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INSURANCE CODE - INS

DIVISION 2. CLASSES OF INSURANCE [1880 - 12880.8] (*Division 2 enacted by Stats. 1935, Ch. 145.*)

PART 2. LIFE AND DISABILITY INSURANCE [10110 - 11549] (*Part 2 enacted by Stats. 1935, Ch. 145.*)

CHAPTER 1. The Contract [10110 - 10198.10] (*Chapter 1 enacted by Stats. 1935, Ch. 145.*)

ARTICLE 3a. Standard Nonforfeiture Law for Life Insurance [10159.1 - 10167.5] (*Heading of Article 3a amended by Stats. 1983, Ch. 101, Sec. 147.*)

10159.1. (a) This article is applicable only to policies and contracts issued on or after the operative date as to such policies or contracts of this article.

(b) The term "operative date of the valuation manual" means the January 1 of the first calendar year that the valuation manual, as defined in Section 10489.1, is effective.

(*Amended by Stats. 2015, Ch. 658, Sec. 1. (SB 696) Effective January 1, 2016.*)

10159.2. After December 31, 1943, any insurer may file with the commissioner a written notice of its election to comply with the provisions of this article as to any or all of its policies after a specified date before January 1, 1948. After the filing of such notice, then upon such specified date, this article shall become operative with respect to the policies specified in the notice and which are thereafter issued by such insurer. As to all of its policies with respect to which an insurer makes no such election, the operative date of this article shall be January 1, 1948.

(*Added by Stats. 1943, Ch. 955.*)

10160. Except as provided in Section 10165, no policy of life insurance shall be delivered or issued for delivery in this state unless it shall contain in substance the following provisions, or corresponding provisions which are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements hereinafter specified and are essentially in compliance with Section 10164.1 of this law:

(a) That, in the event of default in any premium payment after premiums have been paid for at least one full year the insurer will grant, upon proper request not later than 60 days after the due date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such amount as may be hereinafter specified. In lieu of this stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than 60 days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit which provides a greater amount or longer period of death benefits or, if applicable, a greater amount or earlier payment of endowment benefits.

(b) That, upon surrender of the policy within 60 days after the due date of any premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the insurer will pay, in lieu of any paid-up nonforfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

(c) That a specified paid-up nonforfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than 60 days after the due date of the premium in default.

(d) That, if the policy shall have become paid-up by completion of all premium payments or if it is continued under any paid-up nonforfeiture benefit which became effective on or after the third policy anniversary in the case of ordinary insurance or the fifth policy anniversary in the case of industrial insurance, the insurer will pay, upon surrender of the policy within 30 days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified.

(e) In the case of policies which cause, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provide an option for changes in benefits or premiums other than a change to a new policy, a statement of the mortality table, interest rate, and method used in calculating cash surrender values and the paid-up nonforfeiture benefits available under the policy. In the case of all other policies, a statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up nonforfeiture benefits available under the policy, together with a schedule showing the cash surrender value, if any, and

paid-up nonforfeiture benefit, if any, available under the policy on each policy anniversary either during the first 20 policy years or during the term of the policy, whichever is shorter, such values and benefits to be calculated upon the assumption that there are no dividends or paid-up additions credited to the policy and that there is no indebtedness to the insurer on account of or secured by the policy. At the option of the insurer such schedule may also show such values and benefits for any year or years beyond the twentieth policy year.

(f) A brief and general statement of the method to be used in calculating the cash surrender value and the paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values and benefits are consecutively shown in the policy with an explanation of the manner in which the cash surrender values and the paid-up nonforfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the insurer on account of or secured by the policy.

Any of the foregoing provisions or portions thereof not applicable by reason of the plan of insurance may, to the extent inapplicable, be omitted from the policy.

The insurer shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

(Amended by Stats. 1981, Ch. 767, Sec. 3.)

10161. Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by Section 10160, 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 by the policy, including any existing paid-up additions, if there had been no default, over the sum of (a) the then present value of the adjusted premiums as defined in Sections 10163, 10163.1, and 10163.2 corresponding to premiums which would have fallen due on and after such anniversary, and (b) the amount of any indebtedness to the company on the policy.

Provided, however, that for any policy issued on or after January 1, 1989, which provides supplemental life insurance or annuity benefits at the option of the insured and for an identifiable additional premium by rider or supplemental policy provision, the cash surrender value referred to in the first paragraph of this section shall be an amount not less than the sum of the cash surrender value as defined in such paragraph for an otherwise similar policy issued at the same age without such rider or supplemental policy provision and the cash surrender value as defined in such paragraph for a policy which provides only the benefits otherwise provided by such rider or supplemental policy provision.

Provided, further, that for any family policy issued on or after January 1, 1989, which defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse's age of 71, the cash surrender value referred to in the first paragraph of this section shall be an amount not less than the sum of the cash surrender value as defined in such paragraph for an otherwise similar policy issued at the same age without such term insurance on the life of the spouse and the cash surrender value as defined in such paragraph for a policy which provides only the benefits otherwise provided by such term insurance on the life of the spouse.

Any cash surrender value available within 30 days after any policy anniversary under any policy paid up by completion of all premium payments or any policy continued under any paid-up nonforfeiture benefit, whether or not required by Section 10160, shall be an amount not less than the present value, on such anniversary, of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

(Amended by Stats. 1981, Ch. 767, Sec. 4.)

10162. Any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due on any policy anniversary shall be such that its present value as of such anniversary shall be at least equal to the cash surrender value then provided for by the policy or, if none is provided for, that cash surrender value which would have been required by this article in the absence of the condition that premiums shall have been paid for at least a specified period.

(Added by Stats. 1943, Ch. 955.)

10163. This section shall not apply to policies issued on or after the operative date of Section 10163.2 as defined therein. Except as provided in the third paragraph 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 extra premiums on a substandard policy, that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (i) the then present value of the future guaranteed benefits provided for by the policy; (ii) 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; (iii) forty percent (40%) of the adjusted premium for the first policy year; (iv) 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. In applying the percentages specified in (iii) and (iv) above, no adjusted premium shall be deemed to exceed four percent (4%) of the amount of insurance or uniform amount equivalent thereto.

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, however, that in the case of a policy providing a varying amount of insurance issued on the life of a child under age 10, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age 10 were the amount provided by such policy at age 10.

The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision unless such term insurance benefits are disregarded under Section 10164 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, the foregoing items (a) and (b) being calculated separately and as specified in the first two paragraphs of this section.

Except as otherwise provided in Section 10163.1, all adjusted premiums and present values referred to in this article shall for all policies of ordinary insurance be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table; provided, however, that for any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated, at the option of the insurer, according to an age not more than three 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 1941 Standard Industrial Mortality Table. All calculations shall be made on the basis of the rate of interest, not exceeding three and one-half percent ($3\frac{1}{2}\%$) per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. However, 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 thirty percent (130%) of the rates of mortality according to such applicable table; and 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.

(Amended by Stats. 1981, Ch. 767, Sec. 5.)

10163.1. (a) In the case of ordinary policies issued on or after the operative date of this subdivision as defined herein, all adjusted premiums and present values referred to in this article shall be calculated on the basis of the Commissioners 1958 Standard Ordinary Mortality Table and 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 $3\frac{1}{2}\%$ percent per annum except that a rate of interest not exceeding 4 percent per annum may be used for all policies issued on or after January 1, 1970, and prior to January 1, 1980, and a rate of interest not exceeding $5\frac{1}{2}\%$ percent per annum may be used for all such policies issued on or after January 1, 1980, except that for any single premium whole life or endowment insurance policy a rate of interest not exceeding $6\frac{1}{2}\%$ percent per annum may be used; 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 years younger than the actual age of the insured; 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 those shown in the Commissioners 1958 Extended Term Insurance 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 table of mortality as may be specified by the company and approved by the commissioner.

On or after January 1, 1961, any company may file with the commissioner a written notice of its election to comply with the provisions of this subdivision after a specified date before January 1, 1966. After the filing of such notice, then upon such specified date (which shall be the operative date of this subdivision for such company), this subdivision shall become operative with respect to the ordinary policies thereafter issued by such company. If a company makes no such election, the operative date of this subdivision for such company shall be January 1, 1966.

(b) In the case of industrial policies issued on or after the operative date of this subdivision as defined herein, all adjusted premiums and present values referred to in this article shall be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table and 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 $3\frac{1}{2}\%$ percent per annum except that a rate of interest not exceeding 4 percent per annum may be used for all such policies issued on or after January 1, 1970, and prior to January 1, 1980, and a rate of interest not exceeding $5\frac{1}{2}\%$ percent per annum may be used for all such policies issued on or after January 1, 1980, except that for any single premium whole life or endowment insurance policy a rate of interest not exceeding $6\frac{1}{2}\%$ percent per annum may be used. 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 those shown in the Commissioners 1961 Industrial Extended Term Insurance 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 table of mortality as may be specified by the company and approved by the commissioner.

After September 20, 1963, any company may file with the commissioner a written notice of its election to comply with the provisions of this subdivision after a specified date before January 1, 1968. After the filing of such notice, then upon such specified date (which shall be the operative date of this subdivision for such company), this subdivision shall become operative with respect to the industrial policies thereafter issued by such company. If a company makes no such election, the operative date of this subdivision for such company shall be January 1, 1968.

This section shall not apply to ordinary or industrial policies issued on or after the operative date of Section 10163.2.

(Amended by Stats. 1982, Ch. 940, Sec. 1. Effective September 13, 1982.)

10163.2. (a) This section shall apply to all policies issued on or after the operative date of this section as defined herein. Except as provided in subdivision (g), 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 amounts payable as extra premiums to cover impairments or special hazards and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of (1) the then present value of the future guaranteed benefits provided for by the policy; (2) 1 percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years; and (3) 125 percent of the nonforfeiture net level premium as hereinafter defined. Provided, however, that in applying the percentage specified in (3) no nonforfeiture net level premium shall be deemed to exceed 4 percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first 10 policy years. 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.

(b) The nonforfeiture net level premium shall be equal to the present value, at the date of issue of the policy, of the guaranteed benefits provided for by the policy, divided by the present value, at the date of issue of the policy, of an annuity of 1 percent per annum payable on the date of issue of the policy and on each anniversary of such policy on which a premium falls due.

(c) In the case of policies that cause on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or that provide an option for changes in benefits or premiums other than a change to a new policy, the adjusted premiums and present values shall initially be calculated on the assumption that future benefits and premiums do not change from those stipulated at the date of issue of the policy. At the time of any such change in the benefits or premiums, the future adjusted premiums, nonforfeiture net level premiums, and present values shall be recalculated on the assumption that future benefits and premiums do not change from those stipulated by the policy immediately after the change.

(d) Except as otherwise provided in subdivision (g), the recalculated future adjusted premiums for any such policy shall be such uniform percentage of the respective future premiums specified in the policy for each policy year, excluding amounts payable as extra premiums to cover impairments and special hazards, and also excluding any uniform annual contract charge or policy fee specified in the policy in a statement of the method to be used in calculating the cash surrender values and paid-up nonforfeiture benefits, that the present value, at the time of change to the newly defined benefits or premiums, of all such future adjusted premiums shall be equal to the excess of (1) the sum of (A) the then present value of the then future guaranteed benefits provided for by the policy and (B) the additional expense allowance, if any, over (2) the then cash surrender value, if any, or present value of any paid-up nonforfeiture benefit under the policy.

(e) The additional expense allowance, at the time of the change to the newly defined benefits or premiums, shall be the sum of (1) 1 percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first 10 policy years subsequent to the change over the average amount of insurance prior to the change at the beginning of each of the first 10 policy years subsequent to the time of the most recent previous change, or, if there has been no previous change, the date of issue of the policy; and (2) 125 percent of the increase, if positive, in the nonforfeiture net level premium.

(f) The recalculated nonforfeiture net level premium shall be equal to the result obtained by dividing (1) by (2) where:

(1) It equals the sum of:

(A) The nonforfeiture net level premium applicable prior to the change times the present value of an annuity of 1 percent per annum payable on each anniversary of the policy on or subsequent to the date of the change on which a premium would have fallen due had the change not occurred, and

(B) The present value of the increase in future guaranteed benefits provided for by the policy, and

(2) It equals the present value of an annuity of 1 percent per annum payable on each anniversary of the policy on or subsequent to the date of change on which a premium falls due.

(g) Notwithstanding any other provision of this section to the contrary, in the case of a policy issued on a substandard basis that provides reduced graded amounts of insurance so that, in each policy year, such policy has the same tabular mortality cost as an otherwise similar policy issued on the standard basis that provides higher uniform amounts of insurance, adjusted premiums and present values for such substandard policy may be calculated as if it were issued to provide such higher uniform amounts of insurance on the standard basis.

(h) All adjusted premiums and present values referred to in this article shall for all policies of ordinary insurance be calculated on the basis of (1) the Commissioners 1980 Standard Ordinary Mortality Table or (2) at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; shall for all policies of industrial insurance be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table; and shall for all policies issued in a particular calendar year be calculated on the basis of a rate of interest not exceeding the nonforfeiture interest rate as defined in this section for policies issued in that calendar year. Provided, however, that:

(1) At the option of the company, calculations for all policies issued in a particular calendar year may be made on the basis of a rate of interest not exceeding the nonforfeiture interest rate, as defined in this section, for policies issued in the immediately preceding calendar year.

(2) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by Section 10160, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of such paid-up nonforfeiture benefit and paid-up dividend additions, if any.

(3) A company may calculate the amount of any guaranteed paid-up nonforfeiture benefit including any paid-up additions under the policy on the basis of an interest rate no lower than that specified in the policy for calculating cash surrender values.

(4) 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 those shown in the Commissioners 1980 Extended Term Insurance Table for policies of ordinary insurance and not more than the Commissioners 1961 Industrial Extended Term Insurance Table for policies of industrial insurance.

(5) For insurance issued on a substandard basis, the calculation of any such adjusted premiums and present values may be based on appropriate modifications of the aforementioned tables.

(6) (A) For policies issued prior to the operative date of the valuation manual, any Commissioners Standard Ordinary mortality tables, adopted after 1980 by the National Association of Insurance Commissioners (NAIC), or its successor, that are approved by regulation promulgated or bulletin issued by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table.

(B) For policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the Commissioners Standard mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1980 Standard Ordinary Mortality Table with or without Ten-Year Select Mortality Factors or for the Commissioners 1980 Extended Term Insurance Table. If the commissioner approves by regulation any Commissioners Standard Ordinary mortality table adopted by the NAIC for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual then that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

(7) (A) For policies issued prior to the operative date of the valuation manual, any Commissioners Standard Industrial mortality tables, adopted after 1980 by the NAIC, or its successor, that are approved by regulation promulgated or bulletin issued by the commissioner for use in determining the minimum nonforfeiture standard may be substituted for the Commissioners 1961 Standard Industrial Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table.

(B) For policies issued on or after the operative date of the valuation manual, the valuation manual shall provide the Commissioners Standard mortality table for use in determining the minimum nonforfeiture standard that may be substituted for the Commissioners 1961 Standard Ordinary Mortality Table or the Commissioners 1961 Industrial Extended Term Insurance Table. If the commissioner approves by regulation any Commissioners Standard Ordinary mortality table adopted by the NAIC for use in determining the minimum nonforfeiture standard for policies issued on or after the operative date of the valuation manual then that minimum nonforfeiture standard supersedes the minimum nonforfeiture standard provided by the valuation manual.

(i) The nonforfeiture interest rate.

(1) For policies issued prior to the operative date of the valuation manual, the nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be equal to 125 percent of the calendar year statutory valuation interest rate for the policy

as defined in the Standard Valuation Law, rounded to the nearer one-fourth of 1 percent, provided, however, that the nonforfeiture interest rate shall not be less than 4 percent.

(2) For policies issued on or after the operative date of the valuation manual, the nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be provided by the valuation manual.

(j) Notwithstanding any other provision in this code to the contrary, any refiling of nonforfeiture values or their methods of computation for any previously approved policy form that involves only a change in the interest rate or mortality table used to compute nonforfeiture values shall not require refiling of any other provisions of that policy form.

(k) After the effective date of this section, any company may file with the commissioner a written notice of its election to comply with this section after a specified date before January 1, 1989, which shall be the operative date of this section for such company. If a company makes no such election, the operative date of this section for such company shall be January 1, 1989.

(Amended by Stats. 2015, Ch. 658, Sec. 2. (SB 696) Effective January 1, 2016.)

10163.3. In the case of any plan of life insurance that provides for future premium determination, the amounts of which are to be determined by the insurance company based on then estimates of future experience, or in the case of any plan of life insurance that is of such a nature that minimum values cannot be determined by the methods described in Section 10160, 10161, 10162, 10163, 10163.1, or 10163.2, then:

(a) The commissioner must be satisfied that the benefits provided under the plan are substantially as favorable to policyholders and insureds as the minimum benefits otherwise required by Section 10160, 10161, 10162, 10163, 10163.1, or 10163.2.

(b) The commissioner must be satisfied that the benefits and the pattern of premiums of that plan are not such as to mislead prospective policyholders or insureds.

(c) The cash surrender values and paid-up nonforfeiture benefits provided by the plan must not be less than the minimum values and benefits required for the plan computed by a method consistent with the principles of this Standard Nonforfeiture Law for Life Insurance, as determined by regulations promulgated by the commissioner.

(Amended by Stats. 2004, Ch. 601, Sec. 1. Effective January 1, 2005.)

10163.35. (a) Notwithstanding any other provision of law, the form of any policy, contract, or certificate providing life insurance that is subject to this article shall be filed by the obligor under the policy, contract, or certificate with the commissioner before it is marketed, issued, delivered, or used in this state.

(b) Nothing contained in this section shall be construed as requiring or providing for the prior approval by the commissioner of forms of individual life insurance policies, contracts, or certificates prior to the time the forms are marketed, issued, delivered, or used in this state.

(Added by Stats. 2004, Ch. 601, Sec. 2. Effective January 1, 2005.)

10164. Any cash surrender value and any paid-up nonforfeiture benefit available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in Sections 10161, 10162, 10163, 10163.1, and 10163.2 may be calculated upon the assumption that any death benefit is payable at the end of the policy year of death. The net value of any paid-up additions, other than paid-up term additions, shall be not less than the amounts used to provide such additions. Notwithstanding the provisions of Section 10161, additional benefits payable (a) in the event of death or dismemberment by accident or accidental means, (b) in the event of total and permanent disability, (c) as reversionary annuity or deferred reversionary annuity benefits, (d) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this article would not apply, (e) as term insurance on the life of a child or on the lives of children provided in a policy on the life of a parent of the child, if such term insurance expires before the child's age is 26, is uniform in amount after the child's age is one, and has not become paid up by reason of the death of a parent of the child, and (f) as other policy benefits additional to life insurance and endowment benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this article, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

(Amended by Stats. 1981, Ch. 767, Sec. 9.)

10164.1. This section 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 1 percent 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 10 policy years, from the sum of (a) the greater of zero and the basic cash value hereinafter specified and (b) the present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

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 company, 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 Section 10161 or 10163 whichever is applicable, shall be the same as are the effects specified in Section 10161 or 10163 whichever is applicable, on the cash surrender values defined in that section.

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 Section 10163 or 10163.2 whichever is applicable. Except as is required by the next succeeding sentence of this paragraph, such percentage:

(a) Shall be the same percentage for each policy year between the second policy anniversary and the later of (i) the fifth policy anniversary and (ii) 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 1 percent 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 10 policy years.

(b) Must be such that no percentage after the later of the two policy anniversaries specified in subdivision (a) may apply to fewer than five 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 Section 10163 or 10163.2 whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

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 this article. The cash surrender values shall include any endowment benefits provided for by the policy.

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 Sections 10160, 10161, 10162, 10163.2, and 10164. 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 items (a) through (f) in Section 10164 shall conform with the principles of this section.

(Added by Stats. 1981, Ch. 767, Sec. 10.)

10164.2. (a) For a policy of individual life insurance that is surrendered by the policy owner, the insurer shall return to the owner all moneys due in relation to that policy as expeditiously as possible, but in no event more than 45 days from the date the surrender is effective as provided in subdivision (b). However, this section does not supersede the provisions of subdivision (f) of Section 10160 empowering an insurer to defer payment of cash surrender value for up to six months, to the extent that deferral is necessary to assure the solvency of the insurer.

(b) Unless a later date permitted by the policy, but not later than 45 days after the request is received, is requested by the policy owner, a surrender of a life insurance policy is effective on the date the request is received, if the request is made to the insurer or servicing agent authorized by the insurer in writing to receive these requests on the insurer's behalf and contains the elements specified by the insurer in the contract. The insurer may require the request be in writing. The insurer may require some or all of the following elements, but shall not require more:

(1) A statement that makes it clear that the policy owner intends to surrender, in whole or in part, the contract in question.

(2) The policy number of the policy to be surrendered.

(3) The name of the insured on the policy to be surrendered.

(4) The signature of the owner of the policy and, if required by the policy or by a legally binding document of which the insurer has actual notice, the signature of a collateral assignee, irrevocable beneficiary, or other person having an interest in the policy through the legally binding document.

(5) Either the policy itself, or, in lieu of the policy, a statement that the policy has been lost or destroyed.

(c) When the policy owner requests of an insurer or servicing agent information about surrendering a policy, the insurer or servicing agent shall provide, as expeditiously as possible, a written notice setting forth either the requirements of this section or the insurer's requirements, if less.

(d) A policy subject to this section issued on or after January 1, 1997, shall either include language that may be included by endorsement, or be accompanied by a notice setting forth the elements necessary to surrender the policy as required by this section or by the insurer, if less.

(e) Nothing in this section shall be construed to limit an existing statutory right to return a policy for surrender, nor shall it limit a contractual provision that provides a greater right or option to the policy owner.

(f) For a written request, for purposes of this section, "received" means the first day that the written notice is delivered to the address of the insurer or servicing agent authorized by the insurer in writing to receive these requests on the insurer's behalf. An insurer or servicing agent shall maintain a procedure for ensuring that requests for surrender are logged or stamped on the date received, and not on a later date due to the insurer's or servicing agent's internal routing or delivery procedures. If this procedure is not maintained, it shall be conclusively presumed that a request was received on the delivery date shown on an express, certified, or registered mail receipt form of the United States Postal Service or by a commercial carrier, if delivered by commercial carrier, or the earlier of (1) two business days after the request was postmarked by the United States Postal Service or (2) one business day before the date stamped received by the insurer or servicing agent. For purposes of this subdivision, "business day" has the meaning set forth in subdivision (b) of Section 1215. Postmarks generated by postage meters not located at an office of the United States Postal Service are to be disregarded.

(g) This section does not alter a contractual provision governing calculation of cash or surrender or other values. The effective date established by subdivision (b) is intended to establish a date certain on which a policyholder may rely in determining when the 45-day period specified in subdivision (a) begins to run. Subdivision (b) is not intended to advance a date otherwise provided by contract that is triggered by a request to surrender. An insurer may request information in addition to that listed in subdivision (b). However, an insurer's request for additional information does not delay an effective date established by a policyholder's compliance with subdivision (b).

(Amended by Stats. 2017, Ch. 417, Sec. 27. (AB 1696) Effective January 1, 2018.)

10165. This article shall not apply to any of the following:

(a) Reinsurance.

(b) Group insurance.

(c) Pure endowment.

(d) Annuity or reversionary annuity contract.

(e) Term policy of uniform amount, which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy.

(f) Term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in Sections 10163, 10163.1, and 10163.2, is less than the adjusted premium so calculated, on a term policy of uniform amount, or renewal thereof, which provides no guaranteed nonforfeiture or endowment benefits, issued at the same age and for the same initial amount of insurance and for a term of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy.

(g) A policy, which provides no guaranteed nonforfeiture or endowment benefits, for which no cash surrender value, if any, or present value of any paid-up nonforfeiture benefit, at the beginning of any policy year, calculated as specified in Sections 10161, 10162, 10163, 10163.1, and 10163.2, exceeds $2\frac{1}{2}$ percent of the amount of insurance at the beginning of the same policy year, nor

(h) A policy which shall be delivered outside this state through an agent or other representative of the company issuing the policy.

For purposes of determining the applicability of this article, the age at expiry for a joint-term life insurance policy shall be the age at expiry of the oldest life.

(Amended by Stats. 1981, Ch. 767, Sec. 11.)

10166. No agreement between the insurer and the policyholder or applicant for insurance contrary to this article shall be held to waive any of the provisions of this article.

(Added by Stats. 1943, Ch. 955.)

10167. Any policy to which this article is applicable which does not contain a paid-up nonforfeiture benefit shall be construed as granting nonparticipating paid-up term insurance as a nonforfeiture benefit under subdivision (a) Section 10160.

(Added by Stats. 1943, Ch. 955.)

10167.5. (a) Whenever a nonforfeiture benefit is implemented by a life insurer in connection with a defaulting policyowner, the insurer shall provide a notice to the policyowner which explains that action and refers the policyowner to the other available options,

if any, under the provisions of the policy.

(b) For purposes of this section, any notice to a policyholder shall be in writing and shall be mailed to the last known address of the policyowner shown on the records of the insurer.

(c) This section does not apply to any of the following:

(1) Reinsurance.

(2) Group insurance.

(3) Pure endowment.

(4) Annuity or reversionary annuity contract.

(5) Industrial insurance.

(Added by Stats. 1990, Ch. 670, Sec. 1.)