

Kansas Administrative Regulations

Kansas Department of Insurance

Article 2.—Life Insurance

40-2-24. Life and health reinsurance agreements.

Sections 3, 4, 5, and 6 of the national association of insurance commissioners' "life and health reinsurance agreements model regulation," adopted by the NAIC on September 20, 1992, are hereby adopted by reference, subject to the following additions and exceptions:

(a) The formula in section 4A(7)(b) is hereby amended to read as follows: "The following formula shall be acceptable:

$$\text{"Rate"} = \frac{2(I + CG)}{X + Y - I - CG}$$

"Where: 'I' is the net investment income [(exhibit 2, line 16, column 7 of the life and accident and health annual statement) or (underwriting and investment exhibit part 1, line 15, column 8 of the property and casualty annual statement)];

" 'CG' is the capital gains less capital losses [(exhibit 3, line 12, column 4 plus exhibit 4, line 10, column 4 of the life and accident and health annual statement) or (part 1A, line 10, column 7 of the property and casualty annual statement)];

" 'X' is the current year cash and invested assets [(page 2, line 11, column 4 of the life and accident and health annual statement) or (page 2, line 9, column 4 of the property and casualty annual statement)] plus investment income due and accrued [(page 2, line 17, column 4 of the life and accident and health annual statement) or (page 2, line 16, column 4 of the property and casualty annual statement)] less borrowed money [(page 3, line 22, column 1 of the life and accident and health annual statement) or (page 3, line 7, column 1 plus line 8, column 1 of the property and casualty annual statement)]; and

" 'Y' is the same as X but for the prior year."

(b) The first paragraph of section 4C(2) is hereby amended to read as follows: "Any increase in the surplus net of federal income tax resulting from arrangements described

in subsection C(1) shall be identified separately on the insurer's statutory financial statement as a surplus item [(aggregate write-ins for gains and losses in surplus in the capital and surplus account, page 4, line 46, column 1 of the life and accident and health annual statement) or (aggregate write-ins for gains and losses in surplus in the capital and surplus account, page 4, line 30, column 1 of the property and casualty annual statement)], and recognition of the surplus increase as income shall be reflected on a net of tax basis in "commissions and expense allowances on reinsurance ceded" (page 4, line 5, column 1 of the life and accident and health annual statement) or in "other underwriting expenses incurred" (page 4, line 4, column 1 of the property and casualty annual statement) as earnings emerge from the reinsured business."

(c) Section 6 is hereby amended to read as follows: "Insurers subject to this regulation shall reduce to zero by December 31, 1997 any reserve credits or assets established with respect to reinsurance agreements entered into prior to the effective date of this regulation that, under the provisions of this regulation, would not be entitled to recognition of the reserve credits or assets. However, these reinsurance agreements shall have been in compliance with laws or regulations in existence immediately preceding the effective date of this regulation.

(Authorized by K.S.A. 40-103; implementing K.S.A. 1996 Supp. 40-221a; effective April 11, 1997.)

***** Authenticated Kansas Administrative Regulation *****