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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 6. Incorporated Life Insurers Issuing Policies on a Reserve Basis [10510 - 10541]** ( *Chapter 6 enacted by Stats. 1935, Ch. 145.*  )

**ARTICLE 2. Dividends [10530- 10530.]** ( *Article 2 enacted by Stats. 1935, Ch. 145.*  )

**10530.** (a) A domestic incorporated life insurer issuing policies on the reserve plan shall not make any dividends, except from earned surplus.

(b) No dividends shall be declared out of earned surplus derived from the mere appreciation in the value of assets not yet realized, nor shall any dividends be declared from any part of earned surplus derived from an exchange of assets, unless and until earned surplus has been realized, or unless the assets received are currently realizable in cash.

(c) An insurer may declare and distribute a dividend otherwise prohibited by this section if (1) following payment of the dividend the insurer's surplus as regards policyholders is (A) reasonable in relation to its outstanding liabilities and (B) adequate to its financial needs as prescribed in Section 1215.5, and (2) the commissioner has given approval for the dividend prior to payment.

(d) For purposes of this section, "earned surplus" means unassigned funds, as required to be reported on the insurer's annual statement.

(*Amended by Stats. 1993, Ch. 974, Sec. 5. Effective January 1, 1994.*)