

PERSONAL.FX2¶♥◆*¶ .*****ENROLLED SENATE

BILL NO. 10

By: Brown of the Senate

and

Widener and Adair of the
House

An Act relating to insurance; amending 36 O.S. 1991, Sections 1256, 1428, 3611 and 4029, which relate to insurance claims, agents, forms and policy provisions; modifying time periods for investigating claims and advising insured of acceptance or denial of claim; expanding conditions under which insurer is relieved from compliance with certain requirements; requiring insurance agent give notice of certain conviction or administrative action within certain time period; including additional kinds of insurance forms which may be disapproved by Commissioner under certain conditions; requiring notification of policyholder of cash surrender value within certain period after default of payment; requiring insured be joint payee on certain claim check or draft and payment be sent to address designated by insured; providing for cancellation of compensation agreement with licensed adjuster; requiring contract clearly state certain information and reserving right of Commissioner to approve certain forms; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 36 O.S. 1991, Section 1256, is amended to read as follows:

Section 1256. A. Within ~~forty-five (45)~~ thirty (30) business days after receipt by a property and casualty insurer of properly executed proofs of loss, the first party claimant shall be advised of the acceptance or denial of the claim by the insurer, or if further investigation is necessary. No property and casualty insurer shall deny a claim because of a specific policy provision, condition, or exclusion unless reference to such provision, condition, or exclusion is included in the denial. A denial shall be given to any claimant in writing, and the claim file of the property and casualty insurer shall contain a copy of the denial. If there is a reasonable basis supported by specific information available for review by the Commissioner that the first party claimant has fraudulently caused or contributed to the loss ~~by arson~~, a property and casualty insurer shall be relieved from the requirements of this subsection. In the event of a weather-related catastrophe or a major natural disaster, as declared by the Governor, the Insurance Commissioner may extend the deadline imposed under this subsection an additional fifteen (15) business days.

B. If a claim is denied for reasons other than those described in subsection A of this section, and is made by any other means than writing, an appropriate notation shall be made in the claim file of the property and casualty insurer until such time as a written confirmation can be made.

C. Every property and casualty insurer shall complete investigation of a claim within forty-five (45) business days after notification of proof of loss unless such investigation cannot reasonably be completed within such time. If such investigation cannot be completed, or if a property and casualty insurer needs more time to determine whether a claim should be accepted or denied, it shall so notify the claimant within forty-five (45) business days after receipt of the proofs of loss, giving reasons why more time is needed. If the investigation remains incomplete, a property and casualty insurer shall, forty-five (45) business days from the date of the initial notification ~~and every forty-five (45) business days thereafter~~, send to such claimant a letter setting forth the reasons additional time is needed for investigation. Except for an investigation of possible fraud or arson which is supported by specific information giving a reasonable basis for the investigation, the time for investigation shall not exceed ninety (90) business days after receipt of proof of loss. Provided, in the event of a weather-related catastrophe or a major natural disaster, as declared by the Governor, the Insurance Commissioner may extend this deadline for investigation an additional fifteen (15) business days.

D. Insurers shall not fail to settle first party claims on the basis that responsibility for payment should be assumed by others except as may otherwise be provided by policy provisions.

E. Insurers shall not continue or delay negotiations for settlement with a claimant who is neither an attorney nor represented by an attorney, for a length of time which causes the claimant's rights to be affected by a statute of limitations, or a policy or contract time limit, without giving the claimant written notice that the time limit is expiring and may affect the claimant's rights. Such notice shall be given to first party claimants thirty (30) days, and to third party claimants sixty (60) days, before the date on which such time limit may expire.

F. No insurer shall make statements which indicate that the rights of a third party claimant may be impaired if a form of release is not completed within a given period of time unless the statement is given for the purpose of notifying a third party claimant of the provision of a statute of limitations.

G. If a lawsuit on the claim is initiated, the time limits provided for in this section shall not apply.

SECTION 2. AMENDATORY 36 O.S. 1991, Section 1428, is amended to read as follows:

Section 1428. A. ~~1.~~ The Commissioner or the independent hearing examiner shall censure, suspend, or revoke, or refuse to issue, continue, or renew, any license issued or applied for pursuant to the provisions of the Insurance Agents Licensing Act if, after notice to the licensee and to the insurer represented, the Commissioner or the independent hearing examiner finds as to the licensee any one or more of the following conditions:

- ~~a.~~ 1. Any materially untrue statement in the license application, ~~or;~~
- ~~b.~~ 2. Any cause for which issuance of the license could have been refused had it existed and been known to the Commissioner at the time of issuance, ~~or;~~

- ~~e.~~ 3. Any violation of or noncompliance with any insurance laws of this state, or any violation of any lawful rule, regulation, or order of the Commissioner~~;~~~~;~~
- ~~d.~~ 4. Obtaining or attempting to obtain any license through misrepresentation or fraud~~;~~~~;~~
- ~~e.~~ 5. Improperly withholding, misappropriating, or converting to his own use any monies belonging to policyholders, insurers, beneficiaries, or others received in the course of his insurance business~~;~~~~;~~
- ~~f.~~ 6. Misrepresentation of the terms of any actual or proposed insurance contract~~;~~~~;~~
- ~~g.~~ 7. Conviction of or plea of guilty or nolo contendere to:
 - ~~(1)~~ a. a felony, or
 - ~~(2)~~ b. a misdemeanor involving moral turpitude~~;~~~~;~~
- ~~h.~~ 8. The licensee has been found guilty of any unfair trade practice or fraud~~;~~~~;~~
- ~~i.~~ 9. In the conduct of his affairs, the licensee has used fraudulent, coercive, or dishonest practices, or has shown himself to be incompetent, untrustworthy, or financially irresponsible~~;~~~~;~~
- ~~j.~~ 10. The licensee has forged the name of another person to an application for insurance~~;~~~~;~~
- ~~k.~~ 11. The applicant has been found to have been cheating on an examination for an insurance license.

~~2.~~ B. If the action by the Commissioner or the independent hearing examiner is to deny renewal or to deny an application for a license, he shall notify the applicant or licensee and advise, in writing, the applicant or licensee of the reasons for the denial or nonrenewal of the applicant's or licensee's license. The applicant or licensee may make written demand upon the Commissioner or independent hearing examiner within a reasonable time for a hearing before the Commissioner or independent hearing examiner to determine the reasonableness of the action of the Commissioner or independent hearing examiner.

~~3.~~ C. The license of a partnership or corporation may be suspended, revoked, or refused if the Commissioner or independent hearing examiner finds that a violation by an individual licensee was known or should have been known by one or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was not reported to the Commissioner nor corrective action taken in relation to the violation.

~~4.~~ D. In addition to or in lieu of any applicable denial, censure, suspension, or revocation of a license, any person violating the provisions of the Insurance Agents Licensing Act may be subject to a civil fine of not less than One Hundred Dollars (\$100.00) nor more than One Thousand Dollars (\$1,000.00) for each occurrence. Said fine may be enforced in the same manner in which civil judgments may be enforced.

~~5.~~ E. Every licensee licensed pursuant to the provisions of the Insurance Agents Licensing Act shall keep at his place of business the usual and customary records pertaining to transactions authorized by his license. All records as to any particular transactions shall be kept available and open to the inspection of the Commissioner at any time during business hours during the three (3) years immediately following the date of completion of the

transaction. The Commissioner may require a financial or market conduct examination during any investigation of a licensee. The cost of such examination shall be apportioned among all of the appointing insurers of the licensee.

F. Every licensee licensed pursuant to the provisions of the Insurance Agents Licensing Act shall notify the Commissioner of the conviction of or plea of guilty or nolo contendere to a felony or misdemeanor involving moral turpitude within thirty (30) days of the entering of an order of judgment and sentencing and shall notify the Commissioner of any administrative action taken against his or her license in another state within thirty (30) days of the entering of the administrative order in that state.

~~6.~~ G. For one (1) year after notification of an alleged violation, the Commissioner shall retain jurisdiction as to any person who cancels his agent's license or allows said license to lapse, if the person while licensed as an agent allegedly violated any provision of this Code. Notice and hearing shall be conducted in the same manner as if the person still maintained an agent's license. If the Commissioner or independent hearing examiner determines that a violation of the provisions of this Code occurred, any order issued by the Commissioner or independent hearing examiner pursuant to said determination may become a permanent record in the file of the person and may be used in any future request by the person for licensure or reinstatement.

~~7.~~ H. Files pertaining to investigations or legal matters which contain information concerning a current and ongoing investigation of allegations of violations of this Code by a licensed agent shall not be available for public inspection without proper judicial authorization; however, a licensed agent, under investigation for alleged violations of this Code, or against whom an action for alleged violations of this Code has been commenced, may view files pertaining to his investigation at reasonable times at the Commissioner's office. All qualification examination materials, booklets and answers for any license authorized to be issued by the Commissioner under any statute, shall not be available for public inspection.

SECTION 3. AMENDATORY 36 O.S. 1991, Section 3611, is amended to read as follows:

Section 3611. A. The Insurance Commissioner shall disapprove any form of policy, application, rider or endorsement or withdraw any previous approval thereof only:

1. If it is in any respect in violation of or does not comply with this code, including Section 4509 of this title or any other applicable statute in the State of Oklahoma;

2. If it contains or incorporates by reference any inconsistent, ambiguous, or misleading clauses, or exceptions and conditions which deceptively affect the risks purported to be assumed in the general coverage of the contract; and

3. If it has any title, heading, or other indication of its provisions which is misleading.

B. 1. No individual or family accident and health insurance policy, shall be delivered, or issued for delivery, in this state unless:

- a. accompanied by an appropriate outline of coverages in plain and simple language, in no less than 10-point type, and provided further, at the top of the front page of the outline of coverage, in no less than 14-point type, shall state the policy described herein is a limited policy or a substandard policy or other

appropriate information, as prescribed by the Insurance Commissioner, and

- b. an appropriate outline of coverage is completed and delivered to the applicant at the time application is made, and an acknowledgment of receipt or certificate of delivery of such outline is provided to the insurer with the application.

In the case of a direct response, such as a written application to the insurance company from an applicant, the outline of coverage shall accompany the policy when issued~~+~~.

2. Such outline of coverage shall contain:

- a. a statement identifying the applicable category of coverage afforded by the policy as based on the minimum basic standards set forth in the rules and regulations issued to effect compliance with paragraph 3 of this section and Title 36 of the Oklahoma Statutes,
- b. a brief description of the principal benefits and coverage provided in the policy,
- c. a summary statement of the principal exclusions and limitations or reductions contained in the policy, including, but not limited to, pre-existing conditions, probationary periods, elimination periods, and any age limitations or reductions,
- d. a summary statement of the renewal provision, including any reservation of the insurer of a right to change premiums, and
- e. a statement that the outline contains a summary only of the details of the policy as issued or of the policy as applied for and that the issued policy should be referred to for the actual contractual governing provisions~~+~~.

3. The department shall adopt rules and regulations which establish minimum standards for the general content of forms of individual and family health policies, which shall be inclusive of terms of renewability, initial and subsequent conditions of eligibility, termination of insurance, probationary periods, exclusions, limitations, and reductions. The minimum standards expressed in such rules and regulations shall be in addition to, and in accordance with, individual accident and sickness policy provisions as provided in ~~Title 36 of the Oklahoma Statutes;~~ this title.

4. The department shall adopt rules and regulations which establish minimum standards of benefits and identification for each of the following categories of coverage in individual and family forms, other than conversion policies, of accident and health insurance:

- a. basic hospital expense insurance,
- b. basic medical expense insurance,
- c. basic surgical expense insurance,
- d. hospital confinement indemnity insurance,
- e. major medical expense insurance,
- f. disability income protection insurance,
- g. accident-only insurance, and
- h. limited benefit insurance.

Nothing in this section shall preclude the issuance of any policy which combines two or more of the categories of coverage enumerated in subparagraphs a through e, or any policy which does not meet the prescribed minimum standards for categories of coverage in subparagraphs a through g when such policy is, in the opinion of

the department, either experimental in nature or is demonstrated to be a type of coverage that will fulfill a reasonable need of the person or persons to be insured. Any policy so approved will be identified as to category only as prescribed by the department, ~~and~~.

5. The department may, within such time as provided by law for the disapproval of an individual or family form of accident or health insurance, group accident and health insurance, or life and annuity insurance, disapprove any such form if it finds that it does not comply with applicable law in this state or it finds that such form is unjust, unfair, or inequitable to the policyholder, any person insured thereunder, or any beneficiary. In acting upon any such submission, the Commissioner shall, under this section, consider whether the benefits afforded under the submitted policy or benefit form would fulfill a reasonable need of a policyholder.

SECTION 4. AMENDATORY 36 O.S. 1991, Section 4029, is amended to read as follows:

Section 4029. A. No policy of life insurance, except as set forth in subsection ~~¶~~ L of this section, 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 subsection ~~¶~~ K of this section:

1. That in the event of default in any premium payment, after premiums have been paid for at least three (3) full years, the insurer will grant, upon proper request not later than sixty (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 such stipulated paid-up nonforfeiture benefit, the insurer may substitute, upon proper request not later than sixty (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.

2. That upon surrender of the policy within sixty (60) days after the due date of any premium payment in default after premiums have been paid for at least three (3) full years in the case of ordinary insurance, or five (5) 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.

3. 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 sixty (60) days after the due date of the premium in default.

4. 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 thirty (30) days after any policy anniversary, a cash surrender value of such amount as may be hereinafter specified.

5. 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 table 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 twenty (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 the policy.

6. 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 the policy; if a detailed statement of the method of computation of the values and benefits shown in the policy is not stated therein, a statement that such method of computation has been filed with the insurance supervisory official of the state in which the policy is delivered; and a statement of the method to be used in calculating the cash surrender value and 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.

B. Any of the provisions or portions thereof set forth in paragraphs 1 through 6 of subsection A of this section which are 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 (6) months after demand therefor with surrender of the policy.

C. Cash surrender value: The policy must comply with the requirements of one of the following paragraphs:

1. Any cash surrender value available under the policy in the event of default in the premium payment due on any policy anniversary, whether or not required by subsection A of this section, shall be at least equal to the reserve on the policy at date of default and on any paid-up additions thereto, less a sum of not more than two and one-half percent (2 1/2%) of the amount insured by the policy and of the paid-up additions thereto, if any, and less any existing indebtedness to the company on or secured by the policy; the reserve on such policy to be computed in accordance with the mortality table and the rate of interest specified in the policy for the calculation of the cash value and by the net level premium method of valuation unless a modified net premium method of valuation be specified in the policy. No cash surrender value shall be required in policies of term insurance of twenty (20) years or less.

2. Any cash surrender value available under the policy in the event of default in the premium payment due on any policy anniversary, whether or not required by subsection A of this section, 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 (i) the then present value of the adjusted premiums as defined in subsections E, F and G and H of this section, corresponding to premiums which would have fallen due on and after such anniversary, and (ii) the amount of any indebtedness to the insurer on account of or secured by the policy.

3. Provided, however, that for any policy issued on or after the operative date of paragraph 4 of subsection ~~G~~ H of this section as defined therein, 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 paragraph 2 of this subsection 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.

4. Provided, further, that for any family policy issued on or after the operative date of paragraph 4 of subsection ~~G~~ H of this section as defined therein, 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 seventy-one (71) years, the cash surrender value referred to in paragraph 2 of this subsection 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.

5. Any cash surrender value available within thirty (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 benefits, whether or not required by subsection A, 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 insurer on account of or secured by the policy. The method described in paragraphs 2, 3, 4 and 5 of this subsection may be referred to as the Standard Nonforfeiture Value Method.

D. Notification to policyholder of cash surrender value: Within three (3) months after default of any premium payment on any life insurance policy which has a cash surrender value, the insurer shall notify the policyholder in writing of the cash surrender value and of the policyholder's options as to the application of the cash surrender value as provided in the policy.

E. Paid-up nonforfeiture benefits: Any paid-up nonforfeiture benefit available under the policy in the event of default in the 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 section in the absence of the condition that premiums shall have been paid for at least a specified period.

~~E.~~ F. The adjusted premium: This subsection ~~E~~ shall not apply to policies issued on or after the operative date of paragraph 4 of subsection ~~G~~ H of this section as defined therein. Except as provided in paragraph 2 of subsection ~~F~~ G 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 the insurance if the insurance be uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with the duration of the policy;
- (iii) forty percent (40%) of the adjusted premium for the first policy year; and
- (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, provided, however, that in applying the percentages specified in clauses (iii) and (iv) above, no adjusted premiums shall be deemed to exceed four percent (4%) of the amount of insurance or uniform amount equivalent thereto.

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.

~~F.~~ G. 1. This subsection ~~F~~ shall not apply to policies issued on or after the operative date of paragraph 4 of subsection ~~G~~ H of this section as defined therein. In the case of a policy providing an amount of insurance varying with the duration of the policy, the equivalent uniform amount thereof for the purpose of subsection ~~E~~ F 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 ten (10) years, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten (10) years were the amount provided by such policy at age ten (10) years.

2. The adjusted premiums for any policy providing term insurance benefits by rider or supplemental policy provision 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 subsection ~~E~~ F of this section and paragraph 1 of this subsection except that, for the purposes of clauses (ii), (iii) and (iv) of subsection ~~E~~ F of this section, the amount of insurance or equivalent uniform amount of insurance used in the calculation of the adjusted premiums referred to in (b) shall be equal to the excess of the corresponding amount determined for the entire policy over the amount used in the calculation of the adjusted premiums in (a).

~~G.~~ H. 1. This paragraph shall not apply to policies issued on or after the operative date of paragraph 4 of this subsection as defined therein. For policies which comply with the requirements of paragraph 2 of subsection C of this section and except as otherwise provided in paragraphs 2 and 3 of this subsection, all adjusted premiums and present values referred to in this section shall for

policies of ordinary insurance be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table, 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 three (3) 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 1/2%) per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits, 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 one hundred thirty percent (130%) of the rates of mortality according to such applicable 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 insurer and approved by the Insurance Commissioner.

2. This paragraph shall not apply to ordinary policies issued on or after the operative date of paragraph 4 of this subsection as defined therein. In the case of ordinary policies which comply with the requirements of paragraph 2 of subsection C of this section issued on or after July 1, 1962, all adjusted premiums and present values referred to in this section may 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 three and one-half percent (3 1/2%) per annum except that a rate of interest not exceeding four percent (4%) per annum may be used for policies issued on or after April 11, 1974, and prior to March 17, 1978, and rate of interest not exceeding five and one-half percent (5 1/2%) per annum may be used for policies issued on or after March 17, 1978, and 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 (6) 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.

3. This paragraph shall not apply to industrial policies issued on or after the operative date of paragraph 4 of this subsection as defined therein. In the case of industrial policies, which comply with the requirements of paragraph 2 of subsection C of this section, all adjusted premiums and present values referred to in this section may 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 three and one-half percent (3 1/2%) per annum except that a rate of interest not exceeding four percent (4%) per annum may be used for policies issued on or after April 11, 1974, and prior to March 17, 1978, and a rate of interest not exceeding

five and one-half percent (5 1/2%) per annum may be used for policies issued on or after March 17, 1978. 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.

4. (a) This paragraph shall apply to all policies issued on or after the operative date of this paragraph as defined herein. Except as provided in subparagraph (g) of this paragraph, 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 (i) the then present value of the future guaranteed benefits provided for by the policy; (ii) one percent (1%) 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 ten (10) policy years; and (iii) one hundred twenty-five percent (125%) of the nonforfeiture net level premium as hereinafter defined. Provided, however, that in applying the percentage specified in (iii) above no nonforfeiture net level premium shall be deemed to exceed four percent (4%) 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 ten (10) policy years. The date of issue of a policy for the purpose of this paragraph 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 one 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 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, 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 subparagraph (g) of this paragraph, 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
 - (A) the sum of
 - (i) the then present value of the then future guaranteed benefits provided for by the policy and
 - (ii) the additional expense allowance, if any, over
 - (B) 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
 - (i) one percent (1%) of the excess, if positive, of the average amount of insurance at the beginning of each of the first ten (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 ten (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
 - (ii) one hundred twenty-five percent (125%) 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 (A) by (B) where
 - (A) equals the sum of
 - (i) the nonforfeiture net level premium applicable prior to the change times the present value of an annuity of one 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
 - (ii) the present value of the increase in future guaranteed benefits provided for by the policy, and
 - (B) equals the present value of an annuity of one 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 provisions of this paragraph to the contrary, in the case of a policy issued on a substandard basis which 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 which 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 section shall for all policies of ordinary insurance be calculated on the basis of (i) the Commissioners 1980 Standard Ordinary Mortality Table or (ii) at the election of the insurer 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 paragraph for policies issued in that calendar year. Provided, however, that:
- (i) At the option of the insurer, 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 paragraph, for policies issued in the immediately preceding calendar year.
 - (ii) Under any paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by subsection A of this section, 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.
 - (iii) An insurer 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.
 - (iv) 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.
 - (v) 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.

- (vi) Any ordinary mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated 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.
- (vii) Any industrial mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, that are approved by regulation promulgated 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.
- (i) The nonforfeiture interest rate per annum for any policy issued in a particular calendar year shall be equal to one hundred twenty-five percent (125%) of the calendar year statutory valuation interest rate for such policy as defined in the Standard Valuation Law, rounded to the nearest one-fourth of one percent (1/4 of 1%).
- (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 which 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 act, any~~ Any insurer may file with the Commissioner a written notice of its election to comply with the provisions of this paragraph after a specified date before January 1, 1989, which specified date shall be the operative date of this paragraph for such insurer. If an insurer makes no such election, the operative date of this paragraph for such insurer shall be January 1, 1989.

~~H. I.~~ I. In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurer based on then estimates of future experience, or in the case of any plan of life insurance which is of such a nature that minimum values cannot be determined by the methods described in subsections A through ~~G~~ H of this section:

1. 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 subsections A through ~~G~~ H herein;
2. 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;
3. The cash surrender values and paid-up nonforfeiture benefits provided by such 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.

~~I~~ J. Calculation of Values: 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, except in the case of industrial insurance proportionate increases in value may be calculated on the basis of quarter-year payments. All values referred to in subsections C, ~~D~~, E, F ~~and~~, G and H of this section 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 subsection C of this section, additional benefits payable (1) in the event of death or dismemberment by accident or accidental means, (2) in the event of total and permanent disability, (3) as reversionary annuity or deferred reversionary annuity benefits, (4) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this section would not apply, (5) 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 twenty-six (26) years, is uniform in amount after the child's age is one (1) year, and has not become paid up by reason of the death of a parent of the child, and (6) as other policy benefits additional to life insurance and endorsement benefits, and premiums for all such additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no such additional benefits shall be required to be included in any paid-up nonforfeiture benefits.

~~J~~ K. This subsection, in addition to all other applicable subsections of 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 one percent (2/10 of 1%) 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 ten (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 insurer 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 insurer, 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 subsection C or ~~F~~ G of this section, whichever is applicable, shall be the same as are the effects specified in subsection C or ~~F~~ G of this section, whichever is applicable on the cash surrender values defined in that subsection.

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 subsection ~~E~~ F or ~~G~~ H of this section, whichever is

applicable. Except as is required by the next succeeding sentence of this paragraph, such percentage:

1. Must 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 one percent (2/10 of 1%) 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 ten (10) policy years; and

2. Must be such that no percentage after the later of the two policy anniversaries specified in the preceding paragraph 1 may apply to fewer than five (5) 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 subsection ~~F~~ F or ~~G~~ H of this section, 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 subsections of this section. The cash surrender values referred to in this subsection 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 subsections A, B, C and ~~F~~ J and paragraph 4 of subsection ~~G~~ H of this section. 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 (1) through (6) in subsection ~~F~~ J of this section shall conform with the principles of this subsection.

~~K.~~ L. 1. This section shall not apply to any of the following:

- a. reinsurance,
- b. group insurance,
- c. pure endowment,
- d. annuity or reversionary annuity contract,
- e. except as provided in paragraph 1 of subsection C of this section, term policy of uniform amount, which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of twenty (20) years or less expiring before age seventy-one (71) years, for which uniform premiums are payable during the entire term of the policy,
- f. except as provided in paragraph 1 of subsection C of this section, term policy of decreasing amount which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in subsections ~~E~~, F and G and H of this section, 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 for a term defined as follows: For ages at issue fifty (50) years and under the term shall be twenty

(20) years. Thereafter the term shall decrease one (1) year for each year of increase in the age at issue beyond age fifty (50) years; and

- g. 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 subsections C, ~~D~~, E, F ~~and~~, G and H of this section, exceeds two and one-half percent (2 1/2%) of the amount of insurance at the beginning of the same policy year.

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

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6216.1 of Title 36, unless there is created a duplication in numbering, reads as follows:

No insurance company authorized to transact insurance in this state shall make payment of any insurance claim, or any portion of a claim, to a public adjuster on account of services rendered by a public adjuster to an insured unless the name of the insured is added as a joint payee on any claim check or draft. The payment, whether by check, draft or otherwise, shall be sent to the address designated by the insured.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6216.2 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The owner of damaged property has the right to cancel any compensation agreement entered into with a licensed public adjuster until midnight of the third business day after the day on which the agreement was signed.

B. Cancellation occurs when the buyer gives written notice of cancellation to the licensed public adjuster at the address stated in the agreement between the parties. Notice of cancellation may be given by mail and is given when deposited in a United States mail box properly addressed and postage prepaid. Notice of cancellation must contain the written intention of the owner to cancel the agreement. No liability accrues to the owner when the agreement is canceled within said period, except for reasonable expense incurred by the public adjuster in preserving the damaged premises during the said three-day period.

C. Every contract for services to be rendered by a public adjuster shall contain the following statement. It shall be in boldface ten-point or larger type and located conspicuously on the front face of the contract. "THIS CONTRACT MAY BE CANCELED WITHIN THREE (3) DAYS AFTER THE OWNER OF THE DAMAGED PROPERTY HAS SIGNED THIS AGREEMENT".

D. Every contract for services to be rendered by a public adjuster shall clearly indicate the time, date, and place of execution of the contract. This information shall be part of the contract and shall be placed thereon before execution.

E. The Insurance Commissioner reserves the right to approve forms of contracts containing language other than that specified in subsection A of this section if such language reasonably discloses to the insured the statutory rights under this section and is otherwise consistent with all other provisions of law and regulations promulgated.

SECTION 7. This act shall become effective September 1, 1993.
Passed the Senate the 12th day of May, 1993.

President of the Senate

Passed the House of Representatives the 20th day of May, 1993.

Speaker of the House of
Representatives