

304.15-340 Adjusted premiums.

- (1) How calculated. This section shall not apply to policies issued on or after the operative date of KRS 304.15-342 as defined therein. Except as provided in subsection (4) of this section, the adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year, excluding any extra premiums charged because of impairment or special hazards, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of:
 - (a) The then present value of the future guaranteed benefits provided for by the policy;
 - (b) Two percent (2%) of the amount of insurance, if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy;
 - (c) Forty percent (40%) of the adjusted premium for the first policy year; and
 - (d) Twenty-five percent (25%) of either the adjusted premium for the first policy year or the adjusted premium for a whole life policy of the same uniform or equivalent uniform amount with uniform premiums for the whole of life issued at the same age for the same amount of insurance, whichever is less.
- (2) In applying the percentages specified in paragraphs (c) and (d) of subsection (1) of this section, no adjusted premium shall be deemed to exceed four percent (4%) of the amount of insurance or uniform amount equivalent thereto. Whenever the plan or term of a policy has been changed, either by request of the insured or automatically in accordance with the provisions of the policy, the date of issue of the changed policy for the purposes of determining a nonforfeiture benefit or cash surrender value shall be the date as of which the age of the insured is determined for the purposes of the changed policy. The date of issue of a policy for the purpose of this section shall be the date as of which the rated age of the insured is determined.
- (3) In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of this section shall be deemed to be the uniform amount of insurance provided by an otherwise similar policy, containing the same endowment benefit or benefits, if any, issued at the same age and for the same term, the amount of which does not vary with duration and the benefits under which have the same present value at the date of issue as the benefits under the policy; provided that in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten (10), the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten (10) were the amount provided by such policy at age ten (10).
- (4) The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision shall be equal to:

- (a) The adjusted premiums for an otherwise similar policy issued at the same age without such term insurance benefits, increased, during the period for which premiums for such term insurance benefits are payable, by
 - (b) The adjusted premiums for such term insurance, paragraphs (a) and (b) of this subsection being calculated separately and as specified in subsections (1), (2) and (3) of this section, except that, for the purposes of paragraphs (b), (c), and (d) of subsection (1) of this section, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in paragraph (b) of this subsection shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in paragraph (a) of this subsection.
- (5) All adjusted premiums and present values referred to in KRS 304.15-310 to 304.15-360, inclusive, but not including KRS 304.15-342 and 304.15-344 shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table, provided that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six (6) years younger than the actual age of the insured, and such calculations for all policies of industrial insurance shall be made on the basis of the Commissioners 1961 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits provided that such rate of interest shall not exceed four percent (4%) per year except that a rate of interest not exceeding five and one-half percent (5.5%) per year may be used for policies issued on or after June 17, 1978. In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit for ordinary insurance, the rates of mortality assumed may not be more than those shown in the Commissioners 1958 Extended Term Insurance Table and for industrial insurance the rates of mortality may not be more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table. For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other table of mortality as may be specified by the insurer and approved by the commissioner.

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History: Amended 2010 Ky. Acts ch. 24, sec. 1184, effective July 15, 2010. -- Amended 1982 Ky. Acts ch. 263, sec. 3, effective July 15, 1982. -- Amended 1978 Ky. Acts ch. 280, sec. 9, effective June 17, 1978. -- Created 1970 Ky. Acts ch. 301, subtit. 15, sec. 34, effective June 18, 1970.