

## CALCULATION OF CASH SURRENDER VALUES

Legal Authority: Section 13.280

Section 1.-Every life insurance policy shall contain a statement indicating the mortality table and rate of interest used in the calculations of the cash surrender values and the paid-up non-forfeiture benefits.

Section 2.-Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, shall be an amount not less than the excess, if any, of the present value, on such anniversary, of the future guaranteed benefits which would have been provided for under the policy, including any existing paid-up additions over the sum of; (a) the then present value of the adjusted premiums as hereinafter defined, corresponding to premiums which would have fallen due on and after such anniversary (b) the amount of any indebtedness to the insurer on the policy. Any cash surrender value available within thirty days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up non-forfeiture benefit, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided under the policy, including any existing paid-up additions, decreased by any indebtedness to the insurer on the policy.

Section 3.-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 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 the duration of the policy, (c) forty percent of the adjusted premium for the first policy year and (d) twenty-five percent 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. Provided, however, that in applying the percentages specified in (c) and (d) above, no adjusted premium shall be deemed to exceed four percent of the amount of insurance or level amount equivalent thereto. The date of issue of a policy for the purpose of this rule shall be the date as of which the rated age of the insured is determined. In the case of a policy providing an amount of insurance varying with the duration of the policy, the equivalent uniform amount thereof for the purpose of this rule shall be deemed to be the level 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, however, that in the case of a policy providing a varying amount of insurance issued on the life of a child under age ten, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten, or at expiry, if earlier. All adjusted premiums and present values referred to in this rule shall be calculated on the basis of the Commissioners' 1941 Standard Ordinary Mortality Table for ordinary insurance and the 1941 Standard Industrial Mortality Table for industrial insurance and the rate of interest shall not exceed three and one-half percent per annum specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. Provided, however, that in calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than one hundred and thirty percent of the rates of mortality according to such applicable table. Provided, further, that for insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on such other tables or mortality as may be specified by the insurer and approved by the commissioner.