and for valuing all outstanding policies of every life insurance  
19 company, the method and basis of valuation shall be the same as  
20 prescribed by the insurance code of this state in the valuation of such  
21 contracts before June 1, 1927. The legal minimum standard for the  
22 valuation of life insurance contracts issued on or after June 1, 1927, shall  
23 be the one-year preliminary-term method of valuation, except as  
24 hereinafter modified, on the basis of the American experience table of  
25 mortality with interest at 4% per annum. If the premium charged for term  
26 insurance under limited-payment life preliminary-term policy providing  
27 for the payment of all premiums thereon in less than 20 years from the  
28 date of policy, or under an endowment preliminary-term policy, exceeds  
29 that charged for life insurance under twenty-payment life preliminary-term  
30 policy of the same company, the reserve thereon at the end of any year,  
31 including the first, shall not be less than the reserve on a twenty-payment  
32 life preliminary-term policy issued in the same year and at the same age,  
33 together with an amount which shall be equivalent to the accumulation of  
34 a net level premium sufficient to provide for a pure endowment at the end  
35 of the premium-payment period, equal to the difference between the value  
36 at the end of such period of such a twenty-payment life preliminary-term  
37 policy and the full net level premium reserve at such time of such a  
38 limited-payment life or endowment policy. The premium-payment period  
39 is the period during which premiums are concurrently payable, under such  
40 twenty-payment life preliminary-term policy and such limited-payment  
41 life or endowment policy. Policies issued on the preliminary-term method  
42 shall contain a clause specifying that the reserve thereof shall be computed  
43 in accordance with the modified preliminary-term method of valuation

1 provided therein. Except as otherwise provided for group annuity and pure  
2 endowment contracts in paragraphs (1-a) and (1-b) of subsection (d) ~~of this~~  
3 ~~section~~, the legal minimum standard for the valuation of annuities shall be  
4 McClintock's "table of mortality among annuitants," with interest at 4%  
5 per annum, but annuities deferred 10 or more years and written in  
6 connection with life insurance shall be valued on the same basis as that  
7 used in computing the consideration or premiums therefor, or upon any  
8 higher standard at the option of the company. The commissioner of  
9 insurance may, in the commissioner's discretion, vary the above standard  
10 of interest and mortality in cases of companies organized under the laws of  
11 a foreign country and in particular cases of invalid lives or other extra  
12 hazards.

13 Reserves for all such policies and contracts may be calculated, at the  
14 option of the company, according to any standards which produce greater  
15 aggregate reserves for all such policies and contracts than the minimum  
16 reserves required by this subsection.

17 (d) *Standard valuation law.* This subsection shall apply to only those  
18 policies and contracts issued on or after the operative date of K.S.A. 40-  
19 428, and amendments thereto, ~~(the standard nonforfeiture law)~~, except as  
20 otherwise provided in paragraphs (1-a) and (1-b) ~~of this subsection~~ for such  
21 group annuity and pure endowment contracts issued prior to such  
22 operative date, and except as provided in subsection (e) ~~of this section~~.

23 (1) Except as otherwise provided in paragraphs (1-a) and (1-b) ~~of this~~  
24 ~~subsection~~, the minimum standard for the valuation of all such policies and  
25 contracts shall be the commissioners' reserve valuation methods defined in  
26 paragraphs (2), (2-a) and (5) ~~of this subsection~~, 3½% interest or in the case  
27 of policies and contracts, other than annuity and pure endowment  
28 contracts, issued on or after July 1, 1973, 4% interest for such policies  
29 issued prior to July 1, 1978, 5½% interest for single premium life  
30 insurance policies and 4½% interest for all other such policies issued on or  
31 after July 1, 1978, and the following specified tables:

32 (†) (A) For ~~all~~ ordinary policies of life insurance issued on the  
33 standard basis, excluding any disability and accidental death benefits in  
34 such policies—the commissioners' 1941 standard ordinary mortality table  
35 for such policies issued prior to the operative date of K.S.A. 40-428(d-1),  
36 and amendments thereto, the commissioners' 1958 standard ordinary  
37 mortality table and the commissioners' 1958 extended term insurance  
38 table, as applicable, for such policies issued on or after the operative date  
39 of K.S.A. 40-428(d-1), and amendments thereto, and prior to the operative  
40 date of K.S.A. 40-428(d-3), and amendments thereto, provided that for any  
41 category of such policies issued on female risks, the modified net  
42 premiums and present values, referred to in subsection (d)(2) ~~of this~~  
43 ~~section~~, may be calculated, according to an age not more than six years



1 younger than the actual age of the insured; and for such policies issued on  
2 or after the operative date of K.S.A. 40-428(d-3), and amendments thereto:  
3 (i) The commissioners' 1980 standard ordinary mortality table; or (ii) at the  
4 election of the company for any one or more specified plans of life  
5 insurance, the commissioners' 1980 standard ordinary mortality table with  
6 ten-year select mortality factors; or (iii) any ordinary mortality table,  
7 adopted after 1980 by the ~~national association of insurance commissioners~~  
8 *NAIC*, that is approved by ~~regulation rules and regulations~~ promulgated by  
9 the commissioner for use in determining the minimum standard of  
10 valuation for such policies.

11 (ii) (B) For all industrial life insurance policies issued on the standard  
12 basis, excluding any disability and accidental death benefits in such  
13 policies—the 1941 standard industrial mortality table for such policies  
14 issued prior to the operative date of K.S.A. 40-428(d-2), and amendments  
15 thereto, and for such policies issued on or after such operative date the  
16 commissioners' 1961 standard industrial mortality table or any industrial  
17 mortality table, adopted after 1980 by the ~~national association of insurance~~  
18 ~~commissioners~~ *NAIC*, that is approved by ~~regulation rules and regulations~~  
19 promulgated by the commissioner for use in determining the minimum  
20 standard of valuation for such policies.

21 (iii) (C) For individual annuity and pure endowment contracts,  
22 excluding any disability and accidental death benefits in such policies, and  
23 excluding annuities involving life contingencies provided or available  
24 under optional modes of settlement in life insurance policies or annuity  
25 contracts—the 1937 standard annuity mortality table, or, at the option of  
26 the company, the annuity mortality table for 1949, ultimate, or any  
27 modification of either of these tables approved by the commissioner.

28 (iv) (D) For group annuity and pure endowment contracts, excluding  
29 any disability and accidental death benefits in such policies—the group  
30 annuity mortality table for 1951, any modification of such table approved  
31 by the commissioner, or at the option of the company, any of the tables or  
32 modifications of tables specified for individual annuity and pure  
33 endowment contracts.

34 (v) (E) For total and permanent disability benefits in or  
35 supplementary to ordinary policies or contracts—for policies or contracts  
36 issued on or after January 1, 1961, either the tables of period 2 disablement  
37 rates and the 1930 to 1950 termination rates of the 1952 disability study of  
38 the society of actuaries, with due regard to the type of benefit, any tables  
39 of disablement rates and termination rates, adopted after 1980 by the  
40 ~~national association of insurance commissioners~~ *NAIC*, that are approved  
41 by ~~regulation rules and regulations~~ promulgated by the commissioner for  
42 use in determining the minimum standard of valuation for such policies,  
43 or, at the option of the company, the class (3) disability table (1926); and

1 for policies issued prior to January 1, 1961, the class (3) disability table  
 2 (1926). Any such table shall, for active lives, be combined with a mortality  
 3 table permitted for calculating the reserve for life insurance policies.

4 ~~(vi)~~ (F) For accidental death benefits in or supplementary to policies  
 5 —for policies issued on or after January 1, 1961, either the 1959  
 6 accidental death benefits table, any accidental death benefits table, adopted  
 7 after 1980 by the ~~national association of insurance commissioners~~ NAIC,  
 8 that is approved by ~~regulation rules and regulations~~ promulgated by the  
 9 commissioner for use in determining the minimum standard of valuation  
 10 for such policies, or, at the option of the company, the inter-company  
 11 double indemnity mortality table; and for policies issued prior to January  
 12 1, 1961, the inter-company double indemnity mortality table. Either table  
 13 shall be combined with a mortality table permitted for calculating the  
 14 reserves for life insurance policies.

15 ~~(vii)~~ (G) For group life insurance, life insurance issued on the  
 16 substandard basis, annuities involving life contingencies provided or  
 17 available under optional modes of settlement in life insurance policies or  
 18 annuity contracts and other special benefits—such tables as may be  
 19 approved by the commissioner of insurance.

20 ~~(viii)~~ (H) For all credit life insurance having initial terms of 10 years  
 21 or less, excluding any disability and accidental death benefits in such  
 22 policies, the 1980 commissioners' extended term mortality table or any  
 23 later version as established in rules and regulations adopted by the  
 24 commissioner of insurance.

25 (1-a) Except as provided in paragraph (1-b), the minimum standard  
 26 ~~for the~~ of valuation ~~of all~~ for individual annuity and pure endowment  
 27 contracts issued on or after the operative date of this paragraph (1-a), as  
 28 defined herein, and for all annuities and pure endowments purchased on or  
 29 after such operative date under group annuity and pure endowment  
 30 contracts, shall be the commissioners' reserve valuation methods defined  
 31 in paragraphs (2) and (2-a) and the following tables and interest rates:

32 ~~(i)~~ (A) For individual annuity and pure endowment contracts issued  
 33 prior to July 1, 1978, excluding any disability and accidental death benefits  
 34 in such contracts—the 1971 individual annuity mortality table, or any  
 35 modification of this table approved by the commissioner of insurance, and  
 36 6% interest for single premium immediate annuity contracts, and 4%  
 37 interest for all other individual annuity and pure endowment contracts.

38 ~~(ii)~~ (B) For individual single premium immediate annuity contracts  
 39 issued on or after July 1, 1978, excluding any disability and accidental  
 40 death benefits in such contracts—the 1971 individual annuity mortality  
 41 table, or any individual annuity mortality table, adopted after 1980 by the  
 42 ~~national association of insurance commissioners~~ NAIC, that is approved by  
 43 ~~regulation rules and regulations~~ promulgated by the commissioner for use

1 in determining the minimum standard of valuation for such contracts, or  
 2 any modification of these tables approved by the commissioner, and 7½%  
 3 interest.

4 ~~(iii)~~ (C) For individual annuity and pure endowment contracts issued  
 5 on or after July 1, 1978, other than single premium immediate annuity  
 6 contracts, excluding any disability and accidental death benefits in such  
 7 contracts—the 1971 individual annuity mortality table, or any individual  
 8 annuity mortality table, adopted after 1980 by the ~~national association of~~  
 9 ~~insurance commissioners~~ NAIC, that is approved by ~~regulation rules and~~  
 10 ~~regulations~~ promulgated by the commissioner for use in determining the  
 11 minimum standard of valuation for such contracts, or any modification of  
 12 these tables approved by the commissioner, and 5½% interest for single  
 13 premium deferred annuity and pure endowment contracts and 4½%  
 14 interest for all other such individual annuity and pure endowment  
 15 contracts.

16 ~~(iv)~~ (D) For all annuities and pure endowments purchased prior to  
 17 July 1, 1978, under group annuity and pure endowment contracts,  
 18 excluding any disability and accidental death benefits purchased under  
 19 such contracts—the 1971 group annuity mortality table, or any  
 20 modification of this table approved by the commissioner of insurance, and  
 21 6% interest.

22 ~~(v)~~ (E) For all annuities and pure endowments purchased on or after  
 23 July 1, 1978, under group annuity and pure endowment contracts,  
 24 excluding any disability and accidental death benefits purchased under  
 25 such contracts—the 1971 group annuity mortality table, or any group  
 26 annuity mortality table, adopted after 1980 by the ~~national association of~~  
 27 ~~insurance commissioners~~ NAIC, that is approved by ~~regulation rules and~~  
 28 ~~regulations~~ promulgated by the commissioner for use in determining the  
 29 minimum standard of valuation for such annuities and pure endowments,  
 30 or any modification of these tables approved by the commissioner, and 7½  
 31 % interest.

32 After July 1, 1973, any company may file with the commissioner of  
 33 insurance a written notice of its election to comply with the provisions of  
 34 this paragraph after a specified date before January 1, 1979, which shall be  
 35 the operative date of this paragraph for such company. A company may  
 36 elect a different operative date for individual annuity and pure endowment  
 37 contracts from that elected for group annuity and pure endowment  
 38 contracts. If a company makes no such election, the operative date of this  
 39 paragraph for such company shall be January 1, 1979.

40 (1-b) (A) Applicability of this paragraph:

41 (1) The interest rates used in determining the minimum standard for  
 42 the valuation of:

43 (a) ~~All~~ Life insurance policies issued in a particular calendar year, on

1 or after the operative date of K.S.A. 40-428(d-3), and amendments thereto;

2 (b) ~~an~~ individual annuity and pure endowment contracts issued in a  
3 particular calendar year on or after January 1, 1983;

4 (c) ~~an~~ annuities and pure endowments purchased in a particular  
5 calendar year on or after January 1, 1983, under group annuity and pure  
6 endowment contracts; and

7 (d) the net increase, if any, in a particular calendar year after January  
8 1, 1983, in amounts held under guaranteed interest contracts shall be the  
9 calendar year statutory valuation interest rates as defined in this paragraph  
10 (1-b).

11 (B) Calendar year statutory valuation interest rates:

12 (1) The calendar year statutory valuation interest rates, I, shall be  
13 determined as follows and the results rounded to the nearer  $\frac{1}{4}\%$ :

14 (a) For life insurance,

$$15 \quad I = .03 + W (R^1 - .03) + W/2 (R^2 - .09);$$

16 (b) For single premium immediate annuities and for annuity benefits  
17 involving life contingencies arising from other annuities with cash  
18 settlement options and from guaranteed interest contracts with cash  
19 settlement options,

$$20 \quad I = .03 + W (R - .03)$$

21 where  $R^1$  is the lesser of R and .09,

22  $R^2$  is the greater of R and .09,

23 R is the reference interest rate defined in this paragraph and W is the  
24 weighting factor defined in this paragraph.

25 (c) For other annuities with cash settlement options and guaranteed  
26 interest contracts with cash settlement options, valued on an issue year  
27 basis, except as stated in (b) above, the formula for life insurance stated in  
28 (a) above shall apply to annuities and guaranteed interest contracts with  
29 guarantee durations in excess of 10 years and the formula for single  
30 premium immediate annuities stated in (b) above shall apply to annuities  
31 and guaranteed interest contracts with guarantee duration of 10 years or  
32 less.

33 (d) For other annuities with no cash settlement options and for  
34 guaranteed interest contracts with no cash settlement options, the formula  
35 for single premium immediate annuities stated in (b) above shall apply.

36 (e) For other annuities with cash settlement options and guaranteed  
37 interest contracts with cash settlement options, valued on a change in fund  
38 basis, the formula for single premium immediate annuities stated in (b)  
39 above shall apply.

40 (2) However, if the calendar year statutory valuation interest rate for  
41 any life insurance policies issued in any calendar year determined without  
42 reference to this sentence differs from the corresponding actual rate for  
43 similar policies issued in the immediately preceding calendar year by less

1 than ½%, the calendar year statutory valuation interest rate for such life  
 2 insurance policies shall be equal to the corresponding actual rate for the  
 3 immediately preceding calendar year. For purposes of applying the  
 4 immediately preceding sentence, the calendar year statutory valuation  
 5 interest rate for life insurance policies issued in a calendar year shall be  
 6 determined for 1980-~~1~~, using the reference interest rate defined for 1979),  
 7 and shall be determined for each subsequent calendar year regardless of  
 8 when K.S.A. 40-428(d-3), and amendments thereto, becomes operative.

9 (C) Weighting factors:

10 (1) The weighting factors referred to in the formulas stated above are  
 11 given in the following tables:

12 (a) Weighting factors for life insurance:

13 Guarantee Duration (Years)	Weighting Factors
14 10 or less .....	.50
15 More than 10, but not more than 20 .....	.45
16 More than 20 .....	.35

17 For life insurance, the guarantee duration is the maximum number of  
 18 years the life insurance can remain in force on a basis guaranteed in the  
 19 policy or under options to convert to plans of life insurance with premium  
 20 rates or nonforfeiture values, or both, which are guaranteed in the original  
 21 policy;

22 (b) Weighting factor for single premium immediate annuities and for  
 23 annuity benefits involving life contingencies arising from other annuities  
 24 with cash settlement options and guaranteed interest contracts with cash  
 25 settlement options:

26 .80

27 (c) Weighting factors for other annuities and for guaranteed interest  
 28 contracts, except as stated in (b) above, shall be as specified in tables (i),  
 29 (ii) and (iii) below, according to the rules and definitions in (iv), (v) and  
 30 (vi) below:

31 (i) For annuities and guaranteed interest contracts valued on an issue  
 32 year basis:

34 Guarantee Duration (Years)	Weighting Factor		
	for Plan Type		
	A	B	C
36 5 or less .....	.80	.60	.50
37 More than five, but not more than 10 .....	.75	.60	.50
38 More than 10, but not more than 20 .....	.65	.50	.45
39 More than 20 .....	.45	.35	.35

40 (ii)

	Plan Type		
	A	B	C

42 For annuities and guaranteed interest con-

1	tracts valued on a change in fund basis,			
2	the factors shown in (i) above increased			
3	by .....	.15	.25	.05
4	(iii)			
5			Plan Type	
6		A	B	C

7 For annuities and guaranteed interest con-  
 8 tracts valued on an issue year basis (other  
 9 than those with no cash settlement options)  
 10 which do not guarantee interest on con-  
 11 siderations received more than one year  
 12 after issue or purchase and for annuities and  
 13 guaranteed interest contracts valued on a  
 14 change in fund basis which do not guarantee  
 15 interest rates on considerations received  
 16 more than 12 months beyond the valuation  
 17 date, the factors shown in (i) or derived in  
 18 (ii) increased by..... .05 .05 .05

19 (iv) For other annuities with cash settlement options and guaranteed  
 20 interest contracts with cash settlement options, the guarantee duration is  
 21 the number of years for which the contract guarantees interest rates in  
 22 excess of the calendar year statutory valuation interest rate for life  
 23 insurance policies with guarantee duration in excess of 20 years. For other  
 24 annuities with no cash settlement options and for guaranteed interest  
 25 contracts with no cash settlement options, the guarantee duration is the  
 26 number of years from the date of issue or date of purchase to the date  
 27 annuity benefits are scheduled to commence.

28 (v) Plan type as used in the above tables is defined as follows:  
 29 Plan type A: At any time policyholder may withdraw funds only: (1)  
 30 With an adjustment to reflect changes in interest rates or asset values since  
 31 receipt of the funds by the insurer; or (2) without such adjustment but in  
 32 installments over five years or more; or (3) as an immediate life annuity;  
 33 or (4) no withdrawal permitted.

34 Plan type B: Before expiration of the interest rate guarantee,  
 35 policyholder may withdraw funds only: (1) With an adjustment to reflect  
 36 changes in interest rates or asset values since receipt of the funds by the  
 37 insurer; or (2) without such adjustment but in installments over five years  
 38 or more; or (3) no withdrawal permitted. At the end of interest rate  
 39 guarantee, funds may be withdrawn without such adjustment in a single  
 40 sum or installments over less than five years.

41 Plan type C: Policyholder may withdraw funds before expiration of  
 42 interest rate guarantee in a single sum or installments over less than five  
 43 years either: (1) Without adjustment to reflect changes in interest rates or

1 asset values since receipt of the funds by the insurance company; or (2)  
2 subject only to a fixed surrender charge stipulated in the contract as a  
3 percentage of the fund.

4 (vi) A company may elect to value guaranteed interest contracts with  
5 cash settlement options and annuities with cash settlement options on  
6 either an issue year basis or on a change in fund basis. Guaranteed interest  
7 contracts with no cash settlement options and other annuities with no cash  
8 settlement options must be valued on an issue year basis. As used in this  
9 paragraph (1-b), an issue year basis of valuation refers to a valuation basis  
10 under which the interest rate used to determine the minimum valuation  
11 standard for the entire duration of the annuity or guaranteed interest  
12 contract is the calendar year valuation interest rate for the year of issue or  
13 year of purchase of the annuity or guaranteed interest contract, and the  
14 change in fund basis of valuation refers to a valuation basis under which  
15 the interest rate used to determine the minimum valuation standard  
16 applicable to each change in the fund held under the annuity or guaranteed  
17 interest contract is the calendar year valuation interest rate for the year of  
18 the change in the fund.

19 (D) Reference interest rate:

20 (1) The reference interest rate referred to in paragraph ~~(B) of this~~  
21 ~~paragraph~~ (1-b)(B) shall be defined as follows:

22 (a) For all life insurance, the lesser of the average over a period of 36  
23 months and the average over a period of 12 months, ending on June 30 of  
24 the calendar year next preceding the year of issue, of Moody's corporate  
25 bond yield average—monthly average corporates, as published by  
26 Moody's investors service, inc.

27 (b) For single premium immediate annuities and for annuity benefits  
28 involving life contingencies arising from other annuities with cash  
29 settlement options and guaranteed interest contracts with cash settlement  
30 options, the average over a period of 12 months, ending on June 30 of the  
31 calendar year of issue or year of purchase, of Moody's corporate bond  
32 yield average—monthly average corporates, as published by Moody's  
33 investors service, inc.

34 (c) For other annuities with cash settlement options and guaranteed  
35 interest contracts with cash settlement options, valued on a year of issue  
36 basis, except as stated in (b) above, with guarantee duration in excess of 10  
37 years, the lesser of the average over a period of 36 months and the average  
38 over a period of 12 months, ending on June 30 of the calendar year of  
39 issue or purchase, of Moody's corporate bond yield average—monthly  
40 average corporates, as published by Moody's investors service, inc.

41 (d) For other annuities with cash settlement options and guaranteed  
42 interest contracts with cash settlement options, valued on a year of issue  
43 basis, except as stated in (b) above, with guaranteed duration of 10 years

1 or less, the average over a period of 12 months, ending on June 30 of the  
2 calendar year of issue or purchase, of Moody's corporate bond yield  
3 average—monthly average corporates, as published by Moody's investors  
4 service, inc.

5 (e) For other annuities with no cash settlement options and for  
6 guaranteed interest contracts with no cash settlement options, the average  
7 over a period of 12 months, ending on June 30 of the calendar year of  
8 issue or purchase, of Moody's corporate bond yield average—monthly  
9 average corporates, as published by Moody's investors service, inc.

10 (f) For other annuities with cash settlement options and guaranteed  
11 interest contracts with cash settlement options, valued on a change in fund  
12 basis, except as stated in (b) above, the average over a period of 12  
13 months, ending on June 30 of the calendar year of the change in the fund,  
14 of Moody's corporate bond yield average—monthly average corporates, as  
15 published by Moody's investors service, inc.

16 (E) Alternative method for determining reference interest rates:

17 (1) In the event that Moody's corporate bond yield average—monthly  
18 average corporates is no longer published by Moody's investors service,  
19 inc., or in the event that the ~~national association of insurance~~  
20 ~~commissioners~~ NAIC determines that Moody's corporate bond yield  
21 average—monthly average corporates as published by Moody's investors  
22 service, inc., is no longer appropriate for the determination of the reference  
23 interest rate, then an alternative method for determination of the reference  
24 interest rate, which is adopted by the ~~national association of insurance~~  
25 ~~commissioners~~ NAIC and approved by regulation promulgated by the  
26 commissioner, may be substituted.

27 (2) *Commissioners' reserve valuation method.* Except as otherwise  
28 provided in paragraphs (2-a) and (5) ~~of this subsection~~, reserves according  
29 to the commissioners' reserve valuation method, for the life insurance and  
30 endowment benefits of policies providing for a uniform amount of  
31 insurance and requiring the payment of uniform premiums, shall be the  
32 excess, if any, of the present value, at the date of valuation, of such future  
33 guaranteed benefits provided for by such policies, over the then present  
34 value of any future modified net premiums therefor.

35 The modified net premiums for any such policy shall be such uniform  
36 percentage of the respective contract premiums for ~~such~~ benefits *such* that  
37 the present value, at the date of issue of the policy, of all such modified net  
38 premiums shall be equal to the sum of the then present value of such  
39 benefits provided for by the policy and the excess of (A) over (B), as  
40 follows:

41 (A) A net level annual premium equal to the present value, at the date  
42 of issue, of such benefits provided for after the first policy year, divided by  
43 the present value, at the date of issue, of an annuity of one per annum



1 payable on the first and each subsequent anniversary of such policy on  
2 which a premium falls due. Such net level annual premium shall not  
3 exceed the net level annual premium on the nineteen-year premium whole  
4 life plan for insurance of the same amount at an age one year higher than  
5 the age at issue of such policy.

6 (B) A net one-year term premium for such benefits provided for in  
7 the first policy year.

8 Except for any life insurance policy issued on or after January 1, 1985,  
9 for which the contract premium in the first policy year exceeds that of the  
10 second year and for which no comparable additional benefit is provided in  
11 the first year for such excess and which provides an endowment benefit or  
12 a cash surrender value or a combination thereof in an amount greater than  
13 such excess premium, the reserve according to the commissioners' reserve  
14 valuation method as of any policy anniversary occurring on or before the  
15 assumed ending date defined herein as the first policy anniversary on  
16 which the sum of any endowment benefit and any cash surrender value  
17 then available is greater than such excess premium shall, except as  
18 otherwise provided in paragraph (5), be the greater of the reserve as of  
19 such policy anniversary calculated as described in this paragraph and the  
20 reserve as of such policy anniversary calculated as described in this  
21 paragraph, but with: (i) The value defined in subparagraph (A) of this  
22 paragraph being reduced by 15% of the amount of such excess first-year  
23 premium; (ii) all present values of benefits and premiums being  
24 determined without reference to premiums or benefits provided for by the  
25 policy after the assumed ending date; (iii) the policy being assumed to  
26 mature on such date as an endowment; and (iv) the cash surrender value  
27 provided on such date being considered as an endowment benefit. In  
28 making the above comparison the mortality and interest bases stated in  
29 paragraphs (1) and (1-b) shall be used.

30 Reserves according to the commissioners' reserve valuation method for:  
31 (i) Life insurance policies providing for a varying amount of insurance or  
32 requiring the payment of varying premiums; (ii) group annuity and pure  
33 endowment contracts purchased under a retirement plan or plan of  
34 deferred compensation, established or maintained by an employer—~~(~~  
35 including a partnership or sole proprietorship), or by an employee  
36 organization, or by both, other than a plan providing individual retirement  
37 accounts or individual retirement annuities under section 408 of the  
38 internal revenue code, as now or hereafter amended; (iii) disability and  
39 accidental death benefits in all policies and contracts; and (iv) all other  
40 benefits, except life insurance and endowment benefits in life insurance  
41 policies and benefits provided by all other annuity and pure endowment  
42 contracts, shall be calculated by a method consistent with the principles of  
43 this paragraph (2).

1 Reserves according to the commissioners' reserve valuation method for  
2 universal life contracts issued after December 31, 2006, providing for  
3 death benefits that are guaranteed to remain in effect if specified  
4 conditions, as defined in the universal life insurance contract are met by  
5 the contract owner, shall calculate the value of the guarantee by a method  
6 consistent with the principles of this paragraph (2). The use of anticipated  
7 lapse rates in such calculations shall not exceed 2% per annum.

8 (2-a) This section shall apply to all annuity and pure endowment  
9 contracts other than group annuity and pure endowment contracts  
10 purchased under a retirement plan or plan of deferred compensation,  
11 established or maintained by an employer~~}, including a partnership or sole~~  
12 ~~proprietorship}~~, or by an employee organization, or by both, other than a  
13 plan providing individual retirement accounts or individual retirement  
14 annuities under section 408 of the internal revenue code, as now or  
15 hereafter amended.

16 Reserves according to the commissioners' annuity reserve method for  
17 benefits under annuity or pure endowment contracts, excluding any  
18 disability and accidental death benefits in such contracts, shall be the  
19 greatest of the respective excesses of the present values, at the date of  
20 valuation, of the future guaranteed benefits, including guaranteed  
21 nonforfeiture benefits, provided for by such contracts at the end of each  
22 respective contract year, over the present value, at the date of valuation, of  
23 any future valuation considerations derived from future gross  
24 considerations, required by the terms of such contract, that become  
25 payable prior to the end of such respective contract year. The future  
26 guaranteed benefits shall be determined by using the mortality table, if  
27 any, and the interest rate, or rates, specified in such contracts for  
28 determining guaranteed benefits. The valuation considerations are the  
29 portions of the respective gross considerations applied under the terms of  
30 such contracts to determine nonforfeiture values.

31 (3) In no event shall a company's aggregate reserves for all life  
32 insurance policies, excluding disability and accidental death benefits, be  
33 less than the aggregate reserves calculated in accordance with the methods  
34 set forth in paragraphs (2), (2-a), (5) and (6) and the mortality table or  
35 tables and rate or rates of interest used in calculating nonforfeiture benefits  
36 for such policies.

37 (3-a) In no event shall the aggregate reserves for all policies,  
38 contracts and benefits be less than the aggregate reserves determined by  
39 the ~~qualified~~ *appointed* actuary rendering the opinion required by  
40 subsection (b) *and (b-1)*.

41 (4) Reserves for any category of policies, contracts or benefits as  
42 established by the commissioner of insurance may be calculated at the  
43 option of the company, according to any standards which produce greater

1 aggregate reserves for such category than those calculated according to the  
2 minimum standard herein provided, but the rate or rates of interest used for  
3 policies and contracts, other than annuity and pure endowment contracts,  
4 shall not be ~~higher~~ *greater* than the corresponding rate or rates of interest  
5 used in calculating any nonforfeiture benefits provided ~~for therein~~ *in the*  
6 *policies or contracts*.

7 (5) If in any contract year the gross premium charged by any life  
8 insurance company on any policy or contract is less than the valuation net  
9 premium for the policy or contract calculated by the method used in  
10 calculating the reserve thereon but using the minimum valuation standards  
11 of mortality and rate of interest, the minimum reserve required for such  
12 policy or contract shall be the greater of either the reserve calculated  
13 according to the mortality table, rate of interest, and method actually used  
14 for such policy or contract, or the reserve calculated by the method  
15 actually used for such policy or contract but using the minimum valuation  
16 standards of mortality and rate of interest and replacing the valuation net  
17 premium by the actual gross premium in each contract year for which the  
18 valuation net premium exceeds the actual gross premium.

19 The minimum valuation standards of mortality and rate of interest  
20 referred to in this section are those standards stated in paragraphs (1) and  
21 (1-b).

22 Except for any life insurance policy issued on or after January 1, 1988,  
23 for which the gross premium in the first policy year exceeds that of the  
24 second year and for which no comparable additional benefit is provided in  
25 the first year for such excess and which provides an endowment benefit or  
26 a cash surrender value or a combination thereof in an amount greater than  
27 such excess premium, the foregoing provisions of this paragraph (5) shall  
28 be applied as if the method actually used in calculating the reserve for such  
29 policy were the method described in paragraph (2), ignoring the third  
30 paragraph of paragraph (2). The minimum reserve at each policy  
31 anniversary of such a policy shall be the greater of the minimum reserve  
32 calculated in accordance with paragraph (2), including the third paragraph  
33 of paragraph (2), and the minimum reserve calculated in accordance with  
34 this paragraph (5).

35 (6) In the case of any plan of life insurance which provides for future  
36 premium determination, the amounts of which are to be determined by the  
37 insurance company based on then estimates of future experience, or in the  
38 case of any plan of life insurance or annuity which is of such a nature that  
39 the minimum reserves cannot be determined by the methods described in  
40 paragraphs (2), (2-a) and (5), the reserves which are held under any such  
41 plan must:

42 (a) (A) Be appropriate in relation to the benefits and the pattern of  
43 premiums for that plan, and

1        ~~(b)~~ (B) be computed by a method which is consistent with the  
2 principles of this standard valuation law, as determined by regulations  
3 promulgated by the commissioner.

4        (e) Any company organized under the laws of this state, which shall  
5 desire to do business in any other states wherein it is not permitted to issue  
6 or deliver policies valued as provided in subsection (d) ~~of this section~~, may  
7 value its policies issued and delivered in such other states as provided in  
8 subsection (c) ~~of this section~~.

9        (f) *For accident and sickness contracts issued prior to the operative*  
10 *date of the valuation manual*, the commissioner shall adopt rules and  
11 regulations establishing the minimum ~~standards applicable to the standard~~  
12 *of valuation of accident and sickness insurance* and may adopt other rules  
13 and regulations necessary to administer the provisions of this ~~act~~ *section*.  
14 *For accident and health insurance contracts issued on or after the*  
15 *operative date of the valuation manual*, the standard prescribed in the  
16 *valuation manual is the minimum standard of valuation required under*  
17 *subsection (a-1)(3).*

18        (g) *Valuation manual for policies issued on or after the operative*  
19 *date of the valuation manual.*

20        (1) *For policies issued on or after the operative date of the valuation*  
21 *manual*, the standard prescribed in the valuation manual is the minimum  
22 standard of valuation required under subsection (a-1)(3), except as  
23 provided under paragraphs (5) or (7).

24        (2) *The operative date of the valuation manual is January 1 of the*  
25 *first calendar year following the first July 1 as of which all of the*  
26 *following have occurred:*

27        (A) *The valuation manual has been adopted by the NAIC by an*  
28 *affirmative vote of at least 42 members, or  $\frac{3}{4}$  of the members voting,*  
29 *whichever is greater;*

30        (B) *the standard valuation law, as amended by the NAIC in 2009, or*  
31 *legislation including substantially similar terms and provisions, has been*  
32 *enacted by states representing greater than 75% of the direct premiums*  
33 *written as reported in the following annual statements submitted for 2008:*

34        (i) *Life, accident and health annual statements; (ii) health annual*  
35 *statements; or (iii) fraternal annual statements; and*

36        (C) *the standard valuation law, as amended by the NAIC in 2009, or*  
37 *legislation including substantially similar terms and provisions, has been*  
38 *enacted by at least 42 of the following 55 jurisdictions: (i) The 50 states of*  
39 *the United States; (ii) American Samoa; (iii) the American Virgin Islands;*  
40 *(iv) the District of Columbia; (v) Guam; and (vi) Puerto Rico.*

41        (3) *Unless a change in the valuation manual specifies a later*  
42 *effective date, changes to the valuation manual shall be effective on*  
43 *January 1 following the date when the change to the valuation manual has*

1 *been adopted by the NAIC by an affirmative vote representing:*

2 *(A) At least  $\frac{3}{4}$  of the members of the NAIC voting, but not less than a*  
3 *majority of the total membership; and*

4 *(B) members of the NAIC representing jurisdictions totaling greater*  
5 *than 75% of the direct premiums written as reported in the following*  
6 *annual statements most recently available prior to the vote in*  
7 *subparagraph (A): (i) Life, accident and health insurance statements; (ii)*  
8 *health annual statements; or (iii) fraternal annual statements, pursuant to*  
9 *K.S.A. 40-225, and amendments thereto.*

10 *(4) The valuation manual must specify all of the following:*

11 *(A) Minimum valuation standards for and definitions of the policies*  
12 *or contracts subject to subsection (a-1)(3). Such minimum valuation*  
13 *standards shall be:*

14 *(i) The commissioner's reserve valuation method for life insurance*  
15 *contracts, other than annuity contracts, subject to subsection (a-1)(3);*

16 *(ii) the commissioner's annuity reserve valuation method for annuity*  
17 *contracts subject to subsection (a-1)(3); and*

18 *(iii) minimum reserves for all other policies or contracts subject to*  
19 *subsection (a-1)(3);*

20 *(B) which policies or contracts or types of policies or contracts that*  
21 *are subject to the requirements of a principle-based valuation in*  
22 *subsection (h)(1) and the minimum valuation standards consistent with*  
23 *those requirements;*

24 *(C) for policies and contracts subject to a principle-based valuation*  
25 *under subsection (h):*

26 *(i) Requirements for the format of reports to the commissioner under*  
27 *subsection (h)(2)(C) and which shall include information necessary to*  
28 *determine if the valuation is appropriate and in compliance with this*  
29 *section;*

30 *(ii) assumptions shall be prescribed for risks over which the company*  
31 *does not have significant control or influence; and*

32 *(iii) procedures for corporate governance and oversight of the*  
33 *actuarial function, and a process for appropriate waiver or modification*  
34 *of such procedures;*

35 *(D) for policies not subject to a principle-based valuation under*  
36 *subsection (h), the minimum valuation standard shall either:*

37 *(i) Be consistent with the minimum standard of valuation prior to the*  
38 *operative date of the valuation manual; or*

39 *(ii) develop reserves that quantify the benefits and guarantees, and*  
40 *the funding, associated with the contracts and their risks at a level of*  
41 *conservatism that reflects conditions that include unfavorable events that*  
42 *have a reasonable probability of occurring.*

43 *(E) other requirements, including, but not limited to, those relating to*

1 *reserve methods, models for measuring risk, generation of economic*  
2 *scenarios, assumptions, margins, use of company experience, risk*  
3 *measurement, disclosure, certifications, reports, actuarial opinions and*  
4 *memorandums, transition rules and internal controls; and*

5 *(F) the data and form of the data required under subsection (i), with*  
6 *whom the data must be submitted, and may specify other requirements*  
7 *including data analyses and reporting of analyses.*

8 *(5) In the absence of a specific valuation requirement or if a specific*  
9 *valuation requirement in the valuation manual is not, in the opinion of the*  
10 *commissioner, in compliance with this section, then the company shall,*  
11 *with respect to such requirements, comply with minimum valuation*  
12 *standards prescribed by the commissioner by rules and regulations.*

13 *(6) The commissioner may engage a qualified actuary, at the expense*  
14 *of the company, to perform an actuarial examination of the company and*  
15 *opine on the appropriateness of any reserve assumption or method used by*  
16 *the company, or to review and opine on a company's compliance with any*  
17 *requirement set forth in this section. The commissioner may rely upon the*  
18 *opinion, regarding provisions contained within this section, of a qualified*  
19 *actuary engaged by the commissioner of another state, district or territory*  
20 *of the United States. As used in this paragraph, the term "engage"*  
21 *includes employment and contracting.*

22 *(7) The commissioner may require a company to change any*  
23 *assumption or method that in the opinion of the commissioner is necessary*  
24 *in order to comply with requirements of the valuation manual or this*  
25 *section; and the company shall adjust the reserves as required by the*  
26 *commissioner. The commissioner may take other disciplinary action as*  
27 *permitted pursuant to K.S.A. 77-501 et seq., and amendments thereto.*

28 *(h) Requirements of a principle-based valuation.*

29 *(1) A company must establish reserves using a principle-based*  
30 *valuation that meets the following conditions for policies or contracts as*  
31 *specified in the valuation manual:*

32 *(A) Quantify the benefits and guarantees, and the funding, associated*  
33 *with the contracts and their risks at a level of conservatism that reflects*  
34 *conditions that include unfavorable events that have a reasonable*  
35 *probability of occurring during the lifetime of the contracts. For policies*  
36 *or contracts with significant tail risk, a level of conservatism that reflects*  
37 *conditions appropriately adverse to quantify the tail risk;*

38 *(B) incorporate assumptions, risk analysis methods and financial*  
39 *models and management techniques that are consistent with, but not*  
40 *necessarily identical to, those utilized within the company's overall risk*  
41 *assessment process, while recognizing potential differences in financial*  
42 *reporting structures and any prescribed assumptions or methods;*

43 *(C) incorporate assumptions that are derived in one of the following*

1 *manners:*

2 *(i) The assumption is prescribed in the valuation manual; and*

3 *(ii) for assumptions that are not prescribed, the assumptions shall be*  
4 *established utilizing the company's available experience, to the extent it is*  
5 *relevant and statistically credible; or to the extent that company data is*  
6 *not available, relevant or statistically credible, be established utilizing*  
7 *other relevant, statistically credible experience; and*

8 *(D) provide margins for uncertainty, including adverse deviation and*  
9 *estimation error, such that the greater the uncertainty the larger the*  
10 *margin and resulting reserve.*

11 *(2) A company using a principle-based valuation for one or more*  
12 *policies or contracts subject to this subsection as specified in the valuation*  
13 *manual shall:*

14 *(A) Establish procedures for corporate governance and oversight of*  
15 *the actual valuation function consistent with those described in the*  
16 *valuation manual;*

17 *(B) provide to the commissioner and the board of directors an annual*  
18 *certification of the effectiveness of the internal controls with respect to the*  
19 *principle-based valuation. Such controls shall be designed to assure that*  
20 *all material risks inherent in the liabilities and associated assets subject to*  
21 *such valuation are included in the valuation, and that valuations are made*  
22 *in accordance with the valuation manual. The certification shall be based*  
23 *on the controls in place as of the end of the preceding calendar year; and*

24 *(C) develop, and file with the commissioner upon request, a*  
25 *principle-based valuation report that complies with standards prescribed*  
26 *in the valuation manual.*

27 *(3) A principle-based valuation may include a prescribed formulaic*  
28 *reserve component.*

29 *(i) Experience reporting for policies in force on or after the operative*  
30 *date of the valuation manual.*

31 *A company shall submit mortality, morbidity, policyholder behavior or*  
32 *expense experience and other data as prescribed in the valuation manual.*

33 *(j) Confidentiality.*

34 *(1) For purposes of this subsection, "confidential information"*  
35 *means:*

36 *(A) A memorandum in support of an opinion submitted under*  
37 *subsections (b) or (b-1) and any other documents, materials and other*  
38 *information, including, but not limited to, all working papers, and copies*  
39 *thereof, created, produced or obtained by or disclosed to the commissioner*  
40 *or any other person in connection with such memorandum;*

41 *(B) all documents, materials and other information, including, but*  
42 *not limited to, all working papers, and copies thereof, created, produced*  
43 *or obtained by or disclosed to the commissioner or any other person in the*

1 course of an examination made under subsection (g)(6); except, that if an  
2 examination report or other material prepared in connection with an  
3 examination made under K.S.A. 40-222, and amendments thereto, is not  
4 held as private and confidential information under K.S.A. 40-222, and  
5 amendments thereto, an examination report or other material prepared in  
6 connection with an examination made under subsection (g)(6) shall not be  
7 "confidential information" to the same extent as if such examination report  
8 or other material had been prepared under K.S.A. 40-222, and  
9 amendments thereto;

10 (C) any reports, documents, materials and other information  
11 developed by a company in support of, or in connection with, an annual  
12 certification by the company under subsection (h)(2)(B) evaluating the  
13 effectiveness of the company's internal controls with respect to a principle-  
14 based valuation and any other documents, materials and other  
15 information, including, but not limited to, all working papers, and copies  
16 thereof, created, produced or obtained by or disclosed to the commissioner  
17 or any other person in connection with such reports, documents, materials  
18 or other information;

19 (D) Any principle-based valuation report developed under subsection  
20 (h)(2)(C) and any other documents, materials and other information,  
21 including, but not limited to, all working papers, and copies thereof,  
22 created, produced or obtained by or disclosed to the commissioner or any  
23 other person in connection with such report: and

24 (E) any documents, materials, data and other information submitted  
25 by a company under subsection (i), collectively, "experience data," and  
26 any other documents, materials, data and other information, including,  
27 but not limited to, all working papers, and copies thereof, created or  
28 produced in connection with such experience data, in each case that  
29 include any potentially company-identifying or personally identifiable  
30 information, that is provided to or obtained by the commissioner, together  
31 with any "experience data," the "experience materials," and any other  
32 documents, materials, data and other information, including, but not  
33 limited to, all working papers, and copies thereof, created, produced or  
34 obtained by or disclosed to the commissioner or any other person in  
35 connection with such experience materials.

36 (2) Privilege for, and confidentiality of, confidential information.

37 (A) Except as provided in this subsection, a company's confidential  
38 information is confidential by law and privileged, and shall not be subject  
39 to K.S.A. 45-215 et seq., and amendments thereto, shall not be subject to  
40 subpoena and shall not be subject to discovery or admissible in evidence  
41 in any private civil action; except, that the commissioner is authorized to  
42 use the confidential information in the furtherance of any regulatory or  
43 legal action brought against the company as a part of the commissioner's



1 *official duties.*

2 *(B) Neither the commissioner nor any person who received*  
3 *confidential information while acting under the authority of the*  
4 *commissioner shall be permitted or required to testify in any private civil*  
5 *action concerning any confidential information.*

6 *(C) In order to assist in the performance of the commissioner's*  
7 *duties, the commissioner may share confidential information: (i) With*  
8 *other state, federal and international regulatory agencies and with the*  
9 *NAIC and its affiliates and subsidiaries; and (ii) in the case of confidential*  
10 *information specified in subsections (j)(1)(A) and (j)(1)(D) only, with the*  
11 *actuarial board for counseling and discipline or its successor upon*  
12 *request stating that the confidential information is required for the*  
13 *purpose of professional disciplinary proceedings and with state, federal*  
14 *and international law enforcement officials; in the case of (i) and (ii),*  
15 *provided that such recipient agrees, and has the legal authority to agree,*  
16 *to maintain the confidentiality and privileged status of such documents,*  
17 *materials, data and other information in the same manner and to the same*  
18 *extent as required for the commissioner.*

19 *(D) The commissioner may receive documents, materials, data and*  
20 *other information, including otherwise confidential and privileged*  
21 *documents, materials, data or information, from the NAIC and its affiliates*  
22 *and subsidiaries, from regulatory or law enforcement officials of other*  
23 *foreign or domestic jurisdictions and from the actuarial board for*  
24 *counseling and discipline or its successor and shall maintain as*  
25 *confidential or privileged any document, material, data or other*  
26 *information received with notice or the understanding that it is*  
27 *confidential or privileged under the laws of the jurisdiction that is the*  
28 *source of the document, material or other information.*

29 *(E) The commissioner may enter into agreements governing sharing*  
30 *and use of information consistent with this subsection (j)(2).*

31 *(F) No waiver of any applicable privilege or claim of confidentiality*  
32 *in the confidential information shall occur as a result of disclosure to the*  
33 *commissioner under this subsection or as a result of sharing as authorized*  
34 *in subsection (j)(2)(C).*

35 *(G) A privilege established under the law of any state or jurisdiction*  
36 *that is substantially similar to the privilege established under this*  
37 *subsection (j)(2) shall be available and enforced in any proceeding in, and*  
38 *in any court of, this state.*

39 *(H) In this subsection, "regulatory agency," "law enforcement*  
40 *agency" and the "NAIC" include, but are not limited to, their employees,*  
41 *agents, consultants and contractors.*

42 *(3) Notwithstanding subsection (j)(2), any confidential information*  
43 *specified in subsections (j)(1)(A) and (j)(1)(D):*

1       (A) *May be subject to subpoena for the purpose of defending an*  
 2 *action seeking damages from the appointed actuary submitting the related*  
 3 *memorandum in support of an opinion submitted under subsections (b) or*  
 4 *(b-1) or principle-based valuation report developed under subsection (h)*  
 5 *(2)(C) of this section by reason of an action required by this section or by*  
 6 *rules and regulations promulgated hereunder;*

7       (B) *may otherwise be released by the commissioner with the written*  
 8 *consent of the company; and*

9       (C) *once any portion of a memorandum in support of an opinion*  
 10 *submitted under subsections (b) or (b-1) or a principle-based valuation*  
 11 *report developed under subsection (h)(2)(C) is cited by the company in its*  
 12 *marketing or is publicly volunteered to or before a governmental agency*  
 13 *other than a state insurance department or is released by the company to*  
 14 *the news media, all portions of such memorandum or report shall no*  
 15 *longer be confidential.*

16       (k) *Single state exemption.*

17       (1) *The commissioner may exempt specific product forms or product*  
 18 *lines of a domestic company that is licensed and doing business only in*  
 19 *Kansas from the requirements of subsection (g) if:*

20       (A) *The commissioner has issued an exemption in writing to the*  
 21 *company and has not subsequently revoked the exemption in writing; and*

22       (B) *the company computes reserves using assumptions and methods*  
 23 *used prior to the operative date of the valuation manual in addition to any*  
 24 *requirements established by the commissioner and promulgated by rules*  
 25 *and regulations.*

26       (2) *For any company granted an exemption under this subsection,*  
 27 *subsections (b), (b-1), (d) and (f) shall be applicable. With respect to any*  
 28 *company applying this exemption, any reference to subsection (g) found in*  
 29 *subsections (b), (b-1), (d) and (f) shall not be applicable.*

30       Sec. 2. K.S.A. 2014 Supp. 40-428 is hereby amended to read as  
 31 follows: 40-428. (a) *The term "operative date of the valuation manual"*  
 32 *means the January 1 of the first calendar year that the valuation manual*  
 33 *as defined in K.S.A. 40-409, and amendments thereto, is effective.*

34       (1) *In the case of policies issued on or after the operative date of this*  
 35 *section, as defined in subsection (d-1), (d-2), (d-3) or (i), no policy of life*  
 36 *insurance, except as stated in subsection (h) shall be delivered or issued for*  
 37 *delivery in this state unless it shall contain in substance the following*  
 38 *provisions, or corresponding provisions which in the opinion of the*  
 39 *commissioner of insurance are at least as favorable to the defaulting or*  
 40 *surrendering policyholder as are the minimum requirements hereinafter*  
 41 *specified and are essentially in compliance with subsection (g) of this*  
 42 *section.*

43       (†) (A) *In the event of default in any premium payment, the company*

1 will grant, upon proper request not later than 60 days after the due date of  
2 the premium in default, a paid-up nonforfeiture benefit on a plan stipulated  
3 in the policy, effective as of such due date, of such amount as may be  
4 hereinafter specified.

5 In lieu of such stipulated paid-up nonforfeiture benefit, the company  
6 may substitute, upon proper request not later than 60 days after the due  
7 date of the premium in default, an actuarially equivalent alternative paid-  
8 up nonforfeiture benefit which provides a greater amount or longer period  
9 of death benefits or, if applicable, a greater amount or earlier payment of  
10 endowment benefits.

11 ~~(ii)~~ (B) Upon surrender of the policy within 60 days after the due date  
12 of any premium payment in default after premiums have been paid for at  
13 least three full years in the case of ordinary insurance or five full years in  
14 the case of industrial insurance, the company will pay, in lieu of any paid-  
15 up nonforfeiture benefit, a cash surrender value of such amount as may be  
16 hereinafter specified.

17 ~~(iii)~~ (C) A specified paid-up nonforfeiture benefit shall become  
18 effective as specified in the policy unless the person entitled to make such  
19 election elects another available option not later than 60 days after the due  
20 date of the premium in default.

21 ~~(iv)~~ (D) If the policy shall have become paid-up by completion of all  
22 premium payments or if it is continued under any paid-up nonforfeiture  
23 benefit which became effective on or after the third policy anniversary in  
24 the case of ordinary insurance or the fifth policy anniversary in the case of  
25 industrial insurance, the company will pay, upon surrender of the policy  
26 within 30 days after any policy anniversary, a cash surrender value of such  
27 amount as may be hereinafter specified.

28 ~~(v)~~ (E) In the case of policies which cause on a basis guaranteed in  
29 the policy unscheduled changes in benefits or premiums, or which provide  
30 an option for changes in benefits or premiums other than a change to a  
31 new policy, a statement of the mortality table, interest rate, and method  
32 used in calculating cash surrender values and the paid-up nonforfeiture  
33 benefits available under the policy. In the case of all other policies, a  
34 statement of the mortality table and interest rate used in calculating the  
35 cash surrender values and the paid-up nonforfeiture benefits available  
36 under the policy, together with a table showing the cash surrender value, if  
37 any, and paid-up nonforfeiture benefit, if any, available under the policy on  
38 each policy anniversary either during the first 20 policy years or during the  
39 term of the policy, whichever is shorter, such values and benefits to be  
40 calculated upon the assumption that there are no dividends or paid-up  
41 additions credited to the policy and that there is no indebtedness to the  
42 company on the policy.

43 ~~(vi)~~ (F) A statement that the cash surrender values and the paid-up

1 nonforfeiture benefits available under the policy are not less than the  
2 minimum values and benefits required by or pursuant to any statute of the  
3 state in which the policy is delivered; and an explanation of the manner in  
4 which the cash surrender values and the paid-up nonforfeiture benefits are  
5 altered by the existence of any paid-up additions credited to the policy or  
6 any indebtedness to the company on the policy; if a detailed statement of  
7 the method of computation of the values and benefits shown in the policy  
8 is not stated therein, a statement that such method of computation has been  
9 filed with the insurance supervisory official of the state in which the policy  
10 is delivered; and, a statement of the method to be used in calculating the  
11 cash surrender value and paid-up nonforfeiture benefit available under the  
12 policy on any policy anniversary beyond the last anniversary for which  
13 such values and benefits are consecutively shown in the policy.

14 Any of the foregoing provisions or portions thereof not applicable by  
15 reason of the plan of insurance may, to the extent inapplicable, be omitted  
16 from the policy with the consent of the insurance commissioner.

17 The company shall reserve the right to defer the payment of any cash  
18 surrender value for a period of six months after demand therefor with  
19 surrender of the policy. During such period of deferment, any interest or  
20 dividends that would accrue in the absence of a surrender of the policy  
21 shall continue to accrue until such surrender value is paid.

22 (b) Any cash surrender value available under the policy in the event  
23 of default in a premium payment due on any policy anniversary, whether  
24 or not required by subsection (a), shall be an amount not less than the  
25 excess, if any, of the present value, on such anniversary, of the future  
26 guaranteed benefits which would have been provided for by the policy,  
27 including any existing paid-up additions, if there had been no default, over  
28 the sum of: ~~(i)~~ (1) The then present value of the adjusted premiums as  
29 defined in subsections (d), (d-1), (d-2) and (d-3), corresponding to  
30 premiums which would have fallen due on and after such anniversary; and  
31 ~~(ii)~~ (2) the amount of any indebtedness to the company on the policy.

32 For any policy issued on or after the operative date of subsection (d-3)  
33 as defined therein, which provides supplemental life insurance or annuity  
34 benefits at the option of the insured and for an identifiable additional  
35 premium by rider or supplemental policy provision, the cash surrender  
36 value referred to in the first paragraph of this subsection shall be an  
37 amount not less than the sum of the cash surrender value as defined in  
38 such paragraph for an otherwise similar policy issued at the same age  
39 without such rider or supplemental policy provision and the cash surrender  
40 value as defined in such paragraph for a policy which provides only the  
41 benefits otherwise provided by such rider or supplemental policy  
42 provision.

43 For any family policy issued on or after the operative date of subsection

1 (d-3) as defined therein, which defines a primary insured and provides  
2 term insurance on the life of the spouse of the primary insured expiring  
3 before the spouse's age 71, the cash surrender value referred to in the first  
4 paragraph of this subsection shall be an amount not less than the sum of  
5 the cash surrender value as defined in such paragraph for an otherwise  
6 similar policy issued at the same age without such term insurance on the  
7 life of the spouse and the cash surrender value as defined in such  
8 paragraph for a policy which provides only the benefits otherwise  
9 provided by such term insurance on the life of the spouse.

10 Any cash surrender value available within 30 days after any policy  
11 anniversary under any policy paid-up by completion of all premium  
12 payments or any policy continued under any paid-up nonforfeiture benefit,  
13 whether or not required by subsection (a), shall be an amount not less than  
14 the present value, on such anniversary, of the future guaranteed benefits  
15 provided for by the policy, including any existing paid-up additions,  
16 decreased by any indebtedness to the company on the policy.

17 (c) Any paid-up nonforfeiture benefit available under the policy in the  
18 event of default in a premium payment due on any policy anniversary shall  
19 be such that its present value as of such anniversary shall be at least equal  
20 to the cash surrender value then provided for by the policy, or, if none is  
21 provided for, that cash surrender value which would have been required by  
22 this section in the absence of the condition that premiums shall have been  
23 paid for at least a specified period.

24 (d) This subsection (d) shall not apply to policies issued on and after  
25 the operative date of subsection (d-3), as defined therein. Except as  
26 provided in the third paragraph of this subsection, the adjusted premiums  
27 for any policy shall be calculated on an annual basis and shall be such  
28 uniform percentage of the respective premiums specified in the policy for  
29 each policy year, excluding amounts stated in the policy as extra premiums  
30 to cover impairments or special hazards, that the present value, at the date  
31 of issue of the policy, of all such adjusted premiums shall be equal to the  
32 sum of: ~~(i)~~ (1) The then present value of the future guaranteed benefits  
33 provided for by the policy; ~~(ii)~~ (2) two percent of the amount of insurance,  
34 if the insurance be uniform in amount, or of the equivalent uniform  
35 amount, as hereinafter defined, if the amount of insurance varies with  
36 duration of the policy; ~~(iii)~~ (3) forty percent of the adjusted premium for  
37 the first policy year; ~~(iv)~~ (4) twenty-five percent of either the adjusted  
38 premium for the first policy year or the adjusted premium for a whole life  
39 policy of the same uniform or equivalent uniform amount with uniform  
40 premiums for the whole life issued at the same age for the same amount of  
41 insurance, whichever is less. In applying the percentages specified in ~~(iii)~~  
42 (3) and ~~(iv)~~ (4) above, no adjusted premium shall be deemed to exceed 4%  
43 of the amount of insurance or uniform amount equivalent thereto. The date

1 of issue of a policy for the purpose of this subsection shall be the date as of  
2 which the rated age of the insured is determined.

3 In the case of a policy providing an amount of insurance varying with  
4 duration of the policy, the equivalent uniform amount thereof for the  
5 purpose of this subsection shall be deemed to be the uniform amount of  
6 insurance provided by an otherwise similar policy, containing the same  
7 endowment benefit or benefits, if any, issued at the same age and for the  
8 same term, the amount of which does not vary with duration and the  
9 benefits under which have the same present value at the date of issue as  
10 the benefits under the policy. In the case of a policy issued at an age less  
11 than 10 years the equivalent uniform amount of insurance may be based  
12 upon the amount of insurance after age 10.

13 The adjusted premiums for any policy providing term insurance  
14 benefits by rider or supplemental policy provision shall be equal to: (a)  
15 The adjusted premiums for an otherwise similar policy issued at the same  
16 age without such term insurance benefits, increased, during the period for  
17 which premiums for such term insurance benefits are payable, by (b) the  
18 adjusted premiums for such term insurance, the foregoing items (a) and (b)  
19 being calculated separately and as specified in the first two paragraphs of  
20 this subsection except that, for the purposes of ~~(ii) (2), (iii) (3) and (iv) (4)~~  
21 of the first such paragraph, the amount of insurance or equivalent uniform  
22 amount of insurance used in the calculation of the adjusted premiums  
23 referred to in (b) shall be equal to the excess of the corresponding amount  
24 determined for the entire policy over the amount used in the calculation of  
25 the adjusted premiums in (a).

26 Except as otherwise provided in subsections (d-1) and (d-2), all  
27 adjusted premiums and present values referred to in this section shall for  
28 all policies of ordinary insurance be calculated on the basis of the  
29 commissioners' 1941 standard ordinary mortality table. For any category  
30 of ordinary insurance issued on female risks, adjusted premiums and  
31 present values may be calculated, according to an age not more than three  
32 years younger than the actual age of the insured. Such calculations for all  
33 policies of industrial insurance shall be made on the basis of the 1941  
34 standard industrial mortality table. All calculations shall be made on the  
35 basis of the rate of interest, not exceeding 3½% per annum, specified in  
36 the policy for calculating cash surrender values and paid-up nonforfeiture  
37 benefits. In calculating the present value of any paid-up term insurance  
38 with accompanying pure endowment, if any, offered as a nonforfeiture  
39 benefit, the rates of mortality assumed may be not more than 130% of the  
40 rates of mortality according to such applicable table. If the rate of  
41 mortality used exceeds 100% the rate shall be stated in the policy. For  
42 insurance issued on a substandard basis, the calculation of any such  
43 adjusted premiums and present values may be based on such other table of

1 mortality as may be specified by the company and approved by the  
2 commissioner of insurance.

3 (d-1) This subsection (d-1) shall not apply to ordinary policies issued  
4 on or after the operative date of subsection (d-3), as defined therein. In the  
5 case of ordinary policies issued on or after the operative date of this  
6 subsection (d-1) as defined herein, all adjusted premiums, as defined in  
7 subsection (d), and present values referred to in this section shall be  
8 calculated on the basis of the commissioners' 1958 standard ordinary  
9 mortality table and the rate of interest specified in the policy for  
10 calculating cash surrender values and paid-up nonforfeiture benefits. Such  
11 rate of interest shall not exceed 3½% per annum, except that a rate of  
12 interest not exceeding 4% per annum may be used for policies issued on or  
13 after July 1, 1973, and prior to July 1, 1978, and a rate of interest not  
14 exceeding 5½% per annum may be used for policies issued on or after  
15 July 1, 1978, except that for any single premium whole life or endowment  
16 insurance policy a rate of interest not exceeding 6½% per annum may be  
17 used. For any category of ordinary insurance issued on female risks,  
18 adjusted premiums and present values may be calculated according to an  
19 age not more than six years younger than the actual age of the insured. In  
20 calculating the present value of any paid-up term insurance with  
21 accompanying pure endowment, if any, offered as a nonforfeiture benefit,  
22 the rates of mortality assumed may be not more than those shown in the  
23 commissioners' 1958 extended term insurance table. For insurance issued  
24 on a substandard basis, the calculation of any such adjusted premiums and  
25 present values may be based on such other table of mortality as may be  
26 specified by the company and approved by the commissioner.

27 After the effective date of this subsection (d-1), any company may file  
28 with the commissioner a written notice of its election to comply with the  
29 provisions of this subsection after a specified date. After the filing of such  
30 notice, then upon such specified date~~(, which shall be the operative date of~~  
31 ~~this subsection for such company)~~, this subsection shall become operative  
32 with respect to the ordinary policies thereafter issued by such company.  
33 Any company, having filed such notice of election to comply with this  
34 subsection, and desiring to withdraw from such election as to future  
35 policies may file with the commissioner of insurance a written notice of  
36 such withdrawal after a specified date, and of its intention to value all its  
37 future policies in accordance with the provisions of law applicable to the  
38 basis used prior to such election and to provide nonforfeiture benefits and  
39 cash surrender values in future policies as required for the basis used prior  
40 to such election.

41 (d-2) This subsection (d-2) shall not apply to industrial policies  
42 issued on or after the operative date of subsection (d-3), as defined therein.  
43 In the case of industrial policies issued on or after the operative date of this

1 subsection (d-2) as defined herein, all adjusted premiums and present  
2 values referred to in this section shall be calculated on the basis of the  
3 commissioners' 1961 standard industrial mortality table and the rate of  
4 interest specified in the policy for calculating cash surrender values and  
5 paid-up nonforfeiture benefits. Such rate of interest shall not exceed  $3\frac{1}{2}\%$   
6 per annum, except that a rate of interest not exceeding  $4\%$  per annum may  
7 be used for policies issued on or after July 1, 1973, and prior to July 1,  
8 1978, and a rate of interest not exceeding  $5\frac{1}{2}\%$  per annum may be used  
9 for policies issued on or after July 1, 1978, except that for any single  
10 premium whole life or endowment insurance policy a rate of interest not  
11 exceeding  $6\frac{1}{2}\%$  per annum may be used. In calculating the present value  
12 of any paid-up term insurance with accompanying pure endowment, if any,  
13 offered as a nonforfeiture benefit, the rates of mortality assumed may be  
14 not more than those shown in the commissioners' 1961 industrial extended  
15 term insurance table. For insurance issued on a substandard basis, the  
16 calculations of such adjusted premiums and present values may be based  
17 on such other table of mortality as may be specified by the company and  
18 approved by the commissioner.

19 After the effective date of this subsection (d-2), any company may file  
20 with the commissioner a written notice of its election to comply with the  
21 provisions of this subsection after a specified date. After the filing of such  
22 notice, then upon such specified date~~),~~ which shall be the operative date of  
23 this subsection for such company), this subsection shall become operative  
24 with respect to the industrial policies thereafter issued by such company.  
25 Any company having filed such notice of election to comply with this  
26 subsection, and desiring to withdraw from such election as to future  
27 policies may file with the commissioner of insurance a written notice of  
28 such withdrawal after a specified date, and of its intention to value all its  
29 future policies in accordance with provisions of law applicable to the basis  
30 used prior to such elections and to provide nonforfeiture benefits and cash  
31 surrender values in future policies as required for the basis used prior to  
32 such election.

33 (d-3) (1) This subsection shall apply to all policies issued on or after  
34 the operative date of this subsection (d-3), as defined herein. Except as  
35 provided in the seventh paragraph of this subsection, the adjusted  
36 premiums for any policy shall be calculated on an annual basis and shall  
37 be such uniform percentage of the respective premiums specified in the  
38 policy for each policy year, excluding amounts payable as extra premiums  
39 to cover impairments or special hazards and also excluding any uniform  
40 annual contract charge or policy fee specified in the policy in a statement  
41 of the method to be used in calculating the cash surrender values and paid-  
42 up nonforfeiture benefits, that the present value, at the date of issue of the  
43 policy, of all adjusted premiums shall be equal to the sum of: ~~(i)~~ (A) The



1 then present value of the future guaranteed benefits provided for by the  
2 policy; ~~(ii)~~ (B) one percent of either the amount of insurance, if the  
3 insurance be uniform in amount, or the average amount of insurance at the  
4 beginning of each of the first 10 policy years; and ~~(iii)~~ (C) one hundred  
5 twenty-five percent of the nonforfeiture net level premium as hereinafter  
6 defined. In applying the percentage specified in ~~(iii)~~ (C) above, no  
7 nonforfeiture net level premium shall be deemed to exceed 4% of either  
8 the amount of insurance, if the insurance be uniform in amount, or the  
9 average amount of insurance at the beginning of each of the first 10 policy  
10 years. The date of issue of a policy for the purpose of this subsection shall  
11 be the date as of which the rated age of the insured is determined.

12 (2) The nonforfeiture net level premium shall be equal to the present  
13 value, at the date of issue of the policy, of the guaranteed benefits provided  
14 for by the policy divided by the present value, at the date of issue of the  
15 policy, of an annuity of one per annum payable on the date of issue of the  
16 policy and on each anniversary of such policy on which a premium falls  
17 due.

18 (3) In the case of policies which cause on a basis guaranteed in the  
19 policy unscheduled changes in benefits or premiums, or which provide an  
20 option for changes in benefits or premiums other than a change to a new  
21 policy, the adjusted premiums and present values shall initially be  
22 calculated on the assumption that future benefits and premiums do not  
23 change from those stipulated at the date of issue of the policy. At the time  
24 of any such change in the benefits or premiums the future adjusted  
25 premiums, nonforfeiture net level premiums and present values shall be  
26 recalculated on the assumption that future benefits and premiums do not  
27 change from those stipulated by the policy immediately after the change.

28 (4) Except as otherwise provided in the seventh paragraph of this  
29 subsection, the recalculated future adjusted premiums for any such policy  
30 shall be such uniform percentage of the respective future premiums  
31 specified in the policy for each policy year, excluding amounts payable as  
32 extra premiums to cover impairments and special hazards, and also  
33 excluding any uniform annual contract charge or policy fee specified in the  
34 policy in a statement of the method to be used in calculating the cash  
35 surrender values and paid-up nonforfeiture benefits, that the present value,  
36 at the time of change to the newly defined benefits or premiums, of all  
37 such future adjusted premiums shall be equal to the excess of: (A) The  
38 sum of: (i) The then present value of the then future guaranteed benefits  
39 provided for by the policy; and (ii) the additional expense allowance, if  
40 any, over (B) the then cash surrender value, if any, or present value of any  
41 paid-up nonforfeiture benefit under the policy.

42 (5) The additional expense allowance, at the time of the change to the  
43 newly defined benefits or premiums, shall be the sum of: ~~(i)~~ (A) One

1 percent of the excess, if positive, of the average amount of insurance at the  
2 beginning of each of the first 10 policy years subsequent to the change  
3 over the average amount of insurance prior to the change at the beginning  
4 of each of the first 10 policy years subsequent to the time of the most  
5 recent previous change, or, if there has been no previous change, the date  
6 of issue of the policy; and ~~(ii)~~ (B) one hundred twenty-five percent of the  
7 increase, if positive, in the nonforfeiture net level premium.

8 (6) The recalculated nonforfeiture net level premium shall be equal to  
9 the result obtained by dividing (A) by (B) where (A) equals the sum of: (i)  
10 The nonforfeiture net level premium applicable prior to the change times  
11 the present value of an annuity of one per annum payable on each  
12 anniversary of the policy on or subsequent to the date of the change on  
13 which a premium would have fallen due had the change not occurred; and  
14 (ii) the present value of the increase in future guaranteed benefits provided  
15 for by the policy; and

16 (B) Equals the present value of an annuity of one per annum payable  
17 on each anniversary of the policy on or subsequent to the date of change  
18 on which a premium falls due.

19 (7) Notwithstanding any other provisions of this subsection to the  
20 contrary, in the case of a policy issued on a substandard basis which  
21 provides reduced graded amounts of insurance so that, in each policy year,  
22 such policy has the same tabular mortality cost as an otherwise similar  
23 policy issued on the standard basis which provides higher uniform  
24 amounts of insurance, adjusted premiums and present values for such  
25 substandard policy may be calculated as if it were issued to provide such  
26 higher uniform amounts of insurance on the standard basis.

27 (8) All adjusted premiums and present values referred to in this  
28 section shall for all policies of ordinary insurance be calculated on the  
29 basis of: ~~(i)~~ (A) The commissioners' 1980 standard ordinary mortality  
30 table; or ~~(ii)~~ (B) at the election of the company for any one or more  
31 specified plans of life insurance, the commissioners' 1980 standard  
32 ordinary mortality table with ten-year select mortality factors; shall for all  
33 policies of industrial insurance be calculated on the basis of the  
34 commissioners' 1961 standard industrial mortality table; and shall for all  
35 policies issued in a particular calendar year be calculated on the basis of a  
36 rate of interest not exceeding the nonforfeiture interest rate as defined in  
37 this subsection for policies issued in that calendar year. Except:

38 ~~(A)~~ (i) At the option of the company, calculations for all policies  
39 issued in a particular calendar year may be made on the basis of a rate of  
40 interest not exceeding the nonforfeiture interest rate, as defined in this  
41 subsection, for policies issued in the immediately preceding calendar year.

42 ~~(B)~~ (ii) Under any paid-up nonforfeiture benefit, including any paid-  
43 up dividend additions, any cash surrender value available, whether or not

1 required by subsection (a), shall be calculated on the basis of the mortality  
2 table and rate of interest used in determining the amount of such paid-up  
3 nonforfeiture benefit and paid-up dividend additions, if any.

4 ~~(C)~~ (iii) A company may calculate the amount of any guaranteed  
5 paid-up nonforfeiture benefit including any paid-up additions under the  
6 policy on the basis of an interest rate no lower than that specified in the  
7 policy for calculating cash surrender values.

8 ~~(D)~~ (iv) In calculating the present value of any paid-up term insurance  
9 with accompanying pure endowment, if any, offered as a nonforfeiture  
10 benefit, the rates of mortality assumed may be not more than those shown  
11 in the commissioners' 1980 extended term insurance table for policies of  
12 ordinary insurance and not more than the commissioners' 1961 industrial  
13 extended term insurance table for policies of industrial insurance.

14 ~~(E)~~ (v) For insurance issued on a substandard basis, the calculation of  
15 any such adjusted premiums and present values may be based on  
16 appropriate modifications of the aforementioned tables.

17 ~~(F)~~ (vi) *For policies issued prior to the operative date of the*  
18 *valuation manual*, any ordinary mortality tables, adopted after 1980 by the  
19 national association of insurance commissioners, that are approved by  
20 ~~regulation~~ *rules and regulations* promulgated by the commissioner for use  
21 in determining the minimum nonforfeiture standard may be substituted for  
22 the commissioners' 1980 standard ordinary mortality table with or without  
23 ten-year select mortality factors or for the commissioners' 1980 extended  
24 term insurance table.

25 *For policies issued on or after the operative date of the valuation*  
26 *manual, the valuation manual shall provide the commissioners' standard*  
27 *mortality table for use in determining the minimum nonforfeiture standard*  
28 *that may be substituted for the commissioners' 1980 standard ordinary*  
29 *mortality table with or without ten-year select mortality factors or for the*  
30 *commissioners' 1980 extended term insurance table. If the commissioner*  
31 *approves by rules and regulations any commissioners' standard ordinary*  
32 *mortality table adopted by the national association of insurance*  
33 *commissioners for use in determining the minimum nonforfeiture standard*  
34 *for policies issued on or after the operative date of the valuation manual,*  
35 *then that minimum nonforfeiture standard supersedes the minimum*  
36 *nonforfeiture standard provided by the valuation manual.*

37 (G) *For policies issued prior to the operative date of the valuation*  
38 *manual*, any industrial mortality tables, adopted after 1980 by the national  
39 association of insurance commissioners, that are approved by ~~regulation~~  
40 *rules and regulations* promulgated by the commissioner for use in  
41 determining the minimum nonforfeiture standard may be substituted for  
42 the commissioners' 1961 standard industrial mortality table or the  
43 commissioners' 1961 industrial extended term insurance table.

1        *For policies issued on or after the operative date of the valuation*  
2 *manual, the valuation manual shall provide the commissioners' standard*  
3 *mortality table for use in determining the minimum nonforfeiture standard*  
4 *that may be substituted for the commissioners' 1961 standard industrial*  
5 *mortality table or the commissioners' 1961 industrial extended term*  
6 *insurance table. If the commissioner approves by rules and regulations*  
7 *any commissioners' standard industrial mortality table adopted by the*  
8 *national association of insurance commissioners for use in determining*  
9 *the minimum nonforfeiture standard for policies issued on or after the*  
10 *operative date of the valuation manual, then that minimum nonforfeiture*  
11 *standard supersedes the minimum nonforfeiture standard provided by the*  
12 *valuation manual.*

13        (9) *The nonforfeiture interest rate is defined below:*

14        (A) *For policies issued prior to the operative date of the valuation*  
15 *manual, the nonforfeiture interest rate per annum for any policy issued in a*  
16 *particular calendar year shall be equal to 125% of the calendar year*  
17 *statutory valuation interest rate for such policy as defined in the standard*  
18 *valuation law, rounded to the nearer  $\frac{1}{4}\%$ , except that, the nonforfeiture*  
19 *interest rate shall not be less than 4%.*

20        (B) *For policies issued on or after the operative date of the valuation*  
21 *manual, the nonforfeiture interest rate per annum for any policy issued in*  
22 *a particular calendar year shall be provided by the valuation manual.*

23        (10) Notwithstanding any other provision of this code to the contrary,  
24 any refiling of nonforfeiture values or their methods of computation for  
25 any previously approved policy form which involves only a change in the  
26 interest rate or mortality table used to compute nonforfeiture values shall  
27 not require refiling of any other provisions of that policy form.

28        (11) After the effective date of ~~this~~ subsection (d-3), any company  
29 may file with the commissioner a written notice of its election to comply  
30 with the provisions of this subsection after a specified date before January  
31 1, 1989, which shall be the operative date of this subsection for such  
32 company. If a company makes no such election, the operative date of this  
33 subsection for such company shall be January 1, 1989.

34        (e) In the case of any plan of life insurance which provides for future  
35 premium determination, the amounts of which are to be determined by the  
36 insurance company based on then estimates of future experience, or in the  
37 case of any plan of life insurance which is of such a nature that minimum  
38 values cannot be determined by the methods described in subsections (a),  
39 (b), (c), (d), (d-1), (d-2) or (d-3) herein, then:

40        (1) The commissioner must be satisfied that the benefits provided  
41 under the plan are substantially as favorable to policyholders and insureds  
42 as the minimum benefits otherwise required by subsections (a), (b), (c),  
43 (d), (d-1), (d-2) or (d-3) herein;

1 (2) the commissioner must be satisfied that the benefits and the  
2 pattern of premiums of that plan are not such as to mislead prospective  
3 policyholders or insureds;

4 (3) the cash surrender values and paid-up nonforfeiture benefits  
5 provided by such plan must not be less than the minimum values and  
6 benefits required for the plan computed by a method consistent with the  
7 principles of this standard nonforfeiture law, as determined by regulations  
8 promulgated by the commissioner.

9 (f) Any cash surrender value and any paid-up nonforfeiture benefit,  
10 available under any such policy in the event of default in the payment of  
11 any premium due at any time other than on the policy anniversary, shall be  
12 calculated with allowance for the lapse of time and the payment of  
13 fractional premiums beyond the beginning of the policy year in which the  
14 default occurs. All values referred to in subsections (b), (c), (d), (d-1), (d-  
15 2) and (d-3) may be calculated upon the assumption that any death benefit  
16 is payable at the end of the policy year of death. The net value of any paid-  
17 up additions, other than paid-up term additions, shall be not less than the  
18 amounts used to provide such additions. Notwithstanding the provisions of  
19 subsection (b), additional benefits payable: ~~(i)~~ (1) In the event of death or  
20 dismemberment by accident or accidental means; ~~(ii)~~ (2) in the event of  
21 total and permanent disability; ~~(iii)~~ (3) as reversionary annuity or deferred  
22 reversionary annuity benefits; ~~(iv)~~ (4) as term insurance benefits provided  
23 by a rider or supplemental policy provision to which, if issued as a  
24 separate policy, this section would not apply; ~~(v)~~ (5) as term insurance on  
25 the life of a child or on the lives of children provided in a policy on the life  
26 of a parent of a child, if such term insurance expires before the child's age  
27 is 26, is uniform in amount after the child's age is one, and has not become  
28 paid-up by reason of the death of a parent of the child; and ~~(vi)~~ (6) as other  
29 policy benefits additional to life insurance and endowment benefits, and  
30 premiums for all such additional benefits, shall be disregarded in  
31 ascertaining cash surrender values and nonforfeiture benefits required by  
32 this section, and no such additional benefits shall be required to be  
33 included in any paid-up nonforfeiture benefits.

34 (g) This subsection, in addition to all other applicable subsections of  
35 this section, shall apply to all policies issued on or after January 1, 1986.  
36 Any cash surrender value available under the policy in the event of default  
37 in a premium payment due on any policy anniversary shall be in an  
38 amount which does not differ by more than .2% of either the amount of  
39 insurance, if the insurance be uniform in amount, or the average amount of  
40 insurance at the beginning of each of the first 10 policy years, from the  
41 sum of: ~~(a)~~ (1) The greater of zero and the basic cash value hereinafter  
42 specified; and ~~(b)~~ (2) the present value of any existing paid-up additions  
43 less the amount of any indebtedness to the company under the policy.

1 The basic cash value shall be equal to the present value, on such  
2 anniversary, of the future guaranteed benefits which would have been  
3 provided for by the policy, excluding any existing paid-up additions and  
4 before deduction of any indebtedness to the company, if there had been no  
5 default, less the then present value of the nonforfeiture factors, as  
6 hereinafter defined, corresponding to premiums which would have fallen  
7 due on and after such anniversary. The effects on the basic cash value of  
8 supplemental life insurance or annuity benefits or of family coverage, as  
9 described in subsection (b) or (d), whichever is applicable, shall be the  
10 same as are the effects specified in subsection (b) or (d), whichever is  
11 applicable on the cash surrender values defined in that subsection.

12 The nonforfeiture factor for each policy year shall be an amount equal  
13 to a percentage of the adjusted premium for the policy year, as defined in  
14 subsection (d) or (d-3), whichever is applicable. Except as is required by  
15 the next succeeding sentence of this paragraph, such percentage:

16 (a) Must be the same percentage for each policy year between the  
17 second policy anniversary and the later of:—~~(i)~~ (1) The fifth policy  
18 anniversary; and—~~(ii)~~ (2) the first policy anniversary at which there is  
19 available under the policy a cash surrender value in an amount, before  
20 including any paid-up additions and before deducting any indebtedness, of  
21 at least .2% of either the amount of insurance, if the insurance be uniform  
22 in amount, or the average amount of insurance at the beginning of each of  
23 the first 10 policy years; and

24 (b) must be such that no percentage after the later of the two policy  
25 anniversaries specified in the preceding item (a) may apply to fewer than  
26 five consecutive policy years.

27 No basic cash value may be less than the value which would be  
28 obtained if the adjusted premiums for the policy, as defined in subsection  
29 (d) or (d-3), whichever is applicable, were substituted for the nonforfeiture  
30 factors in the calculation of the basic cash value.

31 All adjusted premiums and present values referred to in this subsection  
32 shall for a particular policy be calculated on the same mortality and  
33 interest bases as are used in demonstrating the policy's compliance with  
34 the other sections of this act. The cash surrender values referred to in this  
35 subsection shall include any endowment benefits provided for by the  
36 policy.

37 Any cash surrender value available other than in the event of default in  
38 a premium payment due on a policy anniversary, and the amount of any  
39 paid-up nonforfeiture benefit available under the policy in the event of  
40 default in a premium payment shall be determined in manners consistent  
41 with the manners specified for determining the analogous minimum  
42 amounts in subsections (a), (b), (c), (d-3), and (f). The amounts of any cash  
43 surrender values and of any paid-up nonforfeiture benefits granted in

1 connection with additional benefits such as those listed as items-~~(i)~~ (1)  
2 through-~~(vi)~~ (6) in subsection (f) shall conform with the principles of this  
3 subsection (g).

4 (h) This section shall not apply to any of the following: (1)  
5 Reinsurance; (2) group insurance; (3) pure endowment; (4) annuity or  
6 reversionary annuity contract; (5) term policy of uniform amount, which  
7 provides no guaranteed nonforfeiture or endowment benefits, or renewal  
8 thereof, of 20 years or less expiring before age 71, for which uniform  
9 premiums are payable during the entire term of the policy; (6) term policy  
10 of decreasing amount, which provides no guaranteed nonforfeiture or  
11 endowment benefits, on which each adjusted premium calculated as  
12 specified in subsections (d), (d-1), (d-2) and (d-3), is less than the adjusted  
13 premium so calculated, on a term policy of uniform amount, or renewal  
14 thereof, which provides no guaranteed nonforfeiture or endowment  
15 benefits, issued at the same age and for the same initial amount of  
16 insurance and for a term of 20 years or less expiring before age 71, for  
17 which uniform premiums are payable during the entire term of the policy;  
18 (7) policy, which provides no guaranteed nonforfeiture or endowment  
19 benefits, for which no cash surrender value, if any, or present value of any  
20 paid-up nonforfeiture benefit, at the beginning of any policy year,  
21 calculated as specified in subsections (b), (c), (d), (d-1), (d-2) and (d-3),  
22 exceeds 2½% of the amount of insurance at the beginning of the same  
23 policy year; nor (8) policy which shall be delivered outside this state  
24 through an agent or other representative of the company issuing the policy.

25 For purposes of determining the applicability of this section, the age at  
26 expiry for a joint term life insurance policy shall be the age at expiry of the  
27 oldest life.

28 (i) After the effective date of this act, any company may file with the  
29 commissioner of insurance a written notice of its election to comply with  
30 the provisions of this section other than as provided in subsections (d-1),  
31 (d-2), (d-3), (e) and (g) after a specified date. After the filing of such  
32 notice, then upon such specified date-~~(,~~ which shall be the operative date  
33 for such company), such provisions shall become operative with respect to  
34 all policies thereafter issued by such company.

35 (j) Any company, having filed written notices as provided in the  
36 preceding subsection (i), and desiring to withdraw from such election as to  
37 future policies may file with the commissioner of insurance a written  
38 notice of such withdrawal after a specified date, and of its intention to  
39 value all its future policies in accordance with the provisions of ~~subsection~~  
40 ~~(b)~~ of K.S.A. 40-409(b), and amendments thereto, and to provide  
41 nonforfeiture benefits and cash surrender values in future policies in  
42 accordance with K.S.A. 40-427. After the filing of such withdrawal notice,  
43 then upon such specified date, ~~subsection (b) of K.S.A. 40-409(b), and~~

1 amendments thereto, and K.S.A. 40-427 shall become operative with  
2 respect to all policies thereafter issued by such company in this state.

3       Sec. 3. K.S.A. 2014 Supp. 40-409 and 40-428 are hereby repealed.

4       Sec. 4. This act shall take effect and be in force from and after its  
5 publication in the statute book.