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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 5. General Regulation of Life Insurers [10430 - 10509.946] (*Chapter 5 enacted by Stats. 1935, Ch. 145.*)

ARTICLE 6. Investment Return Assurance [10507 - 10507.4] (*Article 6 added by Stats. 1971, Ch. 1566.*)

10507. (a) Any life insurance company authorized to do business in this state shall be permitted to issue and deliver individual policies in connection with the payment of benefits against the risk of loss in the value of redeemable securities of the insured investor issued by investment companies regulated by the federal Investment Company Act of 1940, as amended, and whose redeemable securities are registered under the federal Securities Act of 1933, as amended. For purposes of this article, such benefits shall be referred to as "investment return assurance."

(b) Policies providing such investment return assurance shall provide a benefit equal to the difference between the amount paid for such redeemable securities and the value of such redeemable securities at the earlier of either (1) the end of the policy period, or (2) the date of death of the insured.

(c) To protect the public and policyholders located in this state from hazardous operation by domestic, foreign, or alien companies, and to further the purpose and provision of this part, no domestic, foreign, or alien insurance company shall undertake the issuance of any policy providing for investment return assurance until such company has satisfied the commissioner that its condition or method of operation in connection with the issuance of such policies shall not be such as to render its operation hazardous to the public, or its policyholders in this state, and, whether domestic, foreign, or alien, that it meets the conditions prescribed in Section 717 for the issuance of a certificate of authority. In the determination of the qualification of a company requesting authority to issue policies providing for investment return assurance within this state, the commissioner shall consider, in addition to the requirements of Section 717, (1) the history of the company, (2) the character, responsibility, and general fitness of the officers and directors of the company, (3) the regulation of a foreign or alien company by its state of domicile, (4) the adequacy of the investment management which the company is providing, and (5) the company's arrangements for the supervision of the marketing of such policies. No company may provide investment return assurance in its policies unless it is an admitted insurer having and maintaining a combined capital and surplus of at least two million dollars (\$2,000,000).

(d) In addition to the requirements of subdivision (c), no admitted insurer may provide investment return assurance in its policies unless it establishes a special contingency fund of not less than one million dollars (\$1,000,000). This fund shall be deemed to constitute a reserve liability in addition to other reserves of such insurer. In the event such insurer writes investment return assurance both on an individual and a group basis, the special contingency fund shall be one million dollars (\$1,000,000) for both.

(*Added by Stats. 1971, Ch. 1566.*)

10507.1. The commissioner shall require the payment of three hundred seventy-four dollars (\$374), as a fee for the determination of qualification required by Section 10507. Upon completion of the determination of qualification, and whether authorization to issue policies providing investment return benefits is granted or denied, the commissioner shall require the payment of those additional amounts from the requesting insurer as may be necessary to defray all administrative costs in excess of three hundred seventy-four dollars (\$374) incurred by the commissioner in making that determination.

(*Amended by Stats. 2017, Ch. 534, Sec. 64. (AB 1699) Effective January 1, 2018.*)

10507.2. An investment return assurance policy evidencing such insurance, shall not be issued or delivered in this state until a copy of the form thereof is filed with the commissioner, the fees required by Section 12973.9 are paid, and the commissioner has given written approval of the form.

(*Amended by Stats. 1983, Ch. 142, Sec. 88.*)

10507.3. No policy of investment return assurance shall be delivered or issued for delivery to any person in this state unless each such policy does all of the following:

(a) Includes a statement on the first page thereof in boldface type that, in the event that the investment covered by the policy exceeds the benefit provided under the policy, there shall be no benefit.

(b) Provides for both of the following:

(1) The reserves for all investment return assurance policies shall be computed and maintained on a basis which shall place an actuarially sound value on the liabilities under such policies. To provide a basis for the determination of such actuarially sound values, the commissioner, from time to time, shall adopt rules requiring the use of appropriate tables of morbidity, mortality, interest rates, and valuation methods for such reserves.

(2) 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 ratio of the number of years the policy has been in force to the total premium-paying period times the present value of benefits payable had the policy been kept in full force and effect for the total premium-paying period.

(Added by Stats. 1971, Ch. 1566.)

10507.4. In furtherance of the purpose of this article, the commissioner may make reasonable rules and regulations. The rules and regulations shall be adopted, amended, or repealed in accordance with the procedure provided in Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(Amended by Stats. 1985, Ch. 106, Sec. 99.)