

304.15-352 Cash surrender value -- Nonforfeiture factor.

- (1) This section, in addition to all other applicable sections of KRS 304.15-310 to 304.15-360, shall apply to all policies issued on or after January 1, 1986. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary shall be in an amount which does not differ by more than two-tenths of one percent (0.2%) of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten (10) policy years, from the sum of the greater of zero (0) and the basic cash value hereinafter specified and the present value of any existing paid-up additions less the amount of any indebtedness to the insurer under the policy.
- (2) The basic cash value shall be equal to the present value, on such anniversary, of the future guaranteed benefits which would have been provided for by the policy, excluding any existing paid-up additions and before deduction of any indebtedness to the insurer, if there had been no default, less the then present value of the nonforfeiture factors, as hereinafter defined, corresponding to premiums which would have fallen due on and after such anniversary. Provided, however, that the effects on the basic cash value of supplemental life insurance or annuity benefits or of family coverage, as described in KRS 304.15-320, 304.15-340, or 304.15-342 is applicable, shall be the same as are the effects specified in KRS 304.15-320, 304.15-340, or 304.15-342, whichever is applicable, on the cash surrender values defined in that section.
- (3) The nonforfeiture factor for each policy year shall be an amount equal to a percentage of the adjusted premium for the policy year, as defined in KRS 304.15-340 or 304.15-342, whichever is applicable. Except as required in this subsection, such percentage:
 - (a) Must be the same percentage for each policy year between the second policy anniversary and the later of the fifth policy anniversary and the first policy anniversary at which there is available under the policy a cash surrender value in an amount, before including any paid-up additions and before deducting any indebtedness, of at least two-tenths of one percent (0.2%) of either the amount of insurance, if the insurance be uniform in amount, or the average amount of insurance at the beginning of each of the first ten (10) policy years; and
 - (b) Must be such that no percentage after the later of the two (2) policy anniversaries specified in paragraph (a) of this subsection may apply to fewer than five (5) consecutive policy years. Provided, that no basic cash value may be less than the value which would be obtained if the adjusted premiums for the policy, as defined in KRS 304.15-340 or 304.15-342, whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.
- (4) All adjusted premiums and present values referred to in this section shall for a particular policy be calculated on the same mortality and interest bases as are used in demonstrating the policy's compliance with the other sections of KRS 304.15-310 to 304.15-360. The cash surrender values referred to in this section shall include any endowment benefits provided for by the policy.
- (5) Any cash surrender value available other than in the event of default in a

premium payment due on a policy anniversary, and the amount of any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment, shall be determined in manners consistent with the manners specified for determining the analogous minimum amounts in KRS 304.15-310, 304.15-320, 304.15-330, 304.15-342 and 304.15-350. The amounts of any cash surrender values and of any paid-up nonforfeiture benefits granted in connection with additional benefits such as those listed as paragraphs (a) to (f) of KRS 304.15-350 shall conform with the principles of this section.

Effective: July 15, 1982

History: Created 1982 Ky. Acts ch. 263, sec. 7, effective July 15, 1982.