

40-4003b. Same; establishment of closed block for policyholder dividends. The commissioner may require that the conversion plan of a mutual life insurer provide for the establishment, for policyholder dividend purposes only, of a closed block. In the event that the commissioner requires such a closed block, the closed block will consist of all of the participating individual policies of life insurance of the mutual life insurer in force on the effective date of the plan of conversion for which the insurer has an experience-based dividend scale payable in the year in which the plan is adopted. Assets of the insurer shall be allocated to any such closed block in an amount that produces cash flows, together with anticipated revenues from the closed block business, expected to be reasonably sufficient: (1) To support the closed block business, including payment of claims and those expenses and taxes specified in the plan, and (2) to provide for continuation of dividend scales in effect on the adoption date if the experience underlying the scales continues and for appropriate adjustments in the scales if the experience changes. The plan may provide for conditions under which the converted insurer may cease to maintain the closed block and its allocated assets. Regardless of such a cessation, the obligation under the policies constituting the closed block business remain the obligations of the converted insurer. Dividends on those policies shall be apportioned by the board of directors of the converted insurer in accordance with the terms of the policies.

History: L. 1997, ch. 107, § 4; July 1.