

Subd. 11. A volunteer fireman firefighter currently employed or a firefighter employed in the future who is a member of the Crookston fire department relief association, after 20 years of service shall be entitled to separate himself from said department and upon attaining the age of 55 60 years shall be entitled to a basic pension of \$20 \$50 per month plus an additional \$2 \$5 per month for each year of service in excess of 20 years. The total of such additional pension shall not exceed \$20 \$150 per month. Said pensions are to be paid quarterly and no other relief or benefits shall be allowed any person drawing said pension. A volunteer fireman firefighter after 20 years of service may retire on a deferred pension and will be entitled to a pension when he has attained the firefighter attains the proper age of 55 years or older. He The firefighter shall, upon application, be placed on the deferred pension roll of the relief association. Retired volunteer firefighters who have qualified for retirement benefits on the effective date of this act shall also receive the benefits provided in this subdivision. The increase in benefits shall be effective in the month following the effective date of this act.

Sec. 17. Laws 1971, chapter 51, section 14, is amended by adding a subdivision to read:

Subd. 11a. Any member of the association who has attained the age of 60 years, whether full time or volunteer, shall be required to take an annual physical medical examination upon the request of the governing body of the association; the purpose of this examination is to determine the fitness of the firefighter to continue as an active member of the association. The expense of the examination shall be paid by the association. The association shall, however, have no responsibility for care and treatment of the volunteer firefighter following the annual physical medical examination.

Sec. 18. **EFFECTIVE DATE.**

Sections 1 to 7 are effective the day following final enactment. Section 8 is effective upon approval by the Red Wing city council and compliance with Minnesota Statutes, section 645.021. Sections 11 to 17 are effective upon approval by the Crookston city council and compliance with Minnesota Statutes, section 645.021.

Approved June 7, 1983

**CHAPTER 292 — H.F.No. 250**

*An act relating to insurance; requiring automobile insurance policy option of safety glass coverage without a deductible; regulating interest rates on life insurance policy loans; establishing written pricing and dividend policies in certain circumstances; prescribing penalties; amending Minnesota Statutes 1982, section 61A.03; proposing new law coded in Minnesota Statutes, chapters 65B and 72A.*

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1982, section 61A.03, is amended to read:

**61A.03 NECESSARY REQUIRED PROVISIONS; LIFE INSURANCE POLICIES.**

Subdivision 1. GENERALLY. No policy of life insurance shall ~~may~~ be issued in this state or ~~be issued~~ by a life insurance company organized under the laws of this state unless ~~the same~~ it contains the following provisions:

(1) (a) **PREMIUM.** A provision that all premiums shall ~~be~~ are payable in advance either at the home office of the company, or to an agent of the company, upon delivery of a receipt signed by one or more officers named in the policy and counter-signed by the agent, but ~~any~~ a policy may contain a provision that the policy itself shall ~~be~~ is a receipt for the first premium;

(2) (b) **GRACE PERIOD.** A provision for a ~~grace~~ of one month grace period for the payment of every premium after the first, ~~which may be subject to an interest charge,~~ during which ~~month~~ the insurance shall will continue in force, ~~which.~~ The provision may subject the late payment to a finance charge and contain a stipulation that if the insured dies during the month of grace period, the overdue premium will be deducted in any settlement under the policy;

(3) (c) **ENTIRE CONTRACT.** A provision that the policy constitutes the entire contract between the parties and is incontestable after it is ~~has been~~ in force during the lifetime of the insured for two years from its date, except for non-payment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war ~~and;~~ that at the option of the company, provisions relative to benefits in the event of total and permanent disability and provisions which grant additional insurance specifically against death by accident, may be excepted; ~~and that~~ a special form of policy may be issued on the life of a person employed in an occupation ~~elassed~~ classified by the company as extra hazardous or as leading to hazardous employment, which provides that service in certain designated occupations may reduce the company's liability under the policy to a certain designated amount not less than the full policy reserve;

(4) (d) **REPRESENTATIONS AND WARRANTIES.** A provision that, in the absence of fraud, all statements made by the insured shall ~~be deemed~~ are representations and not warranties, and that no ~~such~~ statement shall avoid ~~voids~~ the policy unless it is contained in a written application, and a copy of the application is endorsed upon or attached to the policy when issued;

(5) (e) **MISSTATEMENT OF AGE.** A provision that if the age of the insured is understated, the amount payable under the policy shall ~~will~~ be ~~such as~~ the amount the premium would have purchased at the correct age;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(6) (f) **DIVIDENDS ON PARTICIPATING POLICIES.** A provision that the policy shall will participate in the surplus of the company and that, beginning not later than the end of the third policy year, the company will, annually, determine and account for the portion of the divisible surplus accruing on the policy, and that the owner of the policy shall ~~have~~ has the right, each year after the fifth, to have the current dividend arising from ~~such~~ the participation paid in cash, and. If the policy shall ~~provide~~ provides other dividend options, it shall must specify which option shall be is effective if the owner of the policy shall does not elect any an option, which. The provision may stipulate that condition any dividends payable during the first five years of ~~such~~ the policy shall be conditioned upon the payment of the next ensuing annual premium. This provision shall ~~is~~ not be required in non-participating policies, ~~nor~~ in policies issued on under-average lives, ~~nor~~ or in insurance in exchange for lapsed or surrendered policies;

(7) (g) **POLICY LOANS.** A provision (1) that after three full years years' premiums have been paid, the company at any time while the policy is in force, will advance, on proper assignment of the policy, and on the sole security thereof, at a specified rate of interest, not to exceed eight percent per annum, or at an adjustable rate of interest as otherwise provided for in this section, a sum equal to, or, at the option of the owner of the policy, less than the loan value thereof. Such; (2) that the loan value shall be is the cash surrender value thereof at the end of the current policy year, and the policy shall provide; (3) that such the loan, except when unless made to pay premiums, may be deferred for not exceeding more than six months after the application ~~therefor~~ for it is made; it shall be further stipulated in the policy (4) that the company will deduct from ~~such~~ the loan value any existing indebtedness on the policy and any unpaid balance of the premium for current policy year, and may collect interest in advance on the loan to the end of the current policy year, and; (5) that the failure to repay any such an advance or to pay interest shall does not void the policy unless the total indebtedness thereon to the company shall equal equals or exceed exceeds such the loan value at the time of ~~such~~ the failure, nor until one month after notice shall ~~have~~ has been mailed by the company to the last known address of the insured and of the assignee of record at the home office of the company; and (6) that no condition other than as herein those provided shall in this section will be exacted as a prerequisite to any such an advance; but. This provision shall is not be required in term insurance.

(8) (h) **REINSTATEMENT.** A provision that if, in event of default in premium payments, the nonforfeiture value of the policy shall be is applied to the purchase of other insurance, and if ~~such~~ that insurance shall be is in force and the original policy shall ~~has~~ not ~~have~~ been surrendered to the company and canceled, the policy may be reinstated within three years ~~from~~ after the default, upon evidence of insurability satisfactory to the company, and payment of arrears of premiums, with interest;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(9) (i) **PAYMENT OF CLAIMS.** A provision that, when a policy becomes a claim by the death of the insured, settlement shall will be made upon within two months after receipt of due proof of death, or not later than two months after receipt of such proof;

(10) (j) **SETTLEMENT OPTION.** A table showing the amount of installments in which the policy may provide its proceeds may be payable;

(11) (k) **DESCRIPTION OF POLICY.** A title on the face and on the back of the policy briefly and correctly describing the policy in bold letters the same, and so specifying stating its general character, dividend periods, and other particulars, so that the holder will not be able to mistake the nature and scope of the contract.

Any of the foregoing provisions or portions thereof relating to premiums not applicable to single premium policies shall must not be incorporated therein.

**Subd. 2. INTEREST RATES ON POLICY LOANS.** (a) A life insurance policy which provides for policy loans must contain a provision concerning maximum policy loan interest rates as follows:

(1) a provision permitting a maximum interest rate of not more than eight percent per annum; or

(2) a provision permitting an adjustable maximum interest rate established from time to time by the life insurer as permitted by this subdivision.

(b) No life insurer may issue policies with a policy loan provision providing for an adjustable maximum interest rate under paragraph (a), clause (2), unless the insurer also makes available policies with a policy loan provision providing for a fixed rate of interest under paragraph (a), clause (1).

(c) The rate of interest charged on a policy loan made under paragraph (a), clause (2), may not exceed the higher of the following:

(1) the rate used to compute the cash surrender values under the policy during the applicable period plus one percent per annum; or

(2) the monthly average of the composite yield on seasoned corporate bonds as published by Moody's Investors Service, Incorporated, or any successor thereto, for the calendar month ending two months before the date on which the rate is determined. If the monthly average is no longer published, the commissioner shall substitute a substantially similar average by rule.

(d) If the maximum rate of interest is determined pursuant to paragraph (a), clause (2), the policy must contain a provision setting forth the frequency at which the rate is to be determined for that policy.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(e) The maximum rate referred to in paragraph (d) must be determined at regular intervals at least once every 12 months, but not more frequently than once in any three-month period. At the intervals specified in the policy:

(1) The rate being charged may be increased whenever the increase as determined under paragraph (c) would increase that rate by one-half percent or more per annum; and

(2) The rate being charged must be reduced whenever the reduction as determined under paragraph (c) would decrease that rate by one-half percent or more per annum.

(f) The life insurer shall:

(1) notify the policyholder at the time a policy loan, other than a premium loan, is made, of the initial rate of interest on the loan, that the interest rate on the loan is adjustable and that the policyholder will be notified of any increase in the interest rate;

(2) notify the policyholder with respect to premium loans of the initial rate of interest on the loan as soon as it is reasonably practical to do so after making the initial loan. Notice need not be given to the policyholder when a further premium loan is added, except as provided in clause (3);

(3) send reasonable advance notice of any increase in the rate to the policyholder with loans; and

(4) include in the notices required by this paragraph the substance of the pertinent provisions of paragraphs (a) and (d), a summary of the plan required by paragraph (h), and the effect of the policy loan on the policyholder's net cost of insurance per \$1,000 of coverage based on that plan.

(g) The loan value of the policy must be determined in a manner consistent with section 61A.24 or 61A.245, but no policy may terminate as the sole result of a change in the interest rate during that policy year, and the life insurer shall maintain coverage during that policy year until the time at which it would otherwise have terminated if there had been no change during that policy year.

(h) Prior to offering insurance policies with an adjustable policy loan interest rate or offering to add a provision for an adjustable policy loan interest rate to existing policyholders, the insurer shall file a written plan setting forth the manner in which policyholders will receive a reasonable benefit in the form of price reductions, increased amounts of insurance, or increased dividends from the increased earnings of the insurer resulting from the use of the adjustable rate and, if applicable, the effect of a policy loan on dividends and dividend rates. A summary of this plan must be made available upon request to each policyholder and must be provided to each applicant for a policy before the initial premium is received.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(i) The pertinent provisions of paragraphs (a) and (e) must be set forth in substance in the policies to which they apply.

(j) For the purposes of this subdivision:

(1) The rate of interest on policy loans permitted under this subdivision includes the interest rate charged on reinstatement of policy loans for the period during and after any lapse of a policy.

(2) The term "policy loan" includes any premium loan made under a policy to pay one or more premiums that were not paid to the life insurer as they fell due.

(3) The term "policyholder" includes the owner of the policy or the person designated to pay premiums as shown on the records of the life insurer.

(4) The term "policy" includes certificates issued by a fraternal benefit society and annuity contracts which provide for policy loans.

Subd. 3. **APPLICABILITY TO POLICIES.** The provisions of subdivision 2 do not apply to any insurance policy issued before the effective date of this act unless the insurer provides the policyholder with a summary of the plan required by subdivision 2, paragraph (h), and thereafter the policyholder agrees in writing to the applicability of those provisions. Upon election of policies providing adjustable policy loan interest rates, the cash surrender values of any policies subject to the provisions of this section shall be determined in accordance with section 61A.24 or 61A.245 at the time of the election. The provisions of subdivision 2 shall not apply to any insurance policy that the commissioner determines provides insufficient benefits to the policyholder to justify loan interest rates in excess of those provided in subdivision 1.

Subd. 4. **NONAPPLICATION OF USURY.** Neither section 334.01 nor any other law of this state which regulates rates of interest applies to policy loans governed by this section.

Subd. 5. **RULES.** The commissioner may adopt rules pursuant to chapter 14 to further implement and administer the provisions of this section.

**Sec. 2. [65B.134] COMPREHENSIVE COVERAGE; GLASS BREAKAGE.**

Any policy of automobile insurance, as defined in section 65B.14, subdivision 2, providing comprehensive coverage, whether designated as such or included in a policy providing broader coverage, must provide at the option of the insured complete coverage for repair or replacement of all damaged safety glass without regard to any deductible or minimum amount.

**Sec. 3. [72A.135] FAILURE TO FOLLOW DIVIDEND AND PRICING POLICY; PENALTIES.**

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

An insurer failing to file and adhere to the plan required by section 61A.03, subdivision 2, paragraph (h), is subject to a civil penalty of not more than \$5,000 for each violation.

Sec. 4. **EFFECTIVE DATE.**

Section 2 is effective September 1, 1983, and applies to all policies of automobile insurance issued or renewed after that date. Sections 1 and 3 are effective January 1, 1984.

Approved June 7, 1983

---

**CHAPTER 293 — S.F.No. 1233**

*An act relating to the organization and operation of state government; appropriating money for the department of transportation and for other agencies with certain conditions; fixing and limiting fees; providing for the promotion of Minnesota agricultural products; regulating commerce in seeds; establishing a seed laboratory; providing for adjustments of responsibilities of the department of agriculture for soil and water conservation; allowing limited donation of accumulated vacation time by certain law enforcement employees to their union representative; providing for deposit of proceeds of assessment by the assigned risk review board; regulating financial assistance to public transit systems; limiting certain hearing functions of the transportation regulation board; transferring certain rules authority to the transportation regulation board; defining enforcement powers of the hazardous material specialists and transportation representatives of the department of transportation; defining terms and requirements for building movers; crediting certain receipts of the commissioner of transportation to the trunk highway fund; providing for certain costs to be paid from the trunk highway fund; authorizing the commissioner of transportation to enforce certain carrier regulations; establishing the position of executive director of the Minnesota humane society; extending retirement coverage of certain employees of the department of transportation from age 60 to age 62 and providing for disability benefits; transferring and renaming the air transportation revolving account; instructing the commissioner of transportation to charge users of certain air transportation services for certain costs; limiting fare increases by the metropolitan transit commission; basing taxing for the metropolitan transit taxing district upon the level of transit service provided; providing for the disposition of proceeds of certain trunk highway bonds; reducing the amount appropriated from the bridge construction account in the trunk highway fund to the department of transportation; establishing a temporary legislative study commission on metropolitan transit; providing for a capital improvement account in the trunk highway fund as the deposit account for proceeds from certain trunk highway bonds to be further transferred to the department of transportation for certain purposes; imposing penalties; amending Minnesota Statutes 1982, sections 12.14; 15.059, subdivision 5; 17.101; 17A.04, subdivision 5; 18.51, subdivision 2; 18.52, subdivision 5; 18.53; 18.54; 18A.22, subdivisions 5 and 7; 18A.26; 27.041, subdivision 2; 28A.08; 28A.09; 32.075; 32.59; 34.02; 34.05, subdivision 1; 40.03, subdivision 2, as amended; 41.61, subdivision 1, as amended; 43A.04, by adding a subdivision; 70A.06, by adding a subdivision; 79.251, subdivision 1; 155A.07,*

Changes or additions are indicated by underline, deletions by ~~strikeout~~.