

304.24-621 Use of closed block to preserve dividend expectations.

- (1) The provisions of this section apply if a closed block is used for the preservation of the reasonable dividend expectations of eligible members and other policyholders.
- (2) The converting mutual shall prepare a written plan of operation for the closed block, consistent with the requirements of this section and the other applicable requirements of KRS 304.24-600 to 304.24-625.
- (3) The closed block shall be operated for the exclusive benefit of policies and contracts included in it. No costs or expenses incurred in connection with the conversion shall be charged to the closed block.
- (4) The assets allocated to the closed block, together with the revenue from the closed block, shall be calculated to be reasonably sufficient to support the business in the closed block until the last policy in the closed block has terminated, including payment of claims and those expenses and taxes as are specified in the plan of conversion, and to provide for continuation of dividend scales in effect on the adoption date of the plan of conversion, if the experience underlying those scales continues and for appropriate adjustments in the scales if the experience changes.
- (5) The assets to a closed block shall be specified in the plan of operation and must consist of:
 - (a) A list of designated assets of the converting mutual's general account or specified segments, which list shall change periodically to reflect the acquisition and disposition of assets;
 - (b) A designated portion of each asset of the converting mutual's general account or specified segments thereof, which portion shall change periodically to reflect the cash flows of the closed block; or
 - (c) Assets designated by a combination of the methods described in paragraphs (a) and (b) of this subsection.
- (6) The plan of operation shall specify which of those methods of assignment of closed block assets is being used and shall set forth the methods by which the designations referred to in subsection (5) of this section are changed during the course of closed block operations.
- (7) The former mutual shall submit to the commissioner annual reports, in a form acceptable to the commissioner, that account for and describe the operations of the closed block; and as specified in the plan of operation provide for annual reviews of, and reports and opinions on, the closed block by an independent actuary.
- (8) The plan of operation shall provide for the conditions under which the former mutual may terminate the closed block.
- (9) The former mutual shall not distribute any residual assets of the closed block until the plan for distribution of the residual assets is approved by the commissioner.

Effective: July 15, 2010

History: Amended 2010 Ky. Acts ch. 24, sec. 1359, effective July 15, 2010. -- Created 2000 Ky. Acts ch. 42, sec. 12, effective July 14, 2000.