

CHAPTER 61A

LIFE INSURANCE GENERALLY

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GENERAL PROVISIONS

61A.01 LIFE INSURANCE COMPANY DEFINED.

Every corporation or association, domestic or foreign, operating upon any plan involving payment of money or other thing of value to policy or certificate holders, or members, or families, or representatives of either, conditioned upon the continuance or cessation of human life, or for the payment of endowments or annuities (except benevolent, fraternal, cooperative or secret societies of orders for the sole

purpose of mutual welfare, protection and relief of their members and the payment of stipulated amounts, or the proceeds of assessments, to the families of deceased members), shall be deemed a life insurance company, and wherever used in this chapter, the terms "company", "life company", "corporation" or "association" shall be construed to mean life insurance company unless the context clearly indicates otherwise.

History: 1967 c 395 art 2 s 1

61A.011 INTEREST ON UNPAID BENEFITS.

Subdivision 1. Notwithstanding any other provision of law when any insurer admitted to transact life insurance in this state pays the proceeds of or payments under any policy of life insurance, individual or group, such insurer shall pay interest at a rate not less than the then current rate of interest on death proceeds left on deposit with the insurer, computed from the insured's death until the date of payment, on any such proceeds or payments payable to a beneficiary residing in this state, or to a beneficiary under a policy issued in this state or to a beneficiary under a policy insuring a person resident in this state at the time of death. If the insurer has no established current rate of interest for death proceeds left on deposit with the insurer, then the rate of interest to be paid under this subdivision shall be the rate of interest charged by the insurer to policy holders for loans under the insurer's policies.

Subd. 2. Notwithstanding the provisions of subdivision 1, if an insurer admitted to transact life insurance in this state does not pay within 60 days after receipt of due proof of death of the insured, the proceeds or payments under any policy of life insurance, individual or group, such insurer shall pay interest at an annual rate that is two percent more than the rate of interest provided for in subdivision 1. Such interest shall be computed from the date of the insured's death until the date of payment, on any such proceeds or payments payable to a beneficiary residing in this state, or to a beneficiary under a policy issued in this state or to a beneficiary under a policy insuring a person resident in this state at the time of death. Interest payments under this subdivision shall be in lieu of interest payments required under subdivision 1.

Subd. 3. In any case in which interest on the proceeds of, or payments under, any policy of life insurance becomes payable pursuant to this section, the insurer shall enclose with the payment a notice stating that interest is being paid and specifying the rate of interest and the amount paid.

Subd. 4. This section shall not require the payment of interest in any case in which: (a) the beneficiary or policy owner elects in writing delivered to the insurer to receive the proceeds of, or payments under, the policy by any means other than a lump sum payment thereof, provided that the effective date of the policy settlement option shall not be later than 60 days after the date of the insured's death; (b) the terms of the policy insure an indebtedness owed by the insured and the proceeds include post-death interest on the indebtedness; or (c) the beneficiary resides in a jurisdiction which has a law requiring the payment of interest to beneficiaries residing in that jurisdiction.

Nothing in this subdivision shall be construed to preclude the payment of interest required under subdivisions 1 or 2 on any proceeds remaining after extinguishment of the insured's indebtedness.

Subd. 5. This section shall apply only to deaths of insureds which occur on or after August 1, 1977.

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Subd. 6. For the purposes of this section "to pay" means to issue a check for payment and "date of payment" means the date on which the insurer issues a check to transfer the amount in question to the beneficiaries or to deposit that amount:

(a) With the district court of this state in accordance with Rule 67, Minnesota Rules of Civil Procedure for the District Courts;

(b) With the courts of any foreign jurisdiction as authorized by the laws of that jurisdiction; or

(c) In a trust account in any bank or trust company operating under the laws of this state or in any foreign bank, provided that the insurer keeps records of the account and makes these records open to inspection by the commissioner of commerce.

History: 1977 c 353 s 1; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92

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61A.02 FORMS OF POLICY.

Subdivision 1. **Prohibited.** So-called coupon policies shall not be issued or delivered by any company to any residents of this state.

Subd. 2. **Approval required.** No policy of life insurance nor any rider of any kind or description which is made a part thereof shall be issued or delivered in this state, or be issued by a life insurance company organized under the laws of this state, until the form of the same has been approved by the commissioner. In making a determination under this section, the commissioner may require the insurer to provide rates and advertising materials related to policies issued or delivered in this state.

Subd. 3. **Disapproval.** The commissioner shall, within 60 days after the filing of any form, disapprove the form:

(1) if the benefits provided are unreasonable in relation to the premium charged;

(2) if it contains a provision or provisions which are unlawful, unfair, inequitable, misleading, or encourages misrepresentation of the policy; or

(3) if the form, or its provisions, is otherwise not in the public interest. It shall be unlawful for the company to issue any policy in the form so disapproved. If the commissioner does not within 60 days after the filing of any form, disapprove or otherwise object, the form shall be deemed approved.

Subd. 4. **Withdrawal of approval.** The commissioner may at any time withdraw approval of any policy or form upon the grounds stated in subdivision 3. It is unlawful for the insurer to issue the form or use it in connection with any policy after the effective date of the withdrawal of approval.

Subd. 5. **Hearing.** Notification of disapproval or withdrawal of approval must be made to the insurer in writing, specifying the grounds for the disapproval. Upon written request made by the insurer, the commissioner shall grant a hearing within 30 days after receipt of the request. All hearings must be conducted in accordance with chapter 14. Following the hearing, the commissioner may affirm, reverse, or modify the previous determination made with respect to the subject policy or form.

History: 1967 c 395 art 2 s 2; 1984 c 592 s 44

61A.03 REQUIRED PROVISIONS; LIFE INSURANCE POLICIES.

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

(a) **Premium.** A provision that all premiums 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 a policy may contain a provision that the policy itself is a receipt for the first premium;

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

(c) **Entire contract.** A provision that the policy constitutes the entire contract between the parties and is incontestable after it has been in force during the lifetime of the insured for two years from its date, except for nonpayment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war; 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 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;

(d) **Representations and warranties.** A provision that, in the absence of fraud, all statements made by the insured are representations and not warranties, and that no statement 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;

(e) **Misstatement of age.** A provision that if the age of the insured is understated the amount payable under the policy will be the amount the premium would have purchased at the correct age;

(f) **Dividends on participating policies.** A provision that the policy 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 has the right, each year after the fifth, to have the current dividend arising from the participation paid in cash. If the policy provides other dividend options, it must specify which option is effective if the owner of the policy does not elect an option. The provision may condition any dividends payable during the first five years of the policy upon the payment of the next ensuing annual premium. This provision is not required in nonparticipating policies, in policies issued on under-average lives, or in insurance in exchange for lapsed or surrendered policies;

(g) **Policy loans.** A provision (1) that after three full 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; (2) that the loan value is the cash surrender value thereof at the end of the current policy year; (3) that the loan, unless made to pay premiums, may be deferred for not more than six months after the application for it is made; (4) that the company will deduct from 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; (5) that the failure to repay an advance or to pay interest does not void the policy unless the total indebtedness thereon to the company equals or

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exceeds the loan value at the time of the failure, nor until one month after notice 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 those provided in this section will be exacted as a prerequisite to an advance. This provision is not required in term insurance;

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

(i) **Payment of claims.** A provision that, when a policy becomes a claim by the death of the insured, settlement will be made within two months after receipt of due proof of death;

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

(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 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 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.

(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.

(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. 2a. No life insurer subject to this section is required to file more than one policy with a policy loan provision providing for a fixed rate of interest.

Subd. 3. **Applicability to policies.** The provisions of subdivision 2 do not apply to any insurance policy issued before January 1, 1984, 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

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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.

History: 1967 c 395 art 2 s 3; 1983 c 292 s 1; 1984 c 592 s 45

61A.031 SUICIDE PROVISIONS.

The sanity or insanity of a person shall not be a factor in determining whether a person committed suicide within the terms of an individual or group life insurance policy regulating the payment of benefits in the event of the insured's suicide. This section shall not be construed to alter present law but is intended to clarify present law.

History: 1981 c 286 s 1

61A.04 SPENDTHRIFT PROVISIONS.

In addition to the provisions now required by law to be in the standard form of life insurance policies issued or delivered in this state, there shall be, when such policy provides for the payment to the beneficiary the proceeds thereof, in either monthly, quarterly, semi-annual or annual installments, to continue during the lifetime of the beneficiary, or for a stipulated number of years, whenever requested by the insured under the policy, the following provisions:

All rights of the beneficiary to commute, change time of payment or amount of installments, surrender for cash, borrow against or assign for any purpose, are hereby withdrawn and those parts of this policy giving the beneficiary such rights are hereby declared inoperative and void; it being the intent hereof that the beneficiary shall have no right under this contract except to receive the installments at such times and in such amounts as stated in this policy, and all the provisions of this policy in conflict herewith are hereby declared to be inoperative.

This provision may be attached to any policy in the form of a rider thereon, and, when so attached, shall become a part of and form a part of the contract of insurance, evidenced by the policy to all intents and purposes as if set forth at length therein.

History: 1967 c 395 art 2 s 4

61A.05 LIFE POLICIES TO CONTAIN ENTIRE CONTRACT.

Every policy of insurance issued or delivered within this state on or after the first day of January, 1908, by any life insurance corporation doing business within the state, shall contain the entire contract between the parties.

Every policy which contains a reference to the application, either as a part of the policy or as having any bearing thereon, shall have a copy of such application attached thereto or set out therein.

History: 1967 c 395 art 2 s 5

61A.06 AVIATION AND WAR RISK EXCLUSION PERMITTED.

Policies of life insurance may be delivered or issued for delivery in this state which limit the amount to be paid in the event of death occurring as a result of travel or flight in, or descent from or with, any kind of aircraft if the insured (1) is a pilot, officer or member of the crew of such aircraft, or is participating in aeronautic or aviation training during such flight, or (2) is in the military, naval or air forces of any country and is being transported in a military, naval or air force aircraft. Such amount shall not be less than the reserve on the policy plus any dividends standing to the credit of the policy and the reserve for any paid-up additions, less any indebtedness to the company on the policy. Such limitation may be made by a provision in the policy or by a rider made a part thereof provided, that no such limitation shall be effective unless and until the insured or applicant shall agree in writing thereto; and provided, further, that except in case of policies issued on the lives of persons who have received aeronautic or aviation training or whose occupation entails duty aboard aircraft in flight, such limitation shall apply only in event death occurs within five years after date of issue of the policy. This section shall not affect the validity of provisions which limit the amount to be paid in the event of death of the insured while in the military, naval or air forces of any country at war, or of provisions relative to benefits in the event of total and permanent disability, or of provisions which grant additional insurance specifically against death by accident. Policies issued by life insurance companies organized under the laws of this state for delivery in any other state, territory, district, or country may contain any provisions limiting the amount to be paid in the event of death which are permitted by the laws of such other state, territory, district, or country.

History: 1967 c 395 art 2 s 6

61A.07 PROHIBITED PROVISIONS.

No policy of life insurance shall be issued or delivered in this state, or be issued by a life insurance company organized under the laws of this state, if it contains a provision:

(1) for forfeiture of the policy for failure to repay any loan on the policy or to pay interest on such loan while the total indebtedness on the policy is less than the loan value thereof; or for forfeiture for failure to repay any such loan or to pay interest thereon, unless such provision contain a stipulation that no such forfeiture shall occur until at least one month after notice shall have been mailed by the company to the last known address of the insured and of the assignee, if any, notice of whose address and contract of the assignment has been filed with the company, at its home office; or

(2) limiting the time within which any action at law or in equity may be commenced to less than five years after the cause of action shall accrue; or

(3) by which the policy shall purport to be issued or to take effect more than six months before the original application for the insurance was made; or

(4) for any mode of settlement at maturity of less value than the amount insured on the face of the policy plus any dividend additions, less any indebtedness to the company on the policy, and less any premium that may be deducted by the terms of the policy.

History: 1967 c 395 art 2 s 7

61A.071 APPLICATIONS.

No individual life insurance policy, except mass marketed life insurance as defined in section 72A.13, subdivision 2, shall be issued or delivered in this state to a

person age 65 or older unless a signed and completed copy of the application for insurance is left with the applicant at the time application is made.

History: 1983 c 263 s 7

61A.08 EXCEPTIONS.

Sections 61A.02, 61A.03, 61A.07, 61A.23, and 61A.25 shall not, except as expressly provided in this chapter, apply to annuities, industrial or group term policies, or to corporations or associations operating on the assessment or fraternal plan, and in every case where a contract provides for both insurance and annuities, sections 61A.02, 61A.03 and 61A.07 shall apply only to that part of the contract which provides for insurance, but every contract issued prior to the operative date specified in section 61A.245 containing a provision for a deferred annuity on the life of the insured only, unless paid for by a single premium, shall provide that, in event of the non-payment of any premium after three full years' premium shall have been paid, the annuity shall automatically become converted into a paid-up annuity for that proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract.

History: 1967 c 395 art 2 s 8; 1978 c 662 s 1

61A.09 GROUP LIFE INSURANCE.

Subdivision 1. No group life insurance policy shall be issued for delivery in this state until the form thereof and the form of any certificates issued thereunder have been filed in accordance with and subject to the provisions of section 61A.02. Each person insured under such a group life insurance policy (excepting policies which insure the lives of debtors of a creditor or vendor to secure payment of indebtedness) shall be furnished a certificate of insurance issued by the insurer and containing the following:

- (a) Name and location of the insurance company;
- (b) A statement as to the insurance protection to which the certificate holder is entitled, including any changes in such protection depending on the age of the person whose life is insured;
- (c) Any and all provisions regarding the termination or reduction of the certificate holder's insurance protection;
- (d) A statement that the master group policy may be examined at a reasonably accessible place;
- (e) The maximum rate of contribution to be paid by the certificate holder;
- (f) Beneficiary and method required to change such beneficiary;
- (g) In the case of a group term insurance policy if the policy provides that insurance of the certificate holder will terminate, in case of a policy issued to an employer, by reason of termination of the certificate holder's employment, or in case of a policy issued to an organization of which the certificate holder is a member, by reason of termination of his membership, a provision to the effect that in case of termination of employment or membership the certificate holder shall be entitled to have issued to him by the insurer, without evidence of insurability, upon application made to the insurer within 31 days after termination of employment or membership, and upon payment of the premium applicable to the class of risk to which he belongs and to the form and amount of the policy at his then attained age, a policy of life insurance only, in any one of the forms customarily issued by the insurer except term insurance, in an amount equal to the amount of his life insurance protection under such group insurance policy at the time of such termination; and shall contain a further provision to the effect that upon the death of the certificate holder during

such 31-day period and before any such individual policy has become effective, the amount of insurance for which the certificate holder was entitled to make application shall be payable as a death benefit by the insurer.

Subd. 2. Any or all of the interests of a certificate holder under any group life insurance policy (excepting policies which insure the lives of debtors of a creditor or vendor to secure payment of indebtedness) may be assigned by an assignment executed by the owner of such interest and delivered to the insurer if the provisions of the policy so permit or if both the insurer and the master policyholder agree to such assignment.

An assignment of interests of a certificate holder valid hereunder may transfer to the assignee any or all the rights, privileges, and incidents of ownership of the certificate holder in the group life insurance policy and group certificate thereunder, including, but not limited to the rights to designate beneficiaries and to have an individual policy issued in accordance with subdivision 1, clause (g).

Any assignment in accordance with this subdivision shall entitle the insurer to deal with the assignee in accordance with the terms of the assignment until the insurer has received at its home office written notice of a subsequent assignment made by such assignee; provided, however, that the insurer shall not be prejudiced by any payment made or action taken inconsistent with the terms of any assignment before the insurer has received and had reasonable time to act on written notice of such assignment.

This subdivision declares and codifies without modifying the existing right of assignment of interests of certificate holders under group life insurance policies by the persons owning such interests. An assignment otherwise valid shall not be invalid because it was made prior to the enactment of this subdivision.

History: 1967 c 395 art 2 s 9; 1973 c 439 s 1

61A.091 EMPLOYEE GROUP LIFE INSURANCE PLANS.

Subdivision 1. **Mandatory participation.** No employer who makes available or otherwise sponsors a group life insurance plan that provides life insurance benefits to more than five employees of that employer, whether through insurance policies, self-insurance, or any combination of these arrangements, may require an employee to participate in the life insurance plan as a condition of his employment, unless the employer pays the full cost of the plan. No employer may discharge any employee who pursuant to this section refuses to contribute to an employee group life insurance plan, nor shall the employer discriminate or otherwise retaliate against the employee who pursuant to this section refuses to contribute to an employee group life insurance plan. An employee may bring an action against an employer for recovery of any wages withheld in violation of this section. This remedy shall be in addition to any other remedy provided by law. For the purposes of this section, "employer" means any natural person, company, corporation, partnership, association or firm which employs any employee. "Employee" is an individual as defined by section 62E.02, subdivision 8. This section does not apply where a collectively bargained contract provides for mandatory participation in a group life insurance plan. This section does not apply to any insurance purchased or carried for the purpose of buying or selling any part of employer, its shares, its assets or its business. This section does not apply to any insurance purchased or carried by any pension, profit-sharing or other retirement plan or trust.

Subd. 2. **Continuation of waiver of premiums for those otherwise eligible following termination of insurance.** All group life insurance policies covering employees of an employer containing a waiver of premium benefits upon total disability of the employee shall provide that termination of the master policy, for any

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reason whatsoever, will be without prejudice to the claim of any covered employee who is suffering from a disability, as defined in the group life policy waiver of premium section at the time of the termination. This subdivision may be superseded by a rule promulgated by the commissioner of commerce.

History: 1977 c 192 s 1; 1980 c 376 s 1; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92

61A.10 EXTENSION OF TIME FOR PAYMENT OF PREMIUMS.

Parties to any policy of life insurance now or hereafter issued shall have the right at any time to mutually agree, in writing, for an extension of time in which to pay a second or subsequent premium on the policy, upon condition that the failure to pay the amount agreed upon at the time agreed, shall lapse the policy as of the date mutually agreed upon in the writing; provided, no such agreement shall impair any right to extended or paid-up insurance which the insured may have under the policy, nor any right to have the premiums, any part thereof, or the amount payable for the extension charged against the policy under the terms of the policy. No such agreement need be attached to or made a part of the insurance policy so affected.

History: 1967 c 395 art 2 s 10

61A.11 MISSTATEMENT, WHEN NOT TO INVALIDATE POLICY.

In any claim upon a policy issued in this state without previous medical examination, or without the knowledge or consent of the insured, or, in case of a minor, without the consent of his parent, guardian, or other person having his legal custody, the statements made in the application as to the age, physical condition, and family history of the insured shall be valid and binding upon the company, unless wilfully false or intentionally misleading.

History: 1967 c 395 art 2 s 11

61A.12 BENEFICIARIES.

Subdivision 1. **Proceeds of life policy, who entitled to.** When any insurance is effected in favor of another, the beneficiary shall be entitled to its proceeds against the creditors and representatives of the person effecting the same. All premiums paid for insurance in fraud of creditors, with interest thereon, shall inure to their benefit from the proceeds of the policy, if the company be specifically notified thereof, in writing, before payment.

Subd. 2. **Exemption in favor of family.** Every policy made payable to, or for the benefit of, the spouse of the insured, or after its issue assigned to or in trust for a spouse, shall inure to that person's separate use and that of the children of the insured or the insured's spouse, subject to the provisions of this section.

Subd. 3. [Repealed, 1973 c 725 s 91]

Subd. 4. **Change of beneficiary.** The person applying for and procuring a policy may change the beneficiary or beneficiaries, if the consent of the beneficiary or beneficiaries named in the policy is obtained, or if a power so to do is reserved in the contract of insurance or in case of the death of the beneficiary, or in the case of the dissolution of a marriage between the insured and the beneficiary subject to any limitations on the power to change beneficiaries imposed as a condition of the dissolution.

Subd. 5. **Substitution.** When a creditor requires credit life insurance, credit accident and health insurance, or both, as additional security for an indebtedness, the debtor shall be given the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or procuring and

furnishing the required coverage through any insurer authorized to transact insurance business in this state. If this subsection is applicable, the debtor shall be informed by the creditor of his right to provide alternative coverage before the transaction is completed.

History: 1967 c 395 art 2 s 12; 1976 c 121 s 1,2; 1977 c 382 s 5

CONTRACTS -- VARIABLE BASIS

61A.13 DEFINITIONS.

Subdivision 1. **Contract on a variable basis.** When used in sections 61A.13 to 61A.21, "contract on a variable basis" means any contract on either a group or an individual basis issued by a life insurance company providing for the dollar amount of benefits or other contractual payments or values thereunder to vary so as to reflect investment results of a separate account in which amounts have been placed in connection with any such contracts. Such contracts may also provide benefits or values incidental thereto payable in fixed or variable dollar amounts, or both.

Subd. 2. [Repealed, 1969 c 752 s 18]

History: 1967 c 395 art 2 s 13; 1969 c 752 s 1; 1973 c 480 s 1

61A.14 COMPANIES ENTITLED TO ISSUE CONTRACTS; ACCOUNTS; INVESTMENTS.

Subdivision 1. **Separate accounts.** Any domestic life insurance company may, by or pursuant to resolution of its governing body, establish and operate one or more separate accounts and issue contracts on a variable basis, subject to the provisions of sections 61A.13 to 61A.21.

Subd. 2. **Allocations to account.** Except as may be otherwise specifically provided by the contract concerned, all amounts received by a life insurance company in connection with any contract on a variable basis shall be allocated to the appropriate separate account. The income, if any, and gains or losses, realized or unrealized on each such account may be credited to or charged against the amount allocated to such account in accordance with such contract, without regard to the other income, gains, or losses of the company.

Subd. 3. **Investments.** Except as hereinafter provided, amounts allocated to any separate account and accumulations thereon may be invested and reinvested without regard to any requirements or limitations prescribed by the laws of this state governing the investments of life insurance companies; provided, that to the extent that the company's reserve liability with regard to (a) benefits guaranteed as to amount and duration, and (b) funds guaranteed as to principal amount or stated rate of interest is maintained in any separate account, a portion of the assets of such separate account at least equal to such reserve liability shall be, except as the commissioner may otherwise approve, invested in accordance with the laws of this state governing the investments of life insurance companies and shall be segregated from the other assets in the separate account.

Subd. 4. **Other investments.** For purposes of determining whether the capital, surplus and other funds of a domestic life insurance company, other than assets held in a separate account pursuant to this section, are invested in accordance with sections 60A.11 and 61A.28 to 61A.31, assets held by the company in a separate account in accordance with this section shall be disregarded.

Subd. 5. **Account ownership.** The assets held in a separate account pursuant to this section shall be owned by the company, and the company shall not be, nor hold itself out to be, a trustee with respect to such amounts. If and to the extent so provided under the applicable contracts or as required pursuant to the Federal

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Investment Company Act of 1940 that portion of the assets of any such separate account equal to reserves and other contract liabilities with respect to such account shall not be chargeable with liabilities arising out of any other business the company may conduct, but shall be held and applied exclusively for the benefit of the holders of those contracts on a variable basis for which the separate account has been established, provided, however, that the assets shall always be at least equal to the reserves and other contract liabilities with respect to such account.

Subd. 6. Compliance with laws. To the extent such company deems it necessary to comply with any applicable federal or state laws, such company, with respect to any separate account, including without limitation any separate account which is a management investment company or a unit investment trust, may provide for persons having an interest therein appropriate voting and other rights and special procedures for the conduct of the business of such account, including without limitation special rights and procedures relating to investment policy, investment advisory services, selection of independent public accountants, and the selection of a committee, the members of which need not be otherwise affiliated with such company, to manage the business of such account.

Subd. 7. Valuation of assets. Unless otherwise approved by the commissioner, assets allocated to a separate account shall be valued at their market value on the date of valuation, or if there is no readily available market, then as provided under the terms of the contract or the rules or other written agreement applicable to such separate account; provided, that unless otherwise approved by the commissioner, a portion of the assets of such separate account equal to the company's reserve liability with regard to the guaranteed benefits and funds referred to in clauses (a) and (b) of subdivision 3, if any, shall be valued in accordance with the rules otherwise applicable to the company's assets.

Subd. 8. Transfer of assets. No sale, exchange or other transfer of assets may be made by a company between any of its separate accounts or between any other investment account and one or more of its separate accounts unless, (a) in case of a transfer into a separate account, such transfer is made solely to establish the account or to support the contractual obligations of the company with respect to the separate account to which the transfer is made, or (b) in case of a transfer from a separate account, such transfer would not cause the remaining assets of the account to become less than the reserves and other contract liabilities with respect to such separate account. Such transfer, whether into or from a separate account, shall be made by a transfer of cash, or by a transfer of securities having a readily determinable market value, provided that such transfer of securities is approved by the commissioner. The commissioner may approve other transfers among such accounts if, in his opinion, such transfers would not be inequitable. Where a company transfers assets into a separate account for the purpose of establishing such account, such transfer shall be in the form of cash and, except as the commissioner may otherwise approve, shall be made only from its surplus, provided that not more than five percent of its surplus may be so invested in such accounts.

History: 1967 c 395 art 2 s 14; 1969 c 7 s 21-23; 1969 c 752 s 2-8; 1973 c 480 s

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61A.15 CONTRACT PROVISIONS.

Subdivision 1. Variable annuity. All annuity contracts on a variable basis issued in this state shall stipulate the expense, mortality, and investment-increment factors to be used in computing (1) in the case of individual contracts, the dollar amount of variable benefits or other contractual payments or values, and (2) in the case of group contracts, the dollar amount payable with respect to a unit of variable benefits purchased thereunder. All such contracts shall guarantee that expenses

shall not affect such dollar amounts adversely. In computing the dollar amount of variable benefits or other contractual payments or values under an individual contract on a variable basis, (a) the annual net investment increment assumption shall not exceed five percent, except with the approval of the commissioner, and (b) to the extent that the level of benefits may be affected by mortality results, the mortality factor shall be determined from the Annuity Mortality Table for 1949, Ultimate, or any modification of that table not having a higher mortality rate at any age, or, if approved by the commissioner, from another table. The term "expense", as used in this section, may exclude some or all taxes as stipulated in the contracts and may also exclude any investment management fee which is subject to change with the approval by vote of the holders of such contracts.

Subd. 2. **Variable life insurance.** Any life insurance contract on a variable basis delivered or issued for delivery in this state shall stipulate the investment increment factor to be used in computing the dollar amount of variable benefits or other variable contractual payments or values thereunder and shall guarantee that expense and mortality results shall not adversely affect such dollar amounts.

History: 1967 c 395 art 2 s 15; 1969 c 752 s 9; 1973 c 480 s 3

61A.16 CONTRACT PROVISIONS.

Any contract on a variable basis providing benefits payable in variable amounts delivered or issued for delivery in this state shall contain a statement of the essential features of the procedures to be followed by the insurance company in determining the dollar amount of such variable benefits. Any such contract, including a group contract and any certificate in evidence of variable benefits issued thereunder, shall state the manner in which such dollar amounts will vary and shall contain on its first page a statement to the effect that the benefits thereunder are on a variable basis.

History: 1967 c 395 art 2 s 16; 1969 c 752 s 10

61A.17 FILING OF CONTRACTS.

No contract on a variable basis shall be issued in this state until a copy of the form thereof (and, in the case of a group contract, the form of any certificate evidencing variable benefits issued pursuant thereto) and any form of application for such contract shall have been filed with the commissioner. No life insurance contract on a variable basis shall be filed for issuance in Minnesota or issued in Minnesota before the commissioner has promulgated rules and regulations under section 61A.20 regarding life insurance contracts on a variable basis.

History: 1967 c 395 art 2 s 17; 1969 c 752 s 11; 1973 c 480 s 7; 1974 c 203 s 1

61A.18 DISAPPROVAL OF CONTRACTS.

The commissioner shall have the power at any time to disapprove any contract form, application, or certificate (1) if it does not comply with the provisions of sections 61A.13 to 61A.21; or (2) if it contains provisions which are unjust, unfair, inequitable, ambiguous, or misleading. After the commissioner shall have notified a company of his disapproval, it shall be unlawful for that company to issue or use the contract, application or certificate in the form so disapproved.

History: 1967 c 395 art 2 s 18; 1969 c 752 s 12

61A.19 COMPANY REQUIREMENTS.

No company shall deliver or issue for delivery within this state contracts on a variable basis unless it is licensed or organized to do a life insurance or annuity

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business in this state, and the commissioner is satisfied that its condition or method of operation in connection with the issuance of such contracts will not render its operation hazardous to the public or its policyholders in this state. In this connection, the commissioner shall consider among other things:

- (a) The history and financial condition of the company;
- (b) The character, responsibility and fitness of the officers and directors of the company; and
- (c) The law and regulation under which the company is authorized in the state of domicile to issue such contracts. The state of entry of an alien company shall be deemed to be state of domicile for this purpose.

A licensed company which issues contracts on a variable basis and which is a subsidiary of, or affiliated through common management or ownership with, another life insurance company authorized to do business in this state may be deemed to have met the provisions of this section if either it or the parent or affiliated company satisfies the aforementioned provisions.

History: 1967 c 395 art 2 s 19; 1969 c 752 s 13; 1973 c 480 s 4

61A.20 RULES AND REGULATIONS.

Notwithstanding any other provision of law, the commissioner shall have sole and exclusive authority to regulate the issuance and sale of contracts on a variable basis and to provide for licensing of persons selling such contracts, and to issue such reasonable rules and regulations as may be appropriate to carry out the purposes and provisions of sections 61A.13 to 61A.21.

History: 1967 c 395 art 2 s 20; 1969 c 7 s 24; 1969 c 752 s 14

61A.21 APPLICATION OF OTHER LAWS.

Section 61A.07, clause (4) and section 61A.245 shall not apply to contracts on a variable basis. All other appropriate provisions of this chapter shall apply to separate accounts and contracts on a variable basis except those which are inconsistent with the provisions contained in sections 61A.13 to 61A.20. Any contract on a variable basis, delivered or issued for delivery in this state, shall contain in substance provisions for grace, settlement option, loan or withdrawal and nonforfeiture appropriate to such a contract and a life insurance contract on a variable basis should also contain in substance a provision for reinstatement appropriate to such a contract. The reserve liability for contracts on a variable basis shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

History: 1967 c 395 art 2 s 21; 1969 c 752 s 15; 1973 c 480 s 5; 1978 c 662 s 2

CONTRACTS -- MISCELLANEOUS

61A.22 CONTRACTS TO SPECIFY BENEFITS AND CONSIDERATION.

No life insurance company shall make any insurance, guaranty, contract, or pledge in this state, or to or with any citizen or resident thereof, which does not distinctly specify the amount and manner of payment of benefits and the consideration therefor, except that contracts on a variable basis need not specify the amount of benefits thereunder or consideration after the initial premium.

History: 1967 c 395 art 2 s 22; 1973 c 480 s 6

61A.23 PROVISIONS IN POLICIES; LAWS OF OTHER STATES.

The policies of a life insurance company, not organized under the laws of this state, may contain any provision which the laws of the state, territory, district, or country under which the company is organized, prescribe shall be in such policies, and the policies of a life insurance company organized under the laws of this state may, when issued or delivered in any other state, territory, district, or country, contain any provision required by the laws of the state, territory, district, or country in which the same are issued, anything in sections 61A.02, 61A.03, 61A.07, 61A.08, 61A.23, and 61A.25 to the contrary notwithstanding.

History: 1967 c 395 art 2 s 23

STANDARD NONFORFEITURE LAW**61A.24 STANDARD NONFORFEITURE LAW FOR LIFE INSURANCE.**

Subdivision 1. Citation. This section shall be known as the standard nonforfeiture law for life insurance.

Subd. 2. Policy provisions. No policy of life insurance, except as stated in subdivision 14, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the defaulting or surrendering policyholder as are the minimum requirements specified below and are essentially in compliance with subdivision 15:

(1) That, in the event of default in a premium payment, the company will grant, upon proper request not later than 60 days after the date of the premium in default, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of the due date, of the amount as may be hereinafter specified. In lieu of the stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than 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 60 days after the due date of a premium payment in default after premiums have been paid for at least three full years in the case of ordinary insurance or five full years in the case of industrial insurance, the company will pay, in lieu of a paid-up nonforfeiture benefit, a cash surrender value of an 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 the election elects another available option not later than 60 days after the due date of the premium in default.

(4) That, if the policy becomes paid-up by completion of all premium payments or if it is continued under a 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 company will pay, upon surrender of the policy within 30 days after any policy anniversary, a cash surrender value of an amount as may be hereinafter specified.

(5) In the case of a policy which causes, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provides 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 any other policy, 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, and 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 20 policy years or during the term of the policy, whichever is shorter, the 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 company on the policy.

(6) A statement that the cash surrender values and the paid-up nonforfeiture benefits available under the policy are not less than the minimum values and benefits required by or pursuant to the insurance laws of the state in which the policy is delivered; 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 company 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 the 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 the values and benefits are consecutively shown in the policy.

Subd. 3. Exception; deferred payment. Any provision or portion of subdivision 2 not applicable by reason of the plan of insurance may be omitted from the policy. The company shall reserve the right to defer the payment of any cash surrender value for a period of six months after demand therefor with surrender of the policy.

Subd. 4. Cash surrender value. (a) Except as otherwise provided by paragraphs (b) and (c), the cash surrender value available under the policy in the event of default in a premium payment due on a policy anniversary, whether or not required by subdivisions 2 and 3, shall be an amount not less than the excess of the present value on the 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 (1) the then present value of the adjusted premiums as prescribed in subdivisions 6 to 12, corresponding to premiums which would have fallen due on and after the anniversary, and (2) the amount of any indebtedness to the company on the policy.

(b) For a policy issued on or after the operative date of subdivision 12 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 (a) shall be an amount not less than the sum of the cash surrender value as defined in that paragraph for an otherwise similar policy issued at the same age without the rider or supplemental policy provision and the cash surrender value as defined in that paragraph for a policy which provides only the benefits otherwise provided by the rider or supplemental policy provision.

(c) For a family policy issued on or after the operative date of subdivision 12 which defines a primary insured and provides term insurance on the life of the spouse of the primary insured expiring before the spouse becomes 71 years old, the cash surrender value referred to in paragraph (a) shall be an amount not less than the sum of the cash surrender value as defined in that paragraph for an otherwise similar policy issued at the same age without the term insurance on the life of the spouse and the cash surrender value as defined in that paragraph for a policy which provides only the benefits otherwise provided by the term insurance on the life of the spouse.

The cash surrender value available within 30 days after a policy anniversary under a policy paid-up by completion of all premium payments or a policy continued under a paid-up nonforfeiture benefit, whether or not required by subdivisions 2 and 3, shall be an amount not less than the present value on the anniversary of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

Subd. 5. Paid-up nonforfeiture benefit. 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 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.

Subd. 6. Calculation of adjusted premiums; general. Except as provided in subdivision 8, the adjusted premiums for a policy shall be calculated on an annual basis and shall be the uniform percentage of the respective premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy. The present value, at the date of issue of the policy, of all adjusted premiums shall be equal to the sum of (1) the then present value of the future guaranteed benefits provided for by the policy; (2) two percent of the amount of insurance, if the insurance is uniform in amount, or of the equivalent uniform amount, as hereinafter defined, if the amount of insurance varies with duration of the policy; (3) 40 percent of the adjusted premium for the first policy year; (4) 25 percent 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. In applying the percentages specified in clauses (3) and (4), no adjusted premiums shall be deemed to exceed four percent of the amount of insurance or uniform amount equivalent thereto. The date of issue of a policy for the purpose of this section is the date as of which the rated age of the insured is determined.

This subdivision does not apply to policies issued on or after the operative date of subdivision 12.

Subd. 7. Adjusted premiums; varying amount of insurance. In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent uniform amount thereof for the purpose of subdivisions 6 to 11 is the uniform amount of insurance provided by an otherwise similar policy containing the same endowment benefit or benefits 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, the equivalent uniform amount may be computed as though the amount of insurance provided by the policy prior to the attainment of age ten were the amount provided by such policy at age ten.

Subd. 8. Adjusted premiums; supplemental term insurance. 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 subdivisions 6 and 7 except that, for the purposes of (2), (3) and (4) of subdivision 6, 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).

Subd. 9. Adjusted premiums; ordinary insurance. In the case of ordinary policies hereafter issued all adjusted premiums and present values referred to in this section shall 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. The rate of interest shall not exceed 3-1/2 percent per annum for policies issued prior to April 11, 1974. A rate of interest not exceeding 4 percent per annum may be used for policies issued on or after April 11, 1974 and prior to August 1, 1978. A rate of interest not exceeding 5-1/2 percent per annum may be used for policies issued on or after August 1, 1978, except that for any single premium whole life or endowment insurance policy a rate of interest not exceeding 6-1/2 percent per annum may be used. 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 years younger than the actual age of the insured. However, in calculating the present value of any paid-up term insurance with the 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 adjusted premiums and present values may be based on any other table of mortality specified by the company and approved by the commissioner.

This subdivision does not apply to ordinary policies issued on or after the operative date of subdivision 12.

Subd. 10. Adjusted premiums; industrial insurance. Except as otherwise provided in subdivisions 11 and 11a, all adjusted premiums and present values referred to in this section shall for all policies of industrial insurance be calculated 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 3-1/2 percent per annum, specified in the policy for calculating cash surrender values and paid-up nonforfeiture benefits. In calculating the present value of 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 130 percent of the rates of mortality according to the applicable table. For insurance issued on a substandard basis, the calculation of adjusted premiums and present values may be based on any table of mortality specified by the company and approved by the commissioner.

Subd. 11. Adjusted premiums; industrial insurance. In the case of industrial policies issued on or after the operative date of this subdivision as defined in subdivision 11a, all adjusted premiums and present values referred to in this section shall 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. The rate of interest shall not exceed 3-1/2 percent per annum for policies issued prior to April 11, 1974. A rate of interest not exceeding 4 percent per annum may be used for policies issued on or after April 11, 1974 and prior to August 1, 1978. A rate of interest not exceeding 5-1/2 percent per annum may be used for policies issued on or after August 1, 1978, except that for any single premium whole life or endowment insurance policy a rate of interest not exceeding 6-1/2 percent per annum may be used. 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. For insurance issued on a substandard basis, the calculations of

adjusted premiums and present values may be based on any other table of mortality specified by the company and approved by the commissioner.

This subdivision shall not apply to industrial policies issued on or after the operative date of subdivision 12.

Subd. 11a. Operative date of subdivision 11. After April 9, 1963, a company may file with the commissioner a written notice of its election to comply with the provisions of subdivision 11 after a specified date before January 1, 1968. After the filing of the notice, then upon the specified date, which shall be the operative date of subdivision 11 for the company, subdivision 11 shall become operative with respect to the industrial policies thereafter issued by the company. If a company makes no election, the operative date of subdivision 11 for the company shall be January 1, 1968.

Subd. 12. Calculation of adjusted premiums by the nonforfeiture net level premium method. (a) This subdivision applies to all policies issued on or after its operative date. Except as provided in paragraph (g), the adjusted premiums for a policy shall be calculated on an annual basis and shall be the 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 (1) the then present value of the future guaranteed benefits provided for by the policy; (2) one percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years; and (3) 125 percent of the nonforfeiture net level premium as hereinafter defined. In applying the percentage specified in clause (3), no nonforfeiture net level premium shall be deemed to exceed four percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years. The date of issue of a policy for the purpose of this section is 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 the policy on which a premium falls due.

(c) In the case of a policy which causes, on a basis guaranteed in the policy, unscheduled changes in benefits or premiums, or which provides 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 the 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 paragraph (g), the recalculated future adjusted premiums for a policy shall be the 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 future adjusted premiums shall be equal to the excess of: (1) the sum of the then present value of the then future guaranteed benefits provided for by the policy, and the additional expense allowance, if any, over; (2) 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: (1) one percent of the excess, if positive, of the average amount of insurance at the beginning of each of the first ten 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 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 (2) 125 percent 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 clause (1) by clause (2) where clause (1) equals the sum of 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 the present value of the increase in future guaranteed benefits provided for by the policy; and clause (2) 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 subdivision 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, the 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 the substandard policy may be calculated as if it were issued to provide the higher uniform amounts of insurance on the standard basis.

(h) All adjusted premiums and present values referred to in this subdivision shall: for all policies of ordinary insurance be calculated on the basis of the Commissioners 1980 Standard Ordinary Mortality Table, or at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; for all policies of industrial insurance be calculated on the basis of the Commissioners 1961 Standard Industrial Mortality Table; and 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 section for policies issued in that calendar year. However:

(1) At the option of the company, 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 subdivision, for policies issued in the immediately preceding calendar year;

(2) Under a paid-up nonforfeiture benefit, including any paid-up dividend additions, any cash surrender value available, whether or not required by subdivision 2, shall be calculated on the basis of the mortality table and rate of interest used in determining the amount of the paid-up nonforfeiture benefit and paid-up dividend additions, if any;

(3) A company may calculate the amount of a 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;

(4) In calculating the present value of 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;

(5) For insurance issued on a substandard basis, the calculation of any adjusted premiums and present values may be based on appropriate modifications of these tables;

(6) Any ordinary mortality tables, including any adopted after 1980 by the National Association of Insurance Commissioners, that are approved by rule adopted 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; and

(7) Any industrial mortality tables, including any adopted after 1980 by the National Association of Insurance Commissioners, that are approved by rule adopted 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 a policy issued in a particular calendar year shall be equal to 125 percent of the calendar year statutory valuation interest rate for the policy as defined in section 61A.25, rounded to the nearer one-quarter of one percent.

(j) Notwithstanding any other provision in this chapter to the contrary, a 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 August 1, 1982, a company may file with the commissioner a written notice of its election to comply with the provision of this section after a specified date before January 1, 1989, which shall be the operative date of this subdivision for the company. If a company makes no election, the operative date of this subdivision for the company shall be January 1, 1989.

Subd. 12a. Nonforfeiture benefits; plans not covered by other subdivisions. In the case of a plan of life insurance which is of a nature that minimum values cannot be determined by the methods described in subdivisions 2 to 12:

(a) 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 subdivisions 2 to 12;

(b) the commissioner must be satisfied that the benefits and the pattern of premiums of that plan are not likely to mislead prospective policyholders or insureds; and

(c) the cash surrender values and paid-up nonforfeiture benefits provided by the 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 section, as determined by rules adopted by the commissioner.

Subd. 13. Default in premium payment. A cash surrender value and a paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at a 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. All values referred to in subdivisions 4 to 12 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 the additions. Notwithstanding the provisions of subdivision 4, 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 provisions 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 the term insurance expires before the child's age is 26, is uniform in amount after the child's age is one, 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 endowment benefits, and premiums for all additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no additional benefits shall be required to be included in paid-up nonforfeiture benefits.

Subd. 14. **Application.** Subdivisions 1 to 13 do not apply to any of the following:

- (a) reinsurance;
- (b) group insurance;
- (c) a pure endowment;
- (d) an annuity or reversionary annuity contract;
- (e) a term policy of uniform amount, which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy;
- (f) a term policy of decreasing amount, which provides no guaranteed nonforfeiture or endowment benefits, on which each adjusted premium, calculated as specified in subdivisions 6 to 12, 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 and for a term of 20 years or less expiring before age 71, for which uniform premiums are payable during the entire term of the policy;
- (g) a 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 subdivisions 4 to 12, exceeds 2-1/2 percent of the amount of insurance at the beginning of the same policy year; or
- (h) a policy delivered outside this state through an agent or other representative of the company issuing the policy.

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

Subd. 15. **Consistency of progression of cash surrender values with increasing policy duration.** (a) This subdivision, in addition to all other applicable subdivisions of this section, applies to all policies issued on or after January 1, 1985. Any cash surrender value available under the policy in the event of default in a premium payment due on a policy anniversary shall be in an amount which does not differ by more than two-tenths of one percent of either the amount of insurance, if the insurance is uniform in amount, or the average amount of insurance at the beginning of each of the first ten policy years, from the sum of (1) the greater of zero and the

basic cash value hereinafter specified, and (2) the present value of any existing paid-up additions less the amount of any indebtedness to the company under the policy.

(b) The basic cash value shall be equal to the present value, on the 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 company, 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 the 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 subdivision 4 or 6, whichever is applicable, shall be the same as are the effects specified in subdivision 4 or 6, whichever is applicable, on the cash surrender values defined in those subdivisions.

(c) 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 subdivision 6 or 12, whichever is applicable. Except as is required by paragraph (d), the percentage:

(1) must be the same percentage for each policy year between the second policy anniversary and the later of the fifth policy anniversary or 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 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 policy years; and

(2) must be such that no percentage after the later of the two policy anniversaries specified in clause (1) may apply to fewer than five consecutive policy years.

(d) No basic cash value may be less than the value which would be obtained if the adjusted premiums for the policy, as defined in subdivision 6 or 12, whichever is applicable, were substituted for the nonforfeiture factors in the calculation of the basic cash value.

(e) All adjusted premiums and present values referred to in this subdivision 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 subdivisions of this section. The cash surrender values referred to in this subdivision shall include any endowment benefits provided for by the policy.

(f) The cash surrender value available other than in the event of default in a premium payment due on a policy anniversary, and the amount of a 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 subdivisions 2, 3, 4, 5, 12 and 13. The amounts of cash surrender values and of paid-up nonforfeiture benefits granted in connection with additional benefits such as those listed in subdivision 13, clauses (1) to (6), shall conform with the principles of this subdivision.

History: 1967 c 395 art 2 s 24; 1974 c 433 s 1,2; 1978 c 662 s 3-5; 1982 c 589 s 3-14

61A.245 STANDARD NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED ANNUITIES.

Subdivision 1. This section shall be known as the standard nonforfeiture law for individual deferred annuities.

Subd. 2. This section shall not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or

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maintained by an employer, including but not limited to a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which shall be delivered outside this state through an agent or other representative of the company issuing the contract.

Subd. 3. In the case of contracts issued on or after the operative date specified in subdivision 12, no contract of annuity, except as stated in subdivision 2, shall be delivered or issued for delivery in this state unless it contains in substance the following provisions, or corresponding provisions which in the opinion of the commissioner are at least as favorable to the contract holder, upon cessation of payment of considerations under the contract:

(a) That upon cessation of payment of considerations under a contract, the company will grant a paid-up annuity benefit on a plan stipulated in the contract of the value specified in subdivisions 5, 6, 7, 8 and 10;

(b) If a contract provides for a lump sum settlement at maturity, or at any other time, that upon surrender of the contract at or prior to the commencement of any annuity payments, the company will pay in lieu of any paid-up annuity benefit a cash surrender benefit of the amount specified in subdivisions 5, 6, 8 and 10. The company shall reserve the right to defer the payment of the cash surrender benefit for a period of six months after demand therefor with surrender of the contract;

(c) A statement of the mortality table, if any, and interest rates used in calculating any minimum paid-up annuity, cash surrender or death benefits that are guaranteed under the contract, together with sufficient information to determine the amounts of the benefits;

(d) A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any statute of the state in which the contract is delivered and an explanation of the manner in which the benefits are altered by the existence of any additional amounts credited by the company to the contract, any indebtedness to the company on the contract or any prior withdrawals from or partial surrenders of the contract.

Notwithstanding the requirements of this section, any deferred annuity contract may provide that if no considerations have been received under a contract for a period of two full years and the portion of the paid-up annuity benefit at maturity on the plan stipulated in the contract arising from considerations paid prior to the period would be less than \$20 monthly, the company may at its option terminate the contract by payment in cash of the then present value of the portion of the paid-up annuity benefit, calculated on the basis of the mortality table, if any, and interest rate specified in the contract for determining the paid-up annuity benefit, and by the payment shall be relieved of any further obligation under the contract.

Subd. 4. The minimum values as specified in subdivisions 5, 6, 7, 8 and 10 of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in this subdivision.

(a) With respect to contracts providing for flexible considerations, the minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to that time at a rate of interest of three percent per annum of percentages of the net considerations, as defined in this subdivision, paid prior to that time, decreased by the sum of (i) any prior withdrawals from or partial surrenders of the contract accumulated at a rate of

interest of three percent per annum and (ii) the amount of any indebtedness to the company on the contract, including interest due and accrued; and increased by any existing additional amounts credited by the company to the contract.

The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount not less than zero and shall be equal to the corresponding gross considerations credited to the contract during that contract year less an annual contract charge of \$30 and less a collection charge of \$1.25 per consideration credited to the contract during that contract year. The percentages of net considerations shall be 65 percent of the net consideration for the first contract year and 87.5 percent of the net considerations for the second and later contract years. Notwithstanding the provisions of the preceding sentence, the percentage shall be 65 percent of the portion of the total net consideration for any renewal contract year which exceeds by not more than two times the sum of those portions of the net considerations in all prior contract years for which the percentage was 65 percent.

(b) With respect to contracts providing for fixed scheduled considerations, minimum nonforfeiture amounts shall be calculated on the assumption that considerations are paid annually in advance and shall be defined as for contracts with flexible considerations which are paid annually with two exceptions:

(1) The portion of the net consideration for the first contract year to be accumulated shall be the sum of 65 percent of the net consideration for the first contract year plus 22.5 percent of the excess of the net consideration for the first contract year over the lesser of the net considerations for the second and third contract years; and

(2) The annual contract charge shall be the lesser of (i) \$30 or (ii) ten percent of the gross annual consideration.

(c) With respect to contracts providing for a single consideration, minimum nonforfeiture amounts shall be defined as for contracts with flexible considerations except that the percentage of net consideration used to determine the minimum nonforfeiture amount shall be equal to 90 percent and the net consideration shall be the gross consideration less a contract charge of \$75.

Subd. 5. Any paid-up annuity benefit available under a contract shall be such that its present value on the date annuity payments are to commence is at least equal to the minimum nonforfeiture amount on that date. The present value shall be computed using the mortality table, if any, and the interest rate specified in the contract for determining the minimum paid-up annuity benefits guaranteed in the contract.

Subd. 6. For contracts which provide cash surrender benefits, the cash surrender benefits available prior to maturity shall not be less than the present value as of the date of surrender of that portion of the maturity value of the paid-up annuity benefit which would be provided under the contract at maturity arising from considerations paid prior to the time of cash surrender reduced by the amount appropriate to reflect any prior withdrawals from or partial surrenders of the contract, the present value being calculated on the basis of an interest rate not more than one percent higher than the interest rate specified in the contract for accumulating the net considerations to determine the maturity value, decreased by the amount of any indebtedness to the company on the contract, including interest due and accrued, and increased by any existing additional amounts credited by the company to the contract. In no event shall any cash surrender benefit be less than the minimum nonforfeiture amount at that time. The death benefit under the contracts shall be at least equal to the cash surrender benefit.

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Subd. 7. For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, the present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net considerations to determine the maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to the commencement of any annuity payments, the present values shall be calculated on the basis of the interest rate referred to in this subdivision and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

Subd. 8. For the purpose of determining the benefits calculated under subdivisions 6 and 7, in the case of annuity contracts under which an election may be made to have annuity payments commence at optional maturity dates, the maturity date shall be deemed to be the latest date for which election shall be permitted by the contract, but shall not be deemed to be later than the anniversary of the contract next following the annuitant's seventieth birthday or the tenth anniversary of the contract, whichever is later.

Subd. 9. Any contract which does not provide cash surrender benefits or does not provide death benefits at least equal to the minimum nonforfeiture amount prior to the commencement of any annuity payments shall include a statement in a prominent place in the contract that the benefits are not provided.

Subd. 10. Any paid-up annuity, cash surrender or death benefits available at any time, other than on the contract anniversary under any contract with fixed scheduled considerations, shall be calculated with allowance for the lapse of time and the payment of any scheduled considerations beyond the beginning of the contract year in which cessation of payment of considerations under the contract occurs.

Subd. 11. For any contract which provides, within the same contract by rider or supplemental contract provision, both annuity benefits and life insurance benefits that are in excess of the greater of cash surrender benefits or a return of the gross considerations with interest, the minimum nonforfeiture benefits shall be equal to the sum of the minimum nonforfeiture benefits for the annuity portion and the minimum nonforfeiture benefits, if any, for the life insurance portion computed as if each portion were a separate contract. Notwithstanding the provisions of subdivisions 5, 6, 7, 8 and 10, additional benefits payable (a) in the event of total and permanent disability, (b) as reversionary annuity or deferred reversionary annuity benefits, or (c) as other policy benefits additional to life insurance, endowment, and annuity benefits, and considerations for all the additional benefits, shall be disregarded in ascertaining the minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits that may be required by this section. The inclusion of the additional benefits shall not be required in any paid-up benefits, unless the additional benefits separately would require minimum nonforfeiture amounts, paid-up annuity, cash surrender and death benefits.

Subd. 12. After August 1, 1978, any company may file with the commissioner a written notice of its election to comply with the provisions of this section after a specified date before August 1, 1980. After the filing of such notice, then upon the specified date, which shall be considered the operative date of this section for such company, this section shall become operative with respect to annuity contracts

thereafter issued by the company. If a company makes no election, the operative date of this section for the company shall be August 1, 1980.

History: 1978 c 662 s 6; 1979 c 50 s 8-10

STANDARD VALUATION LAW

61A.25 STANDARD VALUATION LAW.

Subdivision 1. Citation. This section shall be known as the standard valuation law.

Subd. 2. Valuation of reserves. The commissioner shall cause to be valued annually the reserve liabilities, hereinafter called reserves, for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurance company doing business in this state, except that in the case of a foreign or alien insurer such valuation shall be limited to its insurance transactions in the United States, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest and methods (net level premium method or other) used in calculation of such reserves. In calculating such reserves, he may use group methods and approximate averages for fractions of a year or otherwise. In lieu of the valuation of the reserves herein required of any foreign or alien company, he may accept any valuation made, or caused to be made, by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the commissioner when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction. In the case of insurance issued by a domestic insurer upon the lives of residents of a foreign country, the commissioner may vary the mortality standard to a standard applicable to that country.

Subd. 3. Minimum standards of valuation generally. Except as otherwise provided in subdivisions 3a and 3b, the minimum standard for the valuation of the policies and contracts issued prior to the operative date of Laws 1947, Chapter 182, shall be that provided by the laws in effect immediately prior to that date. Except as otherwise provided in subdivisions 3a and 3b, the minimum standard for the valuation of the policies and contracts issued on or after the operative date of Laws 1947, Chapter 182, shall be the commissioners reserve valuation methods described in subdivisions 4, 4a and 7, 3-1/2 percent interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after April 11, 1974, 4 percent interest for policies issued prior to August 1, 1978, 5-1/2 percent interest for single premium life insurance policies and 4-1/2 percent interest for other policies issued on or after August 1, 1978, and the following tables:

(a) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in the policies, the Commissioners 1941 Standard Ordinary Mortality Table for the policies issued prior to the operative date of section 61A.24, subdivision 9 and the Commissioners 1958 Standard Ordinary Mortality Table for the policies issued on or after the operative date of section 61A.24, subdivision 9, and prior to the operative date of section 61A.24, subdivision 12; provided, that for any category of the policies issued on female risks all modified net premiums and present values referred to in Laws 1959, Chapter 26, may be calculated according to an age not more than six years younger than the actual age of the insured; and for policies issued on or after the operative date of section 61A.24, subdivision 12:

(1) the Commissioners 1980 Standard Ordinary Mortality Table; (2) at the election of the company for any one or more specified plans of life insurance, the Commissioners 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors; or (3) any ordinary mortality table, including any adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the policies.

(b) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in the policies, the 1941 Standard Industrial Mortality Table for the policies issued prior to the operative date of section 61A.24, subdivision 11 and for the policies issued on or after the operative date, the Commissioners 1961 Standard Industrial Mortality Table or any industrial mortality table, including any adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the policies.

(c) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in the policies, the 1937 Standard Annuity Mortality Table or, at the option of the company, the Annuity Mortality Table for 1949, ultimate, or any modification of either of these tables approved by the commissioner.

(d) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in the policies, the Group Annuity Mortality Table for 1951, any modification of the table approved by the commissioner, or at the option of the company, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(e) For total and permanent disability benefits in or supplemental to ordinary policies or contracts, for policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the Society of Actuaries, with due regard to the type of benefit or any tables of disablement rates and termination rates, including any adopted after 1980 by the National Association of Insurance Commissioners, that are approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the policies; for policies or contracts issued on or after January 1, 1963, and prior to January 1, 1966, either the tables or, at the option of the company, the class (3) disability table (1926); and for policies issued prior to January 1, 1963, the class (3) disability table (1926). The table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(f) For accidental death benefits in or supplementary to policies, for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table or any accidental death benefits table, including any adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the policies; for policies issued on or after January 1, 1963, and prior to January 1, 1966, either table or, at the option of the company, the Inter-Company Double Indemnity Mortality Table; and for policies issued prior to January 1, 1963, the Inter-Company Double Indemnity Mortality Table. Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(g) For group life insurance, life insurance issued on the substandard basis and other special benefits, any tables as may be approved by the commissioner.

Subd. 3a. Minimum standard of valuation for annuities and pure endowment contracts. Except as provided in subdivision 3b, the minimum standard for the

valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this subdivision and for all annuities and pure endowments purchased on or after this operative date under group annuity and pure endowment contracts, shall be the commissioner's reserve valuation methods defined in subdivisions 4 and 4a, and the following tables and interest rates:

(a) For individual annuity and pure endowment contracts issued prior to August 1, 1978, excluding any disability and accidental death benefits in the contracts, the 1971 individual annuity mortality table, or any modification of this table approved by the commissioner, and six percent interest for single premium immediate annuity contracts, and four percent interest for all other individual annuity and pure endowment contracts.

(b) For individual single premium immediate annuity contracts issued on or after August 1, 1978, excluding any disability and accidental death benefits in the contracts, the 1971 individual annuity mortality table, any individual annuity mortality table, including any adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the contracts, or any modification of these tables approved by the commissioner, and 7-1/2 percent interest.

(c) For individual annuity and pure endowment contracts issued on or after August 1, 1978, other than single premium immediate annuity contracts, excluding any disability and accidental death benefits in the contracts, the 1971 individual annuity mortality table, any individual annuity mortality table, including any adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the contracts, or any modification of these tables approved by the commissioner, and 5-1/2 percent interest for single premium deferred annuity and pure endowment contracts and 4-1/2 percent interest for all other individual annuity and pure endowment contracts.

(d) For all annuities and pure endowments purchased prior to August 1, 1978, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under the contracts, the 1971 group annuity mortality table, or any modification of this table approved by the commissioner, and six percent interest.

(e) For all annuities and pure endowments purchased on or after August 1, 1978, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under the contracts, the 1971 group annuity mortality table, any group annuity mortality table, including any adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commissioner for use in determining the minimum standard of valuation for the annuities and pure endowments, or any modification of these tables approved by the commissioner, and 7-1/2 percent interest.

After April 11, 1974, a company may file with the commissioner a written notice of its election to comply with the provisions of this subdivision after a specified date before January 1, 1979, which shall be the operative date of this subdivision for the company. A company may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If a company makes no election, the operative date of this subdivision for the company shall be January 1, 1979.

Subd. 3b. Computation of minimum standard by calendar year of issue. (a) The interest rates used in determining the minimum standard for the valuation of the following shall be the calendar year statutory valuation interest rates as defined in this subdivision:

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(1) all life insurance policies issued in a particular calendar year, on or after the operative date of section 61A.24, subdivision 12;

(2) all individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1982;

(3) all annuities and pure endowments purchased in a particular calendar year on or after January 1, 1982, under group annuity and pure endowment contracts; and

(4) the net increase, if any, in a particular calendar year after January 1, 1982, in amounts held under guaranteed interest contracts.

(b) The calendar year statutory valuation interest rates, *I*, shall be determined as follows and the results rounded to the nearer one-quarter of one percent:

(1) For life insurance, $I = .03 + W (R1 - .03) + (W/2) (R2 - .09)$;

(2) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options, $I = .03 + W (R - .03)$ where *R1* is the lesser of *R* and *.09*, *R2* is the greater of *R* and *.09*, *R* is the reference interest rate defined in this subdivision, and *W* is the weighting factor defined in this subdivision;

(3) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue year basis, except as stated in clause (2), the formula for life insurance stated in clause (1) shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of ten years and the formula for single premium immediate annuities stated in clause (2) shall apply to annuities and guaranteed interest contracts with guarantee duration of ten years or less;

(4) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single premium immediate annuities stated in clause (2) shall apply.

(5) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, the formula for single premium immediate annuities stated in clause (2) shall apply.

However, if the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year determined without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than one-half of one percent, the calendar year statutory valuation interest rate for the life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year.

For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980 using the reference interest rate defined for 1979 and shall be determined for each subsequent calendar year regardless of when section 61A.24, subdivision 12 becomes operative.

(c) The weighting factors referred to in the formulas stated above are as follows:

(1) The weighting factors for life insurance are:

Guarantee Duration (Years)	Weighting Factors
ten or less	.50
more than ten, but not more than 20	.45
more than 20	.35

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For life insurance, the guarantee duration is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy;

(2) The weighting factor for single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options is .80; and

(3) The weighting factors for other annuities and for guaranteed interest contracts, except as stated in clause (2), shall be as specified in tables (i), (ii), and (iii), according to the rules and definitions in (iv), (v), and (vi):

(i) For annuities and guaranteed interest contracts valued on an issue year basis:

Guarantee Duration	Weighting Factor for Plan Type		
(Years)	A	B	C
Five or less:	.80	.60	.50
more than five, but not more than ten:	.75	.60	.50
more than ten, but not more than 20:	.65	.50	.45
more than 20:	.45	.35	.35

(ii) Plan Type

	A	B	C
For annuities and guaranteed interest contracts valued on a change in fund basis, the factors shown in (i) increased by:	.15	.25	.05

(iii) Plan Type

	A	B	C
For annuities and guaranteed interest contracts valued on an issue year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than one year after issue or purchase and for annuities and guaranteed interest contracts valued on a change in fund basis which do not guarantee interest rates on considerations received more than 12 months beyond the valuation date, the factors shown in (i) or derived in (ii) increased by:	.05	.05	.05

(iv) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the guarantee duration is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of 20 years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

(v) Plan type as used in the above tables is defined as follows:

Plan Type A: At any time policyholders may withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, (2) without the adjustment but in installments over five years or more, or (3) as an immediate life annuity.

Plan Type B: Before expiration of the interest rate guarantee, policyholders may withdraw funds only (1) with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) without the adjustment but in installments over five years or more. At the end of interest rate guarantee, funds may be withdrawn without the adjustment in a single sum or installments over less than five years.

Plan Type C: Policyholders may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than five years either (1) without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurance company, or (2) subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

(vi) A company may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue year basis or on a change in fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue year basis. As used in this subdivision, an issue year basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of issue or year of purchase of the annuity or guaranteed interest contract, and the change in fund basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

(d) The reference interest rate referred to in paragraph (b) shall be defined as follows:

(1) For all life insurance, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year next preceding the year of issue, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.;

(2) For single premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of 12 months, ending on June 30 of the calendar year of issue or year of purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.;

(3) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in clause (2), with guarantee duration in excess of ten years, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.;

(4) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year of issue basis, except as stated in clause (2), with guarantee duration of ten years or less, the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.;

(5) For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of Moody's

Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.; and

(6) For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change in fund basis, except as stated in clause (2), the average over a period of 12 months, ending on June 30 of the calendar year of the change in the fund, of Moody's Corporate Bond Yield Average-Monthly Average Corporates, as published by Moody's Investors Service, Inc.

(e) In the event that Moody's Corporate Bond Yield Average-Monthly Average Corporates is no longer published by Moody's Investors Service, Inc., or in the event that the commissioner determines that Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investors Service, Inc. is no longer appropriate for the determination of the reference interest rate, then an alternative method for determination of the reference interest rate, which has been approved by rule adopted by the commissioner, may be substituted.

Subd. 4. **Reserve valuation of life insurance and endowment benefits; modified premiums.** (a) Except as otherwise provided in paragraph (b) and subdivisions 4a and 7, reserves according to the commissioners reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums shall be the excess, if any, of the present value at the date of valuation of future guaranteed benefits provided for by the policies over the then present value of any future modified net premiums therefor. The modified net premiums for a policy shall be the uniform percentage of the respective contract premiums for the benefits that the present value, at the date of issue of the policy, of all the modified net premiums shall be equal to the sum of the then present value of the benefits provided for by the policy and the excess of clause (1) over clause (2) as follows:

(1) A net level annual premium equal to the present value, at the date of issue, of the benefits provided for after the first policy year, divided by the present value at the date of issue of an annuity of one per annum payable on the first and each subsequent anniversary of the policy on which a premium falls due; but the net level annual premium shall not exceed the net level annual premium on the 19 year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of the policy;

(2) A net one year term premium for the benefits provided for in the first policy year.

(b) For a life insurance policy issued on or after January 1, 1985, for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for the excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than the excess premium, the reserve according to the commissioners reserve valuation method as of a policy anniversary occurring on or before the assumed ending date defined herein as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than the excess premium shall, except as otherwise provided in subdivision 7, be the greater of the reserve as of the policy anniversary calculated as described in paragraph (a) and the reserve as of the policy anniversary calculated as described in that paragraph, but with the value defined in clause (1) of that paragraph being reduced by 15 percent of the amount of the excess first year premium; all present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date; the policy being assumed to mature on that date as an endowment; and the cash surrender value provided on that date being considered as an

endowment benefit. In making the above comparison the mortality and interest bases stated in subdivisions 3 and 3b shall be used.

(c) Reserves according to the commissioners reserve valuation method for (1) life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums, (2) group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including but not limited to a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as amended, (3) disability and accidental death benefits in all policies and contracts, and (4) all other benefits, except life insurance and endowment benefits in life insurance policies and benefits provided by all other annuity and pure endowment contracts, shall be calculated by a method consistent with the principles of paragraphs (a) and (b), except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

Subd. 4a. Annuity and pure endowment contracts. This subdivision shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including but not limited to a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as amended.

Reserves according to the commissioner's annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in the contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by the contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of the contract, that become payable prior to the end of the respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate, or rates, specified in the contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of the contracts to determine nonforfeiture values.

Subd. 5. Minimum aggregate reserves. A company's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after the operative date of Laws 1947, Chapter 182, shall not be less than the aggregate reserves calculated in accordance with the methods set forth in subdivisions 4, 4a, 7, and 8, and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for the policies.

Subd. 6. Calculation of reserves. (1) Reserves for all policies and contracts issued prior to the operative date of Laws 1947, Chapter 182, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to such date.

(2) Reserves for any category of policies, contracts or benefits as established by the commissioner, issued on or after the operative date of Laws 1947, Chapter 182, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not

be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein.

(3) Any such company which at any time shall have adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the commissioner, adopt any lower standard of valuation, but not lower than the minimum herein provided.

Subd. 7. Reserve calculation; valuation net premium exceeding the gross premium charged. If in a contract year the gross premium charged by a life insurance company on a policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon, but using the minimum valuation standards of mortality and rate of interest, the minimum reserve required for the policy or contract shall be the greater of either the reserve calculated according to the mortality table, rate of interest, and method actually used for the policy or contract, or the reserve calculated by the method actually used for the policy or contract but using the minimum valuation standards of mortality and rate of interest and replacing the valuation net premium by the actual gross premium in each contract year for which the valuation net premium exceeds the actual gross premium. The minimum valuation standards of mortality and rate of interest referred to in this subdivision are those standards stated in subdivisions 3 and 3b. However, for a life insurance policy issued on or after January 1, 1985 for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for the excess and which provides an endowment benefit or a cash surrender value or a combination thereof in an amount greater than the excess premium, the foregoing provisions of this subdivision shall be applied as if the method actually used in calculating the reserve for the policy was the method described in subdivision 4, ignoring subdivision 4, paragraph (b). The minimum reserve at each policy anniversary of the policy shall be the greater of the minimum reserve calculated in accordance with subdivision 4, including subdivision 4, paragraph (b), and the minimum reserve calculated in accordance with this subdivision.

Subd. 8. Reserve calculation; plans not covered by other subdivisions. In the case of a plan of life insurance or annuity for which the minimum reserves cannot be determined by the methods described in subdivisions 4, 4a, and 7, the reserves which are held under any plan must:

(a) be appropriate in relation to the benefits and the pattern of premiums for that plan, and

(b) be computed by a method which is consistent with the principles of this section as determined by rules adopted by the commissioner.

History: 1967 c 395 art 2 s 25; 1974 c 433 s 3,4; 1978 c 662 s 7-13; 1982 c 589 s 15-21

61A.255 SMOKER AND NONSMOKER MORTALITY TABLES.

For the purposes of sections 61A.24 and 61A.25, insurers may utilize the 1958 Commissioners Standard Ordinary and the 1958 Commissioners Extended Term smoker and nonsmoker mortality tables and the 1980 Commissioners Standard Ordinary and the 1980 Commissioners Extended Term smoker and nonsmoker mortality tables in addition to the tables specified in sections 61A.24 and 61A.25. The tables may be utilized as provided in the model rule permitting smoker and nonsmoker mortality tables for use in determining minimum reserve liabilities and nonforfeiture benefits adopted by the National Association of Insurance Commis-

sioners. This section applies to policies issued on or after January 1, 1984, and before January 1, 1989.

History: 1984 c 538 s 1; 1984 c 592 s 46

PROVISIONS AS TO DIVIDENDS

61A.26 DIVIDENDS.

Subdivision 1. **Annual apportionment and accounting of surplus.** Every life insurance company doing business in this state conducted on the mutual plan or in which policyholders are entitled to share in the profits or surplus shall make an annual apportionment and accounting of divisible surplus to each policyholder, beginning not later than the end of the third policy year, on all participating policies hereafter issued; and each such policyholder shall be entitled to and be credited with or paid, in the manner hereinafter provided, such a portion of the entire divisible surplus as has been contributed thereto by his policy.

Subd. 2. **Policyholder to choose.** Every policyholder shall, on all participating policies hereafter issued, be permitted, after his policy has been in force five years, annually, to select the manner and method of the application of the surplus to be annually apportioned to his policy from among those set forth in the policy. All apportioned surplus not actually paid over to the insured, or applied in the reduction of current or future premiums or in the purchase of paid-up insurance or pure endowment additions, shall be credited to the insured and carried as an actual liability and be paid at the maturity of the policy.

Subd. 3. **Waiver prohibited.** No agreement between the company and the policyholder or applicant for insurance shall be held to waive any of the provisions of subdivisions 1 and 2.

Subd. 4. **Policies issued prior to January 1, 1908.** Every life insurance company doing business in this state conducted on the mutual plan, or in which policyholders are entitled to share in the profits or surplus, shall, on all policies of life insurance issued prior to January 1, 1908, under the conditions of which the distribution of surplus is deferred to a fixed or specified time, and contingent upon the policy being in force and the insured living at that time, annually ascertain the amount of surplus to which all such policies as a separate class are entitled, and shall annually apportion to such policies as a class the amount of surplus so ascertained, and carry the amount of such apportioned surplus, plus the actual interest earnings and accretions of such fund, as a distinct and separate liability to such class of policies on and for which the same was accumulated, and no company or any of its officers shall be permitted to use any part of such apportioned surplus fund for any purpose other than the express purpose for which the same was accumulated. This subdivision shall not apply to industrial policies.

Subd. 5. **Required policy provision.** The required policy provision is contained in section 61A.03(6).

History: 1967 c 395 art 2 s 26

CONTINGENCY RESERVE

61A.27 CONTINGENCY RESERVE; LIMITATIONS.

Any life insurance company doing business in this state may accumulate and maintain, in addition to the capital and surplus contributed by its stockholders, and in addition to an amount equal to the net values of its policies, computed according to the laws of the jurisdiction under which it is organized, a contingency reserve not exceeding the following respective percentages of these net values: When the net

values are less than \$100,000, 20 percent thereof, or the sum of \$10,000, whichever is the greater; when the net values are greater than \$100,000, the percentage thereof measuring the contingency reserve shall decrease one-half of one percent for each \$100,000 of the net values up to \$1,000,000; when the net values are greater than \$1,000,000, but do not exceed \$25,000,000, the contingency reserve shall not exceed 15 percent thereof; when the net values are greater than \$25,000,000, but do not exceed \$150,000,000, the contingency reserve shall not exceed 12 1/2 percent thereof; when the net values are greater than \$150,000,000, the contingency reserve shall not exceed ten percent thereof; provided, that as the net values of these policies increase and the maximum percentage measuring the contingency reserve decreases, the corporation may maintain the contingency reserve already accumulated hereunder, although for the time being it may exceed the maximum percentage herein prescribed, but may not add to the contingency reserve when the addition will bring it beyond the maximum percentage. For cause shown, the commissioner may, at any time and from time to time, permit any corporation to accumulate and maintain a contingency reserve in excess of the limit above mentioned for a prescribed period, not exceeding one year under any one permission, by filing in his office a decision stating his reasons therefor and causing the same to be published in his next annual report. This section shall not apply to any company doing exclusively a non-participating business.

History: 1967 c 395 art 2 s 27

BENEFIT ACCOUNTS

61A.275 SEPARATE ACCOUNTS; PENSION PLANS.

Subdivision 1. **Establishment.** Any domestic life insurance company, by adoption of a resolution by its governing body, may establish one or more separate accounts and may allocate thereto, in accordance with the terms of a written agreement, any amounts which are paid to or held by the company in connection with a pension, retirement, or profit-sharing plan described under section 401, 414(d), or 457 of the Internal Revenue Code of 1954, as amended through December 31, 1981. In connection with the separate accounts, the company may issue, subject to the terms of the written agreement, group policies or contracts with benefits payable in fixed or variable amounts.

The assets held in a separate account pursuant to this section shall be owned by the company. The company shall not be, nor hold itself out to be, a trustee with respect to the assets.

Subd. 2. **Allocations, credits, or charges.** The income, if any, and gains or losses realized or unrealized on each separate account may be credited to or charged against the amount allocated to that separate account in accordance with the written agreement, without regard to the other income, gains, or losses of the company.

Subd. 3. **Transfer of assets.** No sale, exchange, or other transfer of assets may be made by a company between any of its separate accounts or between any other investment account and one or more of its separate accounts unless:

(1) in case of a transfer into a separate account, the transfer is made solely to establish the account or to support the contractual obligations of the company with respect to the separate account to which the transfer is made; or

(2) in case of a transfer from a separate account, the transfer would not cause the remaining assets of the account to become less than the reserves and other contract liabilities with respect to that separate account. A transfer, whether into or from a separate account, shall be made by a transfer of cash, or by a transfer of securities having a readily determinable market value, if the transfer of securities is approved by the commissioner. The commissioner may approve other transfers

among separate accounts if, in his or her opinion, the transfers would not be inequitable.

Except as the commissioner may otherwise approve, where a company transfers assets into a separate account for the purpose of establishing the account, the transfer shall be in the form of cash and shall be made only from its surplus. Not more than five percent of its surplus may be so invested in its separate accounts.

Subd. 4. Application of investment law. Notwithstanding any inconsistent provision in the company's charter or other law, the amounts allocated to separate accounts and accumulations thereon may be invested and reinvested in any class of loans and investments. The loans and investments shall not be included in applying any of the limitations provided in section 61A.28. However, unless otherwise approved by the commissioner, a portion of the assets of each separate account equal to the company's reserve liability with regard to the guaranteed benefits and funds, if any, shall be invested in accordance with the requirements otherwise applicable to the company's general assets.

Subd. 5. Valuation of assets. Unless otherwise approved by the commissioner, assets allocated to a separate account shall be valued at their market value on the date of valuation, or if there is no readily available market, then as provided under the terms of the contract or the requirements or other written agreement applicable to the separate account. However, unless otherwise approved by the commissioner, a portion of the assets of each separate account equal to the company's reserve liability with regard to the guaranteed benefits and funds, if any, shall be valued in accordance with the requirements otherwise applicable to the company's general assets.

Subd. 6. Other laws. No separate account established pursuant to this section shall be subject to the provisions of sections 61A.13 to 61A.21, nor shall any of the provisions of this section be construed to have any application to separate accounts established pursuant to sections 61A.13 to 61A.21.

History: 1982 c 555 s 3

INVESTMENTS

61A.28 DOMESTIC COMPANIES, INVESTMENTS.

Subdivision 1. Funds to be invested. The capital, surplus and other funds of every domestic life insurance company, whether incorporated by special act or under the general law (in addition to investments in real estate as otherwise permitted by law) may be invested only in one or more of the following kinds of securities or property:

Subd. 2. Government obligations. Bonds or other obligations of, or bonds or other obligations insured or guaranteed by, (a) the United States or any state thereof; (b) the Dominion of Canada or any province thereof; (c) any county, city, town, statutory city formerly a village, organized school district, municipality, or other civil or political subdivision of this state, or of any state of the United States or of any province of the Dominion of Canada; (d) any agency or instrumentality of the foregoing, including but not limited to, debentures issued by the federal housing administrator, obligations of national mortgage associations; and (e) obligations payable in United States dollars issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the Export-Import Bank, or any other United States government sponsored organization of which the United States is a member; provided, that the life insurance company may not invest more than five percent of its total admitted assets in the obligations of any one of these

banks or organizations and may not invest more than 15 percent of its total admitted assets in the obligations of all banks or organizations described in paragraph (e).

As used in this subdivision with respect to the United States or any agency or instrumentality of the United States, "bonds or other obligations" shall include rights or options to purchase the obligations if those rights or options are traded upon a contract market designated and regulated by a federal agency.

Subd. 3. Loans or obligations secured by mortgage. Loans or obligations (hereinafter loans) secured by a first mortgage, or deed of trust (hereinafter mortgage), on improved real estate in the United States, if the amount of the loan secured thereby is not in excess of $66\frac{2}{3}$ percent of the market value of the real estate at the time of the loan, or, when the loan is to be fully amortized by installment payments of principal, which may begin up to five years from the date of the loan if the real estate is to be used for commercial purposes, and interest at least annually over a period of not to exceed 40 years, the amount of the loan does not exceed (a) 80 percent of the market value of the real estate at the time of the loan; (b) 90 percent of the market value of the real estate at the time of the loan if the loan is secured by a purchase money mortgage made in connection with the disposition of real estate acquired pursuant to section 61A.31, subdivision 1, or, if (1) the real estate is used for commercial purposes, and (2) the loan is additionally secured by an assignment of lease or leases, and (3) the lessee or lessees under the lease or leases, or a guarantor or guarantors of the lessee's obligations, is a corporation whose obligations would qualify as an investment under subdivision 6(f), and (4) the rents payable during the primary term of the lease or leases are sufficient to amortize at least 60 percent of the loan. In calculating the ratio of the amount of the loan to the value of the property, no part of the amount of any loan is to be included which the United States or any agency or instrumentality thereof or other mortgage insurer as may be approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee; provided, in no event may the loan exceed the market value of the property. No improvement may be included in estimating the market value of the real estate unless it is insured against fire by policies payable to the security holder or a trustee for its benefit. This requirement may be met by a program of self-insurance established and maintained by a corporation whose debt obligations would qualify for purchase under subdivision 6, paragraph (g), clause (4). Also loans secured by mortgage, upon leasehold estates in improved real property where at the date of investment the lease has an unexpired term of at least five years longer than the term of the loan secured thereby, and where the leasehold estate is unencumbered except by the lien reserved in the lease for the payment of rentals and the observance of the other covenants, terms and conditions of the lease and where the mortgagee, upon default, is entitled to be subrogated to, or to exercise, all the rights and to perform all the covenants of the lessee, provided that no loan on the leasehold estate may exceed (a) $66\frac{2}{3}$ percent of the market value thereof at the time of the loan, or (b) 80 percent of the market value thereof at the time of the loan if the loan is to be fully amortized by installment payments of principal which begin within five years from the date of the loan if the leasehold estate is to be used for commercial purposes, interest is payable at least annually over the period of the loan which may not exceed 40 years and the market value of the leasehold estate is shown by the sworn certificate of a competent appraiser, or (c) 90 percent of the market value of the leasehold estate at the time of the loan if the loan is secured by a purchase money mortgage made in connection with the disposition of real estate acquired pursuant to section 61A.31, subdivision 1. In calculating the ratio of the amount of the loan to the value of the leasehold estate, no part of the amount of any loan is to be included which the United States or any agency or instrumentality thereof or other mortgage insurer approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee; provided, in no event

may the loan exceed the market value of the leasehold estate. Also loans secured by mortgage, which the United States or any agency or instrumentality thereof or other mortgage insurer approved by the commissioner has insured or guaranteed or made a commitment to insure or guarantee. Also loans secured by mortgage, on improved real estate in the Dominion of Canada if the amount of the loan is not in excess of 66-2/3 percent of the market value of the real estate at the time of the loan, or, when the loan is to be fully amortized by installment payments of principal, which may begin up to five years from the date of the loan if the real estate is used for commercial purposes, and interest at least annually over a period of not to exceed 40 years, the amount of the loan does not exceed (a) 80 percent of the market value of the real estate at the time of the loan, or (b) 90 percent of the market value of the real estate at the time of the loan if the loan is secured by a purchase money mortgage made in connection with the disposition of real estate acquired pursuant to section 61A.31, subdivision 1. In calculating the ratio of the amount of the loan to the value of the property, no part of the amount of any loan is to be included which the Dominion of Canada or any agency or instrumentality thereof has insured or guaranteed or made a commitment to insure or guarantee; provided in no event may the loan exceed the market value of the property. Also loans secured by mortgage, on real estate in the United States which may be unimproved provided there exists a definite plan for commencement of development for commercial purposes within not more than five years where the amount of the loan does not exceed 80 percent of the market value of the unimproved real estate at the time of the loan and the loan is to be fully amortized by installment payments of principal, which may begin up to five years from the date of the loan, and interest at least annually over a period of not to exceed 40 years. Also loans secured by second mortgage on improved or unimproved real estate used, or to be used, for commercial purposes; provided, that if unimproved real estate there exists a definite plan for commencement of development within not more than five years, in the United States or the Dominion of Canada under the following conditions: (a) the amount of the loan secured by the second mortgage is equal to the sum of the amount disbursed by the company and the then outstanding indebtedness under the first mortgage loan; and (b) the company has control over the payments under the first mortgage indebtedness; and (c) the total amount of the loan does not exceed 66-2/3 percent of the market value of the real estate at the date of the loan or, when the note or bond is to be fully amortized by installment payments of principal, beginning not more than five years from the date of the loan, and interest at least annually over a period of not to exceed 40 years, the amount of the loan does not exceed 80 percent of the market value of the real estate at the date of the loan.

For purposes of this subdivision, improved real estate includes real estate improved with permanent buildings, used for agriculture or pasture, or income producing real estate, including but not limited to, parking lots and leases, royalty or other mineral interests in properties producing oil, gas, or other minerals and interests in properties for the harvesting of forest products.

A loan or obligation otherwise permitted under this subdivision must be permitted notwithstanding the fact that it provides for a payment of the principal balance prior to the end of the period of amortization of the loan.

The vendor's equity in a contract for deed qualifies as a loan secured by mortgage for the purposes of this subdivision.

A mortgage participation certificate evidencing an interest in a loan secured by mortgage or pools of the same qualifies under this subdivision, if the loan secured by mortgage, and in the case of pools of the same that each loan, would otherwise qualify under this subdivision.

Subd. 4. Public utility obligations. Bonds or obligations of railway companies, street railway companies, and other public utility corporations incorporated under the laws of this state, the United States or any state thereof, or the Dominion of Canada, or any province thereof, which shall not be in default as to the principal or interest on any outstanding issue of bonds; the debentures of farm mortgage debenture companies organized under the laws of this state, and federal farm loan bonds.

Subd. 5. Certificate of deposit. Certificates of deposit of banks organized under the laws of the United States or any state thereof; provided, that not more than 15 percent of the admitted assets of the company shall be invested in these certificates of deposit except that any amount in excess of five percent shall be invested only in certificates of deposit which do not exceed amounts insured by the Federal Deposit Insurance Corporation; provided, however, that such investment of any company with admitted assets of less than one million dollars may be made to the extent of ten percent of the admitted assets, where the amount invested in such certificates of deposit in any bank does not exceed the amount insured by the Federal Deposit Insurance Corporation.

Subd. 6. Stocks, obligations, and other investments. Stocks, warrants or options to purchase stocks, bonds, notes, evidences of indebtedness, or other investments as set forth in this subdivision, provided that no investment may be made which will increase the aggregate investment in all common stocks under paragraphs (a) and (b) beyond 20 percent of admitted assets as of the end of the preceding calendar year. In applying the standards prescribed in paragraphs (b), (c), and (d), (f) and (g) to the stocks, bonds, notes, evidences of indebtedness, or other obligations of a corporation which in the qualifying period preceding purchase of the stocks, bonds, notes, evidences of indebtedness, or other obligations acquired its property or a substantial part thereof through consolidation, merger, or purchase, the earnings of the several predecessors or constituent corporations must be consolidated. In applying any percentage limitations of this subdivision the value of the stock, or warrant or option to purchase stock, must be based on cost. For purposes of this subdivision, National Securities Exchange means an exchange registered under section 6 of the Securities Exchange Act of 1934 or an exchange regulated under the laws of the Dominion of Canada.

(a) Stocks of banks, insurance companies, and municipal corporations organized under the laws of the United States or any state thereof; but not more than 15 percent of the admitted assets of any domestic life insurance company may be invested in stocks of other insurance corporations and banks.

(b) Common stocks, common stock equivalents, or securities convertible into common stock or common stock equivalents of any corporation or business trust not designated in paragraph (a) of this subdivision, organized under the laws of the United States or any state thereof, or of the Dominion of Canada or any province thereof, or those traded on a National Securities Exchange, if the net earnings of the corporation after the elimination of extraordinary nonrecurring items of income and expense and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, has averaged not less than one and one-fourth times its average annual fixed charges applicable to the period.

(c) Preferred stock of, or common or preferred stock guaranteed as to dividends by, any corporation not designated in paragraph (a), organized under the laws of the United States or any state thereof, or of the Dominion of Canada or any province thereof, or those traded on a National Securities Exchange, under the following conditions: (1) No investment may be made under this paragraph in a stock upon which any dividend, current or cumulative, is in arrears; and (2) the aggregate

investment in stocks under this paragraph and in common stocks under paragraphs (a) and (b) may not exceed 25 percent of the life insurance company's admitted assets, provided that no more than 20 percent of the company's admitted assets may be invested in common stocks under paragraphs (a) and (b); and (3) if the net earnings of the corporation after the elimination of extraordinary nonrecurring items of income and expenses and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, has averaged not less than one and one-fourth times its average annual fixed charges applicable to the period.

(d) Warrants, options, and rights to purchase stock if the stock, at the time of the acquisition of the warrant, option, or right to purchase, would qualify as an investment under paragraph (a), (b), or (c), whichever is applicable. A domestic life insurance company shall not invest more than two percent of its assets under this paragraph. Any stock actually acquired through the exercise of a warrant or option, or rights to purchase may be included in paragraph (a), (b), or (c), whichever is applicable, only if the stock then meets the standards prescribed in the paragraph at the time of acquisition of the stock.

(e) The securities of any face amount certificate company, unit investment trust, or management type investment company, registered or in the process of registration under the federal Investment Company Act of 1940 as from time to time amended, provided that the aggregate of the investments, determined at cost, by the life insurance company may not exceed five percent of its admitted assets, and the investments may be made without regard to the percentage limitations applicable to stocks, and warrants or options or rights to purchase stock. In addition, the company may transfer assets into one or more of its separate accounts for the purpose of establishing, or supporting its contractual obligations under, the accounts in accordance with the provisions of sections 61A.13 to 61A.21.

(f) Bonds, notes, debentures, repurchase agreements, or other evidences of indebtedness (1) secured by letters of credit issued by a national bank, state bank or trust company which is a member of the federal reserve system or by a bank organized under the laws of the Dominion of Canada or (2) traded on a national securities exchange or (3) issued, assumed, or guaranteed by a corporation or business trust, other than a corporation designated in subdivision 4, organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, if the net earnings of the corporation after the elimination of extraordinary nonrecurring items of income and expense and before income taxes and fixed charges over the five immediately preceding completed fiscal years, or its period of existence if less than five years, has averaged not less than one and one-fourth times its average annual fixed charges applicable to the period. No investment may be made under this paragraph upon which any interest obligation is in default.

(g) Obligations for the payment of money under the following conditions: (1) The obligation must be secured, either solely or in conjunction with other security, by an assignment of a lease or leases on property, real or personal; and (2) the lease or leases must be nonterminable by the lessee or lessees upon foreclosure of any lien upon the leased property; and (3) the rents payable under the lease or leases must be sufficient to amortize at least 90 percent of the obligation during the primary term of the lease; and (4) the lessee or lessees under the lease or leases, or a governmental entity or corporation which has assumed or guaranteed any lessee's performance thereunder, must be a governmental entity or corporation whose obligations would qualify as an investment under subdivision 2 or paragraph (f).

(h) A company may sell exchange-traded call options against stocks or other securities owned by the company and may purchase exchange-traded call options in

a closing transaction against a call option previously written by the company. In addition to the authority granted by paragraph (d), to the extent and on the terms and conditions the commissioner determines to be consistent with the purposes of this chapter, a company may purchase or sell other exchange-traded call options, and may sell or purchase exchange-traded put options.

Subd. 7. Transportation equipment obligations. Equipment trust obligations or certificates which are adequately secured or other adequately secured instruments evidencing an interest in transportation equipment purchased, leased, or under contract for purchase or lease by a corporation incorporated in the United States or in Canada or by a receiver or trustee of such corporation and a right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such transportation equipment.

Subd. 8. Promissory notes secured by warehouse receipts. Promissory notes maturing within six months, secured by the pledge of registered terminal warehouse receipts issued against grain deposited in terminal warehouses, as defined in section 233.01. At the time of investing in these notes, the market value of the grain shall exceed the indebtedness secured thereby, and the note or pledge agreement shall provide that the holder may call for additional like security or sell the grain without notice upon depreciation of the security; the insurance company may accept, in lieu of the deposit with it of the warehouse receipts, a trustee certificate issued by any national or state bank at a terminal point, certifying that the warehouse receipts have been deposited with it and are held as security for the notes; and the amount invested in the securities mentioned in this subdivision shall not, at any time, exceed 25 percent of the unassigned surplus and capital of the company.

Subd. 9. Obligations of trustees and receivers. Certificates, notes, or other obligations issued by trustees or receivers of any institution created or existing under the laws of the United States or of any state, district, or territory thereof, which, or the assets of which, are being administered under the direction of any court having jurisdiction if such obligation is adequately secured as to principal and interest; the amount invested in the securities mentioned in this subdivision shall not, at any time, exceed 25 percent of the unassigned surplus and capital of the company.

Subd. 10. Real estate sales contracts. Real estate sales contracts to which the company is not an original party, involving unencumbered real property situated in the United States, having a value of at least 50 percent more than the amount of the unpaid balance of the contract, same to be assigned or otherwise transferred to the company or to a trustee or nominee of its choosing. No improvement shall be included in estimating the value unless the same shall be insured against fire by policies payable to and held by the company or a trustee or nominee for its benefit. The foregoing provisions of this subdivision shall not apply to real estate sales contracts to which the company is an original party and shall not prohibit the company from holding such contracts as an investment.

Subd. 11. Policy loans. Loans on the security of insurance policies issued by itself to an amount not exceeding the loan value thereof; and loans on the pledge of any of the securities eligible for investment under the provisions of subdivisions 2 to 10, but not exceeding 95 percent of the value of securities enumerated in subdivisions 2, 3, and 4 and 80 percent of the value of stocks and other securities; in case of securities enumerated in subdivisions 3, 5, and 10 "value" means principal amount unpaid thereon and in case of other securities market value thereof; in case of securities enumerated in subdivisions 3 and 10 the pledge agreement shall require principal payments by the pledgor at least equal to and concurrent with principal payments on the pledged security; in loans authorized by this subdivision, except as otherwise provided by law in regard to policy loans, the company shall reserve the right at any time to declare the indebtedness due and payable when in excess of such

proportions of value or, in case of pledge of securities other than those enumerated in subdivisions 3 and 10, upon depreciation of security.

Subd. 12. Additional investments. Investments of any kind, without regard to the categories, conditions, standards, or other limitations set forth in the foregoing subdivisions and section 61A.31, subdivision 3, except that the prohibitions in clause (d) of subdivision 3 remains applicable, may be made by a domestic life insurance company in an amount not to exceed the lesser of the following:

(1) Five percent of the company's total admitted assets as of the end of the preceding calendar year, or

(2) Fifty percent of the amount by which its capital and surplus as of the end of the preceding calendar year exceeds \$675,000. Provided, however, that a company's total investment under this section in the common stock of any corporation, other than the stock of the types of corporations specified in subdivision 6(a), may not exceed ten percent of the common stock of the corporation. Provided, further, that no investment may be made under the authority of this clause (2) or clause (1) by a company that has not completed five years of actual operation since the date of its first certificate of authority.

If, subsequent to being made under the provisions of this subdivision, an investment is determined to have become qualified or eligible under any of the other provisions of this chapter, the company may consider the investment as being held under the other provision and the investment need no longer be considered as having been made under the provisions of this subdivision.

History: 1967 c 395 art 2 s 28; 1969 c 494 s 12-16; 1971 c 816 s 1,2; 1973 c 123 art 5 s 7; 1974 c 64 s 6; 1975 c 141 s 1; 1981 c 211 s 32-34; 1983 c 340 s 12-14; 1984 c 382 s 4

61A.281 INVESTMENTS; SUBSIDIARIES.

Subdivision 1. Special purpose corporations. A domestic life insurance company may organize and hold, or acquire and hold, more than 50 percent of the capital stock of any corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, or if approved by the commissioner, elsewhere, which is one or more of the following: (1) a corporation providing investment advisory, management or sales services to an investment company or to an insurance company; or (2) a data processing or computer service corporation; or (3) a real property holding, developing, managing or leasing corporation; or (4) a mortgage loan corporation engaged in the business of making, originating, purchasing, or otherwise acquiring or investing in, and servicing or selling or otherwise disposing of loans secured by mortgages on real property; or (5) a corporation whose business is owning and managing or leasing personal property; or (6) a corporation other than a bank or an insurance company, whose business has been approved by the commissioner as complementary or supplementary to the business of a domestic life insurance company. Provided, however, that such percentage of stock may, with the approval of the commissioner, be 50 percent or less. The limits contained in the other investment sections of the insurance code shall not apply to such holdings, provided that the aggregate cost of the investments made under this subdivision shall not exceed five percent of the domestic life insurance company's admitted assets.

Subd. 2. General purpose corporations. A domestic life insurance company may organize and hold, or acquire and hold, more than 50 percent of the capital stock of any corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, or if approved by the commissioner, elsewhere, whether or not of the type of corporation enumerated in

subdivision 1 or approved by the commissioner under subdivision 1. The limits contained in the other investment sections of Minnesota Statutes relating to insurance shall not apply to such holdings, provided that the aggregate cost of the investments made under authority of this subdivision shall not exceed ten percent of the capital and surplus of the domestic life insurance company.

Subd. 3. Regulations. The commissioner may issue such reasonable rules and regulations as may be appropriate to carry out the purposes of this section.

Subd. 4. Other corporations acquired or organized, activities. A domestic life insurance company may organize or acquire a corporation domiciled in the United States and hold the capital stock thereof, provided that it shall continuously own more than 50 percent of such capital stock. The corporation so organized or acquired shall limit its activities to the investing of its assets in the same corporations, subject to the same ownership requirements, in which the insurance company may directly invest under subdivisions 1 and 2 of this section; provided that the sum of the total cost of the investments made by both it and the insurance company in corporations authorized under said subdivision 1 or said subdivision 2 shall not exceed the dollar amount which would have been applicable had the insurance company directly made such investments. The limits contained in the other investment sections of the insurance code shall not apply to any investment made by the insurance company under this subdivision, provided that the aggregate cost of the investments made by the insurance company hereunder and under said subdivisions 1 and 2 shall not exceed the sum of five percent of the insurance company's admitted assets and ten percent of the insurance company's capital and surplus.

History: 1969 c 494 s 17; 1971 c 816 s 3-5

61A.282 INVESTMENTS IN NAME OF COMPANY OR NOMINEE AND PROHIBITIONS.

Subdivision 1. Requirements. A company's investments shall be held in its corporate name or its nominee name, except that:

(a) Investments may be held in the name of a clearing corporation or of a custodian bank or in the name of the nominee of either under the following conditions:

(1) The clearing corporation, custodian bank, or nominee must be legally authorized to hold the particular investment for the account of others;

(2) Where the investment is evidenced by a certificate and held in the name of a custodian bank or the nominee of a custodian bank, a written agreement shall provide that certificates so deposited shall at all times be kept separate and apart from other deposits with the depository, so that at all times they may be identified as belonging solely to the company making the deposit; or

(3) Where a clearing corporation is to act as depository, the investment may be merged or held in bulk in the clearing corporation's name, or in the name of its nominee, together with any other investments deposited with the clearing corporation by any other person, if a written agreement provides that adequate evidence of the deposit will be obtained and retained by the company or a custodian bank.

As used in this subdivision, "clearing corporation" means The Depository Trust Company and, with the approval of the commissioner, any other clearing corporation as defined in section 336.8-102; the term "custodian bank" means a bank or trust company licensed by the United States or any state thereof.

(b) A company may participate, through a bank or trust company which is a member of the Federal Reserve System, in the Federal Reserve's book-entry system, if the records of the member bank or trust company at all times show that the investments are held for the company and/or for specific accounts of the company.

(c) If an investment consists of an individual interest in a pool of obligations, or of a fractional interest in a single obligation, the certificate of participation or interest, or the confirmation of participation or interest in the investment, shall be held in the manner set forth in paragraph (a) or held in the name of the company.

(d) Where an investment is not evidenced by a certificate, except as provided in paragraph (b), adequate evidence of the company's investment shall be obtained from the issuer or its transfer or recording agent and retained by the company, a custodian bank, or clearing corporation. Adequate evidence, for purposes of this section, shall mean a written receipt or other verification issued by the depository or issuer or a custodian bank which shows that the investment is held for the company. Transfers of ownership of investments held as described in paragraphs (a) (3), (b), and (c) may be evidenced by bookkeeping entry on the books of the issuer of the investment or its transfer or recording agent or the clearing corporation without physical delivery of certificates, if any, evidencing the company's investment.

Subd. 2. Lending of securities. A company may loan securities held by it under this chapter to a broker-dealer registered under the Securities and Exchange Act of 1934 or to a bank which is a member of the Federal Reserve System. The market value of loaned securities outstanding at any one time, excluding securities held in a separate account established pursuant to section 61A.14, subdivision 1 or 61A.275, shall not exceed 50 percent of the company's capital and surplus as of the December 31 immediately preceding. Each loan must be evidenced by a written agreement which provides:

(a) that the loan will be fully collateralized by cash or obligations issued or guaranteed by the United States or an agency or an instrumentality thereof, and that the collateral will be adjusted each business day during the term of the loan to maintain the required collateral in the event of market value changes in the loaned securities or collateral;

(b) that the loan may be terminated by the company at any time, and that the borrower must return the loaned securities or their equivalent within five business days after termination;

(c) that the company has the right to retain the collateral or to use the collateral to purchase securities equivalent to the loaned securities if the borrower defaults under the terms of the agreement; and

(d) that the borrower remains liable for any losses and expenses, not covered by the collateral, which are incurred by the company due to default.

Subd. 3. Conflicts of interest. No officer, director, or member of any committee passing on investments shall borrow any of the funds, or become, directly or indirectly, liable as a surety or endorser for or on account of loans thereof to others, or receive to his own use any fee, brokerage, commission, gift or other consideration for, or on account of, any loan made by or on behalf of the company.

History: 1969 c 494 s 18; 1981 c 211 s 35; 1982 c 555 s 4

61A.283 ADMITTED ASSETS.

For the purpose of applying any investment limitation based on the amount of a domestic life insurance company's admitted assets, the term "admitted assets" shall mean such assets as shown by the company's annual statement, required by section 60A.13, as of the December 31 immediately preceding the date the company acquires the investment, with an adjustment in such admitted asset figure to exclude amounts which on such December 31 are allocated to separate accounts; and the value of stocks and warrants and options to purchase stocks owned by the company on such December 31 shall be based on cost. For other purposes the term "admitted assets" shall mean such assets as shown by the company's annual

statement on such December 31, valued in accordance with the valuation regulations prescribed by the National Association of Insurance Commissioners.

History: 1969 c 494 s 19

61A.284 INVESTMENTS; CAPITAL STOCK OF OTHER INSURANCE COMPANIES.

Subdivision 1. Purchase of insurance company. A domestic life insurance company may acquire and hold all or part of the capital stock of another insurance company whether or not in the same line of insurance for cash or through the issuance of its own stock in payment of all or part of the purchase price. The limits contained in the other investment provisions shall not apply to these holdings providing the acquiring company secures the prior approval of the purchase agreement by the commissioner.

Subd. 2. Organization of subsidiary insurance company. A domestic life insurance company may organize and hold all or part of the capital stock of another insurance company whether or not in the same line of insurance. The limits contained in the other investment provisions shall not apply to these holdings providing the organizing company secures the prior approval of the commissioner.

History: 1981 c 211 s 36

61A.29 INVESTMENTS; AUTHORIZATION; FOREIGN INVESTMENTS.

Subdivision 1. Authorization. No investment or loan, except policy loans, shall be made by any domestic life insurance company unless the same shall have been authorized or be approved by the board of directors or by a committee of directors, officers or employees of the company designated by the board charged with the duty of supervising the investment or loan, and in either case accurate records of all authorizations and approvals shall be maintained.

Subd. 2. Foreign investments. Any domestic life insurance company may invest in obligations of and investments in foreign countries, other than the Dominion of Canada, on the following conditions:

(a) A company may acquire and hold any foreign investments which are required as a condition of doing business in the foreign country or necessary for the convenient accommodation of its foreign business. An investment shall be considered necessary for the convenient accommodation of foreign business only if it is demonstrably and directly related in size and purpose to such company's foreign insurance operations; and

(b) A company may also invest not more than a total of two percent of its admitted assets in any combination of:

(1) the obligations of foreign governments, corporations, or business trusts;
(2) obligations of federal, provincial, or other political subdivisions backed by the full faith and credit of the foreign governmental unit;

(3) or in the stocks or stock equivalents or obligations of foreign corporations or business trusts not qualifying for investment under section 61A.28, subdivision 6, if the obligations, stocks, or stock equivalents are regularly traded on the London, Paris, Zurich, or Tokyo stock exchange or any similar regular securities exchange not disapproved by the commissioner within 30 days following notice from the company of its intention to invest in these securities.

History: 1967 c 395 art 2 s 29; 1969 c 494 s 20; 1981 c 211 s 37; 1983 c 340 s 15

61A.30 JOINT INVESTMENTS.

No domestic life insurance company shall subscribe to or participate in any underwriting of the purchase or sale of securities or other property, enter into any transactions for the purchase or sale on account of the company jointly with any other person, firm, or corporation, nor enter into any agreement to withhold from sale any of its property, unless the disposition of the property shall be, at all times, within the control of its board of directors. Nothing contained herein shall be construed to invalidate or prohibit an agreement by two or more investors to join and share in the purchase of investments for bona fide investment purposes. In the investments secured by mortgage or deed of trust, provisions shall be made for a method of resolving any matters relating thereto as to which the investors are not in agreement.

History: 1967 c 395 art 2 s 30; 1981 c 211 s 38

61A.31 REAL ESTATE HOLDINGS.

Subdivision 1. Purposes. Except as provided in subdivisions 2, 3, and 4, every domestic life insurance company may acquire, hold and convey real property only for the following purposes and in the following manner:

(1) Such as shall have been mortgaged to it in good faith by way of security for loans previously contracted, or for moneys due;

(2) Such as shall have been conveyed to it in satisfaction of debts previously contracted in the course of its dealings;

(3) Such as shall have been purchased at sales on judgments, decrees or mortgages obtained or made for such debts;

(4) Such as shall have been subject to a contract for deed under which the company held the vendor's interest to secure the payment by the vendee.

All the real property specified in clauses (1), (2), (3), and (4), which shall not be necessary for its accommodation in the convenient transaction of its business, shall be sold and disposed of within five years after the company shall have acquired title to the same, or within five years after the same shall have ceased to be necessary for the accommodation of its business, and it shall not hold this property for a longer period unless it shall hold real property pursuant to subdivision 3, or shall procure a certificate from the commissioner of commerce that its interest will suffer materially by the forced sale thereof, in which event the time for the sale may be extended to such time as the commissioner shall direct in the certificate.

Subd. 2. Building projects. In order to promote and supplement public and private efforts to provide an adequate supply of decent, safe, and sanitary dwelling accommodations for persons of low and moderate income; to relieve unemployment; to alleviate the shortage of rental residences; and to assist in relieving the emergency in the housing situation in this country through investment of funds, any life insurance company may purchase or lease from any owner or owners (including states and political subdivisions thereof), real property in any state in which such company is licensed to transact the business of life insurance; and on any real property so acquired or on real property so located and acquired otherwise in the conduct of its business, such company may erect apartment, or other dwelling houses, not including hotels, but including accommodations for retail stores, shops, offices, and other community services reasonably incident to such projects; or, to provide such housing or accommodations, may construct, reconstruct, improve, or remove any buildings or other improvements thereon. Such company may thereafter own, improve, maintain, manage, collect or receive income from, sell, lease, or convey any such real property and the improvements thereon. The aggregate investment by any such domestic life insurance company in all such projects,

including the cost of all real property so purchased or leased and the cost of all improvements to be made upon such real property and upon real property otherwise acquired, shall not, at the date of purchase or other acquisition of such real property, exceed ten percent of the total admitted assets of such company on the last day of the previous calendar year.

Subd. 3. Acquisition of property. Any domestic life insurance company may:

(a) acquire real property or any interest in real property, including oil and gas and other mineral interests, in the United States or any state thereof, or in the Dominion of Canada or any province thereof, as an investment for the production of income, and hold, improve or otherwise develop, and lease, sell, and convey the same either directly or as a joint venturer or through a limited or general partnership in which the company is a partner, subject to the following conditions and limitations: (1) The cost to the company of each parcel of real property acquired pursuant to this paragraph, including the estimated cost to the company of the improvement or development thereof, when added to the book value of all other real property then held by it pursuant to this clause, may not exceed 15 percent of its admitted assets as of the end of the preceding calendar year, and (2) the cost to the company of each parcel of real property acquired pursuant to this paragraph, including the estimated costs to the company of the improvement or development thereof, may not exceed two percent of its admitted assets as of the end of the preceding calendar year;

(b) acquire personal property in the United States or any state thereof, or in the Dominion of Canada or any province thereof, under lease or leases or commitment for lease or leases if: (1) either the fair value of the property exceeds the company's investment in it or the lessee, or at least one of the lessees, or a guarantor, or at least one of the guarantors, of the lease is a corporation with a net worth of \$1,000,000 or more; and (2) the lease provides for rent sufficient to amortize the investment with interest over the primary term of the lease or the useful life of the property, whichever is less; and (3) in no event does the total investment in personal property under this paragraph exceed three percent of the domestic life insurance company's admitted assets.

(c) acquire and hold real estate (1) if the purpose of the acquisition is to enhance the sale value of real estate previously acquired and held by the company under this section and (2) if the company expects the real estate so acquired to qualify and be held by the company under paragraph (a) within five years after acquisition; and

(d) not acquire real property under paragraphs (a) to (c) if the property is to be used primarily for agricultural, horticultural, ranch, mining, or church purposes.

All real property acquired or held under this subdivision must be carried at a value equal to the lesser of (1) cost plus the cost of capitalized improvements, less normal depreciation, or (2) market value.

Subd. 4. Convenience and accommodation of business. The real estate acquired or held by any domestic life insurance company for the convenience and accommodation of its business shall not exceed in value 25 percent of its cash and invested assets, not including real estate acquired or held for the convenience and accommodation of its business. Any domestic life insurance company, after having secured approval of the commissioner of commerce therefor, may also acquire and hold real estate for the sole purpose of providing necessary homes and living quarters for its employees. Such real estate shall never exceed three percent of the company's cash assets as shown by its annual statement last filed with the commissioner of commerce. All real property which shall not be necessary for its accommodation in the convenient transaction of its business, or the housing of its employees, shall be sold and disposed of within five years after the same shall have ceased to be necessary for the accommodation of its business, or the housing of its employees, and

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it shall not hold this property for a longer period unless, (a) it shall procure a certificate from the commissioner of commerce that its interest will suffer materially by the forced sale thereof, in which event the time for sale may be extended to such time as the commissioner shall direct in the certificate, or (b) such real property qualifies as an investment under the terms of subdivision 3 in which event the company may, at its option consider such real property as held under the provisions of said subdivision, subject to the conditions, standards, or other limitations of said subdivision as though it had been originally acquired thereunder.

History: 1967 c 395 art 2 s 31; 1969 c 494 s 21-24; 1981 c 211 s 39,40; 1983 c 289 s 114 subd 1; 1983 c 340 s 16; 1984 c 655 art 1 s 92

61A.315 INVESTMENTS AND HOLDINGS; LIMITATIONS.

The sum of the value of assets permitted to be acquired pursuant to sections 61A.31, subdivision 3 and 61A.28, subdivision 6, paragraphs (a) and (b) shall not exceed 30 percent of admitted assets as of the end of the preceding calendar year.

History: 1981 c 211 s 41

DOMESTIC MUTUAL LIFE COMPANIES; ADDITIONAL PROVISIONS

61A.32 DOMESTIC MUTUAL AND STOCK AND MUTUAL COMPANIES; VOTING RIGHTS OF MEMBERS.

Every person insured by a domestic mutual life insurance company, and every participating policyholder of a domestic stock and mutual life insurance company as defined in sections 61A.33 to 61A.36, shall be a member, entitled to one vote and one vote additional for each \$1,000 of insurance in excess of the first \$1,000; provided, that no member shall be entitled to more than 100 votes; and, provided, further, that in the case of group insurance on employees such group shall be deemed to be a single member and the employer shall be deemed to be such member for the purpose of voting, having not to exceed 100 votes, provided, that in cases where the employees pay all or any part of the premium, either directly or by payroll deductions, the employees shall be allowed to choose their representative, who shall exercise a voting power in proportion to the percentage of premium paid by such employees. Every member shall be notified of its annual meetings by a written notice mailed to his address, or by an imprint on the back of his policy, premium notice, receipt or certificate of renewal, as follows:

"The insured is hereby notified that by virtue of his policy he is a member of the Insurance Company, and that the annual meetings of said company are held at its home office on the day of in each year, at o'clock."

The blanks shall be duly filled in print. Any such member may vote by proxy by filing written proxy appointment with the secretary of the company at its home office at least five days before the first meeting at which it is to be used. Such proxy appointment may be for a specified period of time or may provide that it will be in effect until revoked. A proxy may be revoked by a member at any time by written notice to the secretary of the company or by executing a new proxy appointment and filing it as required herein: provided, however, that any member may always appear personally and exercise his rights as a member at any meeting of the company.

A domestic mutual life insurance company may by its articles of incorporation or bylaws provide for a representative system of voting in any meeting of members. The articles or bylaws may provide for the selection of representatives from districts as therein specified, such representatives to represent approximately equal numbers of members with power to exercise all the voting powers, rights and privileges of the

members they represent with the same force and effect as might be exercised by the members themselves. In such a representative system the votes cast by the representative shall be one vote for each member, notwithstanding the amount of insurance carried, and proxy voting shall not be permitted; provided, however, that any member may always appear personally and exercise his rights as a member of the company at any meeting of the membership.

History: 1967 c 395 art 2 s 32

**COMBINED STOCK AND
MUTUAL COMPANIES;
ADDITIONAL PROVISIONS**

61A.33 STOCK AND MUTUAL LIFE INSURANCE COMPANIES.

Insurance corporations for the transaction of the kinds of business authorized and permitted by section 60A.06, subdivision 1, clause (4), and subject to these provisions and limitations, may be formed having a capital stock, but which shall be controlled by the votes of both stockholders and participating policyholders. All such companies shall be known as stock and mutual companies. Corporations so formed shall have the right to make any contracts which insurance companies formed to transact the same kinds of business upon the stock plan or upon the mutual plan are authorized by law to make.

History: 1967 c 395 art 2 s 33

61A.34 APPLICATION.

All provisions of law relating to stock companies and all such provisions relating to mutual companies shall, so far as applicable, relate to and govern such stock and mutual companies and the rights of stockholders and members thereof.

History: 1967 c 395 art 2 s 34

61A.35 VOTING RIGHTS.

Unless otherwise provided in the certificate of incorporation or an amendment thereto adopted as provided by section 300.45 or by section 61A.36, each stockholder of a stock and mutual life insurance company shall, at all meetings, be entitled to one vote for each share of stock held by him and, except as otherwise provided by law, each holder of a policy entitled to participate in profits or savings shall be a member and, as such, shall be entitled to the number of votes to which he would be entitled in a mutual company.

History: 1967 c 395 art 2 s 35

61A.36 CONVERSION OF EXISTING COMPANIES; AMENDMENT OF CERTIFICATES OF INCORPORATION.

Any existing stock or mutual insurance company authorized to do the kinds of business referred to in section 61A.33 may amend its certificate of incorporation so as to become a stock and mutual company; provided, that no such amendment shall deprive any stockholder or member or policyholder of the right, at any and all meetings of stockholders and members or policyholders held thereafter, to cast as many votes for directors as are provided by the certificate of incorporation in force at the time of the adoption of such amendment, or by the law in force at such time. No such amendment shall be construed to change the identity of the corporation and it shall thereafter continue to be governed by the laws applicable thereto at the time

of such amendment and as amended hereafter and not inconsistent with sections 61A.33 to 61A.36, as well as those relating to the added characteristic of capital stock or mutuality which it shall have acquired by such amendment.

The certificate of incorporation of a stock and mutual life insurance company may be amended in any respect therein provided by section 300.45, in the manner therein provided. The certificate of incorporation of a stock and mutual life insurance company may also be amended in respect to any matter which an original certificate of incorporation of a stock and mutual life insurance company might lawfully have contained, or so as to vest in its board of directors authority to make and alter bylaws subject to the power of the stockholders and members to change or repeal such bylaws, by the affirmative vote, at a regular meeting of stockholders and members or at a special meeting of stockholders and members called for that expressly stated purpose by the board of directors which shall first have proposed the amendment and declared it to be advisable, of (1) a majority of the total number of votes to which all stockholders are entitled, and (2) at least one-fifth of the total number of votes to which all participating policyholder members are entitled, provided the proposed amendment does not receive the negative vote of more than five percent of the total number of votes to which all participating policyholder members are entitled. The certificate of incorporation of a stock and mutual life insurance company may also be amended so as to increase or decrease its capital stock, or so as to change the number and par value of the shares of its capital stock, or so as to limit or deny to stockholders the pre-emptive right to subscribe to any or all shares of stock which may be authorized to be thereafter issued, by a majority vote of all its shares but without the vote of its members, at a regular meeting or at a special meeting of stockholders called for that expressly stated purpose by the board of directors which shall first have proposed the amendment and declared it to be advisable and not adverse to or in conflict with the rights and interests of the members, provided that if the proposed amendment is to increase or decrease the capital stock or to change the number of the shares of the capital stock, the resolution specifying the proposed amendment and the certificate of amendment shall expressly provide (1) that the stockholders holding all its shares shall, at all meetings, be entitled to the same number of total votes after the amendment is adopted as they were entitled to before the amendment, and (2) that each stockholder shall, at all meetings, be entitled to a fraction of one vote for each share of stock held by him, the numerator of which fraction shall be the number of shares outstanding before the first such amendment is adopted and the denominator of which fraction shall be the number of shares outstanding. The resolution specifying the amendment shall be embraced in a certificate duly executed by its president and secretary, or other presiding and recording officers, under its corporate seal, and approved, filed, recorded, and published in the manner prescribed for the execution, approval, filing, recording, and publishing of an original certificate of incorporation.

History: 1967 c 395 art 2 s 36

61A.37 DOMESTIC INSURANCE CORPORATIONS MAY BECOME MUTUAL CORPORATIONS.

Any domestic insurance corporation heretofore or hereafter incorporated for the transaction of the kinds of business authorized and permitted by section 60A.06, subdivision 1, clause (4), and having capital stock may become a mutual corporation and to that end may formulate and carry out a plan for the acquisition by it of its outstanding capital stock, and for the mutualization of such corporation, as follows:

(a) Such plan shall have been adopted by vote of a majority of the directors of such company.

(b) Such plan shall have been submitted to the commissioner of commerce and shall have been approved by him as conforming to the requirements of sections 61A.37 and 61A.38 and as not prejudicial to the policyholders of such company or to the insuring public.

(c) Such plan shall have been approved by a vote of stockholders representing a majority of the outstanding capital stock at a meeting of stockholders called for that purpose. Stockholders may vote in person or by proxy filed with the company at least five days before the meeting at which it is to be used. Notice of such meeting shall be given by mailing such notice from the home office of such company at least 30 days prior to such meeting in a sealed envelope, postage prepaid, directed to each stockholder at his address as shown on the stock records of the company.

(d) Such plan shall have been approved by a majority of the votes cast by policyholders (whether or not members) who vote at a meeting called for that purpose. Eligibility of policyholders, whether or not members of the company, and the number of votes to which each is entitled, shall be determined by the laws of Minnesota relating to the rights of members of domestic mutual life insurance companies to vote at company meetings. Policyholders may vote in person or by proxy filed with the company at least five days before the meeting at which it is to be used. Notice of such meeting shall be given by mailing such notice from the home office of such company at least 30 days prior to such meeting in a sealed envelope, postage prepaid, directed to each policyholder at his address as shown on the policy records of the company. Such meeting shall be conducted in such manner as may be provided for in such plan, with the approval of the commissioner. The commissioner shall supervise and direct the methods and procedure of said meeting and appoint an adequate number of inspectors to conduct the voting at said meeting, who shall have power to determine all questions concerning the verification of the ballots, the ascertaining of the validity thereof, the qualifications of the voters and the canvass of the vote. Such inspectors, or any one thereof designated by the commissioner, shall certify to the commissioner and to such company the result of such vote, and with respect thereto shall act under such rules as shall be prescribed by the commissioner. All necessary expenses incurred by the commissioner, or incurred with his approval by the inspectors appointed by him, shall be paid by such company upon the certificate of the commissioner.

(e) Approval of the plan by stockholders and policyholders as above provided may be given at a joint meeting thereof.

(f) Such plan may specify the purchase price to be paid by such company for shares of its capital stock, and in such case the price so specified shall be adhered to. If such plan does not specify the price to be paid for such shares, such company shall first obtain the approval of the commissioner for every payment made for the acquisition of any shares of its capital stock.

(g) Such plan may authorize the board of directors of the company to provide for participation in the surplus of the company by holders of policies which do not by their terms provide for such participation or which provide for a limited participation only, and may include appropriate proceedings to confer upon policyholders the right to vote at meetings of the company. Policyholders upon whom the right to vote is so conferred shall have the same voting rights and shall be entitled to the same notice of annual meeting as members of domestic mutual life insurance companies.

(h) Before approving any such plan or any such payment, the commissioner shall be satisfied, by such investigation as he may make or such evidence as he may require, that such company, after deducting the aggregate sum appropriated by such plan for the acquisition of any part or all of its capital stock, and in the case of any payment not fixed by such plan and subject to approval as aforesaid, after deducting

also the amount of such payment, will be possessed of admitted assets in an amount equal to the sum of (1) and (2) as follows:

(1) Its entire liabilities, including the net value of its outstanding contracts computed as provided by law, and (2) the contingency reserve deemed by the commissioner necessary to protect its policyholders and the insuring public, in view of the past experience of such company, the character of its assets, its present management and its probable future earnings.

The commissioner's action in refusing to give any approval required by this section shall be subject to review by any court of competent jurisdiction.

Such plan may be amended by vote of stockholders representing a majority of the outstanding capital stock and by a majority of the votes cast by policyholders who vote at the meeting, but in such case the plan shall not become effective until approved, as amended, by vote of a majority of the directors of such company and by the commissioner.

History: 1967 c 395 art 2 s 37; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92

61A.38 MAY ACQUIRE CAPITAL STOCK.

In pursuance of any plan such company shall have power, and shall be privileged, to acquire any shares of its capital stock by gift, bequest, or purchase. Until all of the shares of its outstanding capital stock are acquired, any shares so acquired shall be taken and held in trust for all the policyholders of such company, as hereinafter provided, and shall be assigned and transferred on the books of the company to three trustees, who shall be named in such plan and shall be approved by the commissioner. All shares held by such trustees shall be deemed admitted assets of such company at their par value. Such trustees, who may be directors of the company, shall vote all shares so acquired and held by them at all corporate meetings in accordance with the majority vote of policyholders voting on any question before the meeting. When all of the outstanding capital stock of any such corporation shall have been acquired, the entire capital stock of such corporation shall be retired and canceled and thereupon such corporation shall be and become a mutual life insurance company without capital stock. The plan of conversion formulated pursuant to section 61A.37 shall provide for the method of filling vacancies among such trustees. Before undertaking any of the duties of his appointment each trustee shall file with the company a verified acceptance of his appointment and a declaration that he will faithfully discharge his duties as such trustee. All dividends and other sums received by such trustees on the shares of stock so acquired by them shall, after paying the necessary expenses of executing the trust, be immediately repaid to such company for the benefit of all who are or may become policyholders of such company and entitled to participate in the profits or savings thereof.

History: 1967 c 395 art 2 s 38

COOPERATIVE COMPANIES; SPECIAL PROVISIONS

61A.39 COOPERATIVE LIFE AND CASUALTY COMPANIES.

Subdivision 1. **Cooperative plan.** Every corporation, society, or association which issues a certificate or policy or makes an agreement with its members by which, upon the decease of a member, any money is to be paid to, or benefit conferred upon, the legal representatives or designated beneficiaries of such member, or reaching a certain age, to pay any money or benefit to him, such money or benefit to be derived from voluntary donations, admission fees, dues, or assessments to be

collected from its members or any class thereof, and which reserves the right to make any additional assessments, or without the consent of the certificate or policyholder to increase the premium named therein, shall be deemed to be engaged in the business of life insurance upon the cooperative or assessment plan. Every corporation which likewise agrees, in case of accident, sickness, or other physical disability, or reaching a certain age, to pay money or confer benefits likewise derived and issuing certificates or policies with similar conditions with reference to the payment of dues or assessments, shall be deemed to be engaged in the business of casualty insurance upon the cooperative or assessment plan, and shall, except as herein otherwise specified, be subject to the provisions of sections 61A.39 to 61A.42 and 61A.44 to 61A.50.

Subd. 2. Continued corporate existence. Notwithstanding the repeal of Minnesota Statutes, sections 63.01, 63.011, and 63.02 to 63.35 pursuant to Laws 1983, chapter 104, section 1, any corporation, society or association formed or having existed under Laws 1933, chapter 241, whether or not it amended its articles of incorporation in accordance with Laws 1945, chapter 178, as amended by Laws 1951, chapter 257, and which has transformed itself into a cooperative life insurance company to engage in business under the cooperative plan, shall be and continue to exist as a corporation by virtue of the provisions hereof and may exercise and shall continue to have and to hold all the rights, privileges and powers which it had, prior to the repeal of such sections, including those derived under Laws 1945, chapter 178, section 1, as amended by Laws 1951, chapter 257, section 2.

History: 1967 c 395 art 2 s 39; 1984 c 602 s 1

61A.40 QUALIFICATIONS FOR LICENSE; NUMBER OF MEMBERS.

No corporation not now authorized to transact business in this state shall be licensed to transact the business of life or casualty insurance, or both, upon the cooperative or assessment plan, until at least 300 persons eligible to membership have made individual applications, in writing, containing warranties of age, health, and other required conditions of membership, and the corporation has on deposit with the commissioner, as security for all its policyholders, stocks or bonds of this state or of the United States, or bonds of any of the municipalities of this state, or personal obligations secured by first mortgage on real estate within this state, worth, exclusive of buildings, the amount of the lien, and bearing interest of not less than three percent per annum, to an amount the actual market value of which, exclusive of interest, shall never be less than \$100,000; provided, that any corporation which has heretofore procured and filed with the commissioner a part of the total number of applications required by law shall only be required to deposit securities of the market value of \$5,000; and provided, that a corporation that confines its membership exclusively to the members of volunteer fire departments shall be required to have not less than 100 individual applications, in writing, from persons eligible to membership and the sum of at least \$1,000, which amount shall be liable only for death or indemnity claims made under its policy or membership certificate contracts.

History: 1967 c 395 art 2 s 40; 1978 c 465 s 10

61A.41 RESERVE FUND; RECIPROCAL PROVISIONS.

Every domestic cooperative life or casualty corporation, society or association, except fraternal beneficiary association, which issues a certificate or policy, or makes an agreement with its members, by which, upon the decease of a member, more than \$200 is to be paid to, or benefit conferred upon, the legal representatives or designated beneficiary of such member, shall set aside ten percent of its gross

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premium receipts or assessments each year, as a reserve, until the same, together with any reserve already accumulated, shall amount to the sum of \$25,000.

Every domestic cooperative or assessment company transacting the business of life and health and accident insurance, which does not issue health and accident policies providing indemnity for disability from accident or disease in excess of \$750 on account of any one accident or illness, nor issues policies providing indemnity for disability from accident or illness in excess of \$750 on account of any one accident or illness and death indemnity of more than \$200, shall set aside as a reserve ten percent of its gross premium receipts or assessments each year until the same, together with any reserve already accumulated, shall amount to \$2,000, and shall thereafter set aside as a reserve five percent of its gross premium receipts or assessments each year until the same, together with any reserve already accumulated, shall amount to \$25,000.

Every domestic cooperative or assessment life insurance corporation, society or association, which issues a certificate or policy, or makes an agreement with its members, by which, upon the decease of a member, a funeral benefit is to be paid or funeral service is to be furnished, not exceeding \$200 in amount or value, shall set aside ten percent of its gross premium receipts or assessments each year as a reserve, until the same, together with any reserve already accumulated, shall amount to the sum of \$5,000, which reserve fund, accumulated as herein provided, shall be deposited with the commissioner in accordance with section 60A.10, subdivision 4, for the benefit of all its policyholders.

This deposit may consist of securities of the class in which insurance companies are authorized to invest under the laws of this state, and the company depositing the same shall be entitled to the income derived from the securities. No foreign insurance company upon the cooperative or assessment plan shall be permitted to transact business in this state unless it makes the deposit hereinbefore required of domestic companies, except that where, by the laws of the state under which the foreign company is organized, it is permitted to, and actually does, maintain for the benefit of all its policyholders a deposit with some proper officer of that state of an amount equal to the deposit required by sections 61A.39 to 61A.42 and 61A.44 to 61A.50; the deposit with the other state shall be a sufficient compliance with the provisions of this section. No deposit of securities, other than that herein provided for, shall be required of any such cooperative or assessment company. Any company transacting the business of life insurance upon the cooperative or assessment plan, and creating and maintaining a greater reserve than herein provided for, may elect, by written stipulation, filed with the commissioner, to keep on deposit with the commissioner in accordance with section 60A.10, subdivision 4, its entire reserve and special benefit funds, other than mortuary funds; and thereafter the entire reserve and special benefit funds shall be deposited with the commissioner in accordance with section 60A.10, subdivision 4, in securities of like character and upon the same terms as provided herein for the deposit of the reserve required by this section.

History: 1967 c 395 art 2 s 41; 1974 c 425 s 5

61A.42 PAYMENTS; LIENS; ASSESSMENTS; POLICIES TO BE LABELED.

No cooperative or assessment life insurance company shall hereafter issue any policy in this state which does not provide for the payment of a fixed minimum sum, which may be increased each year the insurance remains in force, in the amounts to be provided in the policy. Any agreement or bylaw providing for the placing of a lien upon such policy, except for non-payment of premium or assessment, and any agreement or bylaw providing for the payment of a less sum than the minimum sum

specified in the contract, because of the failure of the corporation to receive or collect the amount in the contract by assessment upon the surviving members, shall be void. Nothing in this section contained shall be so construed as to render any member liable for more than one assessment for each death occurring during his period of membership, unless otherwise specified in the policy. All policies issued by the company shall contain a title including the word "assessment" on the face and on the back of the policy correctly describing the same.

This section shall not apply to any existing domestic company until it has been in existence for four years.

History: 1967 c 395 art 2 s 42

61A.43 ACCUMULATIONS; AMENDMENT TO ARTICLES OR BYLAWS.

Any insurance company transacting the business of life or casualty insurance upon the cooperative or assessment plan under any law of this state may, upon so providing in its articles or bylaws, elect to ascertain and apportion to its outstanding policies or certificates the respective accumulations upon each such policy or certificate, and to carry to the credit of each such policy or certificate the future net premiums or assessments and the accretions thereto, less its equitable contribution to the death claims and other benefits, and that the premiums or assessments upon any such policy or certificate may, upon such credit becoming exhausted, be increased as may be necessary to meet its share of death claims and other benefits, and that the holder of any such policy or certificate may be granted extended or paid-up insurance or the right to convert into any other form of policy or insurance then being issued by such company and to have the credit on such former policy or certificate applied to such new policy or insurance. When making the ascertainment and apportionment, account shall be taken of the premiums or assessments theretofore paid and of the death claims and other benefits which should be borne by the policy or certificate, of the interest earnings and other accretions to the accumulated funds, and of other matters which should equitably be taken into consideration for the purposes of the apportionment. Subject to such adjustment as shall be equitable, the experience of the company, or any table of mortality recognized for the purpose of insurance and any law of this state, may be used as a basis for the ascertainment and apportionment herein authorized; provided, that any company availing itself of the provisions of this section shall, in its articles or bylaws, specify the table of mortality and rate of interest which are to be the basis for the charges thereafter to be made to the policies or certificates aforesaid; and, provided, further, that when any table of mortality is specified in any policy that table shall be followed.

History: 1967 c 395 art 2 s 43

61A.44 LIMITATION ON EXPENSES; LIFE INSURANCE.

Every corporation, as described in section 61A.39, now or hereafter organized or admitted to transact the business of life insurance in this state, shall set aside and appropriate exclusively to its mortuary or benefit funds, including reserve or special benefit funds, not less than 65 percent of all premium receipts and all interest earnings thereon upon such life insurance policies that shall have been in force one year or more, and the entire amount of receipts upon post-mortem assessment certificates, except the expense dues and charges therein provided. No such funds heretofore or hereafter so appropriated to such mortuary or benefit fund, including reserve or special benefit funds, shall ever be used for the expense of conducting such business; provided, that every such corporation which issues a certificate or policy or makes an agreement with its members, by which, upon the decease of a member, a funeral benefit is to be paid, or funeral service is to be furnished, not exceeding

\$200 in amount or value, and which pays no accident, disability, or other benefits, shall set aside and appropriate exclusively to its mortuary or benefit funds, including reserve or special benefit funds, not less than 60 percent of all premium receipts upon such insurance policies that shall have been in force one year or more, and the entire amount of receipts upon post-mortem assessment certificates, except the expense dues and charges therein provided. No such funds heretofore or hereafter so appropriated to such mortuary or benefit funds, including reserve or special benefit funds, shall ever be used for the expense of conducting such business.

The net accretions to the funds enumerated in this section derived from interest, rents, or other sources shall also be set aside and appropriated exclusively to the fund producing the net accretions.

History: 1967 c 395 art 2 s 44

61A.45 LIMITATION ON EXPENSES; COMPANIES WITH RESERVE DEPOSITS.

No company, as described in section 61A.39, transacting the business of casualty or health insurance in this state shall incur, lay out, or expend, in any one calendar year, as and for the expenses of conducting such business, more than its application or membership fees and 40 percent of its total premiums or assessments. When any such company shall have on deposit with the commissioner a reserve of \$25,000, as provided by law, then and thereafter the company may expend, in addition to the 40 percent, the interest earnings on the reserve fund and the interest on any additional surplus funds it may accumulate.

Any officer of any corporation violating, or consenting to the violation of, this section or section 61A.44 shall be guilty of a gross misdemeanor.

History: 1967 c 395 art 2 s 45

61A.46 NET RATES; RESERVE FUND; LIMITATION OF EXPENSES.

No corporation organized to transact the business of life insurance upon the cooperative or assessment plan, and no such corporation not already admitted to transact business in this state, shall be licensed to transact such life insurance business in this state unless it shall, by its charter, bylaws and policy or certificate contracts, provide for and actually charge and collect from its members, for and on account of the insurance furnished to them, net rates which are at least equal to the rates known as the national fraternal congress rates, with four percent interest. When any such corporation has adopted the use of a net rate not less than the national fraternal congress table of mortality and interest at the rate of four percent, on the full preliminary term plan, and shall set aside the net premium to its mortuary or benefit funds, including reserve or special benefits, for the use and benefit of its members, such corporation shall, on all premiums or assessments collected from and after January 1, 1927, be exempt from the provisions of sections 61A.41 and 61A.44; but it shall keep on deposit, for the use and benefit of all its policyholders, an amount equal to the value of its individual policies, as shown by its annual statement each year, with the commissioner, until the same shall amount to the sum of \$25,000. The accretions to the various funds derived from interest, rents, or other sources, less expense incidental to investment supervision, shall also be set aside and appropriated to the fund producing the accretions. Gain from lapses, savings in mortality, surrenders, and changes shall revert to the expense fund. Policies issued by such corporation may contain a provision that in the event of default in premium payments, after premiums shall have been paid for three years, shall secure to the owner of the policy a stipulated form of insurance, the net value of which shall be at least equal to the reserve at the date of default on the policy and

on any dividend additions thereto, specifying the mortality table and the rate of interest adopted for computing such reserve, less a sum not more than two and one-half percent of the amount insured by the policy, and of any existing dividend additions thereto, and less any existing indebtedness to the company on the policy; and that the policy may be surrendered to the company, at its home office, within one month from date of default for a specified cash value at least equal to the sum which would otherwise be available for the purchase of insurance, and shall stipulate that the company may defer payment for not more than six months after the application therefor is made. This provision shall not be required in term insurance of 20 years or less. Such corporation shall value its policies at the end of each calendar year and show in its annual statement as a reserve liability the amount of such valuation. If infantile insurance is written, it may be valued on the table known as Craig's extension below age ten. If any corporation, society or association operating the business of life or casualty insurance on the assessment plan under any law of this state shall reincorporate under section 61A.39 and in connection with such reincorporation shall provide in its articles or bylaws that this section shall not apply to any class or group of assessment policies in force at the time that such reincorporation becomes effective, then this section shall not apply to such policies; provided that such corporation, society or association shall, in all other operations and as to all other policies, be subject to the provisions of sections 61A.39 to 61A.42 and sections 61A.44 to 61A.50.

History: 1967 c 395 art 2 s 46

61A.47 REINSURANCE OR CONSOLIDATION.

Any corporation, association, or society organized or authorized to transact business under the provisions of sections 61A.39 to 61A.42 and 61A.44 to 61A.50 may, by contract of reinsurance, assume the risks of any other similar corporation, association, or society engaged in the business of life or casualty insurance, or both, only on the following conditions:

(1) That both the corporations, associations, or societies which propose to enter into the reinsurance contract, shall be, upon the date of reinsurance, duly authorized under the provisions of sections 61A.39 to 61A.42 and 61A.44 to 61A.50 to transact business in this state;

(2) That the contract of reinsurance shall have previously been submitted to the commissioner and the attorney general and received the approval of the commissioner duly endorsed thereon;

(3) That the corporation, association, or society, which proposes to reinsure and retire, shall have been thoroughly examined by the commissioner within six months of the date of the proposed consolidation or reinsurance; provided, that, in the judgment of the commissioner, the consolidation or reinsurance can in no way impair the solvency of the corporation, association, or society which proposes to reinsure and assume the business and affairs of the corporation, association, or society contemplating reinsurance and retirement;

(4) That the contract of reinsurance shall have been approved by a majority vote of all the members of the corporation, association, or society, which proposes to reinsure and retire, present in person or by proxy, at any regular meeting thereof, or at any special meeting thereof called to consider the same; and, that a written or printed notice of the purpose of the corporation, association, or society to reinsure shall have been mailed to each of its members at least 30 days prior to the date fixed for the meeting.

When the members of any such corporation, association, or society shall have so voted to reinsure and retire, its officers and the officers of the corporation,

association, or society which proposes to assume the risks and other obligations are hereby authorized to enter into and consummate the contract of reinsurance as submitted and approved and to do and perform all other acts necessary to the final and complete consolidation or reinsurance. The retiring corporation, association, or society shall turn over all its property, securities, moneys, and other assets to the corporation, association, or society reinsuring and assuming its obligations, to become the sole and absolute property thereof. The actual and reasonable expenses and costs incident to proceedings under the provisions of this section may be paid by the companies so consolidating or reinsuring, and an itemized and verified statement of these expenses, together with proper vouchers for each of the same, shall be filed with the commissioner. No officer of any such company, nor any employee of the state, shall receive any compensation, gratuity, employment, or other promise or thing of value, directly or indirectly, for in any matter aiding, promoting, or assisting in the consolidation or reinsurance. Any officer or director of any company which is a party to the agreement of reinsurance herein provided for, who shall receive any compensation or gratuity for aiding or promoting or consenting to the contract, shall be guilty of theft; and any other person guilty of wilfully violating, or consenting to the wilful violation of, the provisions of sections 61A.39 to 61A.42 and 61A.44 to 61A.50, shall be guilty of a gross misdemeanor.

History: 1967 c 395 art 2 s 47

61A.48 MAY CHANGE TO LEGAL RESERVE OR LEVEL PREMIUM COMPANIES.

Any corporation, association, or society, as described in section 61A.39, may, with the written consent of the commissioner, upon a majority vote of its governing body, amend its articles of incorporation and bylaws in such manner as to transform itself into a legal reserve or level premium insurance company and, upon so doing and upon procuring from the commissioner a certificate of authority, as provided by law, to transact business in this state as a legal reserve or level premium company, shall incur the obligations and enjoy the benefits thereof, the same as though originally thus incorporated, and this corporation, under its charter, as amended, shall be a continuation of the original corporation, and the officers thereof shall serve through their respective terms, as provided in the original charter, but their successors shall be elected and serve as in the amended articles provided; but the amendment or reincorporation shall not affect existing suits, rights, or contracts. Any corporation, association, or society so reincorporated to transact the business of life insurance, shall, unless a higher method of valuation be provided for in its policy, or certificates of membership previously written, value its assessment policies or certificates of membership previously written as yearly renewable term policies, according to the standard of valuation of life insurance policies prescribed by the laws of this state.

History: 1967 c 395 art 2 s 48

61A.49 EXEMPTION FROM TAXATION.

Section 60A.15 shall not apply to any corporation, association, or society engaged in the business of life insurance upon the cooperative or assessment plan, or to any such corporation, society, or association engaged in the business of casualty insurance upon the cooperative or assessment plan, as defined in section 61A.39.

History: 1967 c 395 art 2 s 49

61A.50 APPLICATION.

Section 60A.16, and all other laws and parts of laws, in so far as they may be inconsistent with sections 61A.39 to 61A.42 and 61A.44 to 61A.50, shall not apply to corporations transacting the business of life or casualty insurance solely upon the cooperative or assessment plan, as defined in sections 61A.39 to 61A.42 and 61A.44 to 61A.50.

History: 1967 c 395 art 2 s 50

61A.51 INSOLVENCY.

In case any cooperative or assessment life, endowment, or casualty insurance association or society is adjudged insolvent, the balance of its reserve fund, if any, after payment of claims and other indebtedness, shall be paid to the commissioner and by him paid into the state treasury.

History: 1967 c 395 art 2 s 51

61A.52 RESERVE REQUIRED.

No casualty company or association organized under the cooperative or assessment laws of this state not having a reserve of at least \$25,000 on deposit with the commissioner shall issue policies or contracts providing for the payment of endowments of any kind.

History: 1967 c 395 art 2 s 52