person or board of the created agency and the governing official or body of the cooperating governmental units shall be bound by an agreement entered into by the created agency pursuant to the procedures of sections 179.61 to 179.76. The term does not include a "charitable hospital" as defined in section 179.35, subdivision 2. Nothing in this subdivision shall be construed to diminish the authority granted pursuant to law to an appointing authority in respect to the selection, direction, discipline or discharge of an individual employee insofar as such action is consistent with general procedures and standards relating to selection, direction, discipline or discharge which are the subject of an agreement entered into pursuant to sections 179.61 to 179.76.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day after final enactment.

Approved March 22, 1982

CHAPTER 589 — S.F.No. 1424

An act relating to insurance; regulating minimum nonforfeiture benefits and reserves of life insurance policies and annuity contracts; modifying the definitions of "insolvent insurer" and "covered claim" for purposes of the insurance guaranty association act; amending Minnesota Statutes 1980, Sections 61A.24, Subdivisions 2, 4, 6, 9, 10, 11, 12, 13, 14, and by adding subdivisions; 61A.25, Subdivisions 3, 3a, 4, 5, 7, and by adding subdivisions; Minnesota Statutes 1981 Supplement, Sections 60C.03, Subdivision 8; and 60C.09, Subdivision 1.

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

Section 1. Minnesota Statutes 1981 Supplement, Section 60C.03, Subdivision 8, is amended to read:

Subd. 8. "Insolvent insurer" means an insurer licensed to transact insurance in this state, either at the time the policy was issued, or when the insured event occurred, and against whom an order of liquidation with a finding of insolvency has been entered after ~~August 1, 1981~~ April 30, 1979 by a court of competent jurisdiction, in the insurer's state of domicile or of this state, under the provisions of chapter 60B, and which order of liquidation has not been stayed or been the subject of a writ of supersedeas or other comparable order.

Sec. 2. Minnesota Statutes 1981 Supplement, Section 60C.09, Subdivision 1, is amended to read:

Subdivision 1. **DEFINITION.** A covered claim is any unpaid claim, including one for unearned premium, which:

(a) Arises out of and is within the coverage of an insurance policy issued by a member insurer if ~~such~~ the insurer becomes an insolvent insurer after ~~August 1, 1981~~ April 30, 1979;

(b) Arises out of a class of business which is not excepted from the scope of Laws 1971, Chapter 145 by section 60C.02; and

(c) Is made by:

(i) A policyholder, or an insured beneficiary under a policy, who, at the time of the insured event, was a resident of this state; or

(ii) A person designated in the policy as having an insurable interest in or related to property situated in this state at the time of the insured event; or

(iii) An obligee or creditor under any surety bond, who, at the time of default by the principal debtor or obligor, was a resident of this state; or

(iv) A third party claimant under a liability policy or surety bond, if: (a) the insured or the third party claimant was a resident of this state at the time of the insured event; (b) the claim is for bodily or personal injuries suffered in this state by a person who when he suffered the injuries was a resident of this state; or (c) the claim is for damages to real property situated in this state at the time of damage; or

(v) A direct or indirect assignee of a person who except for the assignment might have claimed under (i), (ii) or (iii).

Sec. 3. Minnesota Statutes 1980, Section 61A.24, Subdivision 2, is amended to read:

Subd. 2. **POLICY PROVISIONS.** No policy of life insurance, except as stated in subdivision 14, shall ~~hereafter~~ be delivered or issued ~~or delivered~~ for delivery in this state unless it ~~shall contain~~ 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 section 61A.24, subdivision 15:

(1) That, in the event of default in ~~any~~ 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 ~~such~~ the due date, of ~~such value~~ 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 ~~any~~ 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 ~~any~~ a paid-up nonforfeiture benefit, a cash surrender value of ~~such~~ 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 ~~such~~ 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 ~~shall have become~~ becomes paid-up by completion of all premium payments or if it is continued under ~~any~~ 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 ~~such~~ 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, ~~together with~~ 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, ~~such~~ 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 ~~brief and general statement of the method to be used in calculating the cash surrender value and the paid-up nonforfeiture benefit available under the policy on any policy anniversary beyond the last anniversary for which such values are consecutively shown in the policy with 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~~ 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.

Sec. 4. Minnesota Statutes 1980, Section 61A.24, Subdivision 4, is amended to read:

Subd. 4. **CASH SURRENDER VALUE.** (a) Except as otherwise provided by paragraphs (b) and (c), ~~any~~ the cash surrender value available under the policy in the event of default in a premium payment due on ~~any~~ 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 ~~such~~ 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 ~~such~~ 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.

~~Any~~ The cash surrender value available within 30 days after ~~any~~ a policy anniversary under ~~any~~ a policy paid-up by completion of all premium payments or ~~any~~ a policy continued under ~~any~~ 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 ~~such~~ 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.

Sec. 5. Minnesota Statutes 1980, Section 61A.24, Subdivision 6, is amended to read:

Subd. 6. **CALCULATION OF ADJUSTED PREMIUMS; GENERAL.** Except as provided in subdivision 8, the adjusted premiums for ~~any~~ a policy shall be calculated on an annual basis and shall be ~~such~~ the uniform percentage of the respective premiums specified in the policy for each policy year ~~(~~, excluding extra premiums on a substandard policy~~)~~ ~~that~~. The present value, at the date of issue of the policy, of all ~~such~~ adjusted premiums shall be equal to the sum of (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 ~~be~~ 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 ~~shall be~~ 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.

Sec. 6. Minnesota Statutes 1980, Section 61A.24, Subdivision 9, is amended to read:

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~~,~~ ~~provided that such~~. The rate of interest shall not exceed ~~three and one-half~~ 3-1/2 percent per annum ~~except that~~ for policies issued prior to April 11, 1974. A rate of interest not exceeding ~~four~~ 4 percent per annum may be used for policies issued on or after April 11, 1974 and prior to August 1, 1978 ~~and~~. A rate of interest not exceeding ~~five and one-half~~ 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 ~~six and one-half~~ 6-1/2 percent per annum may be used~~, and provided~~

~~that~~. For any category of ordinary insurance issued on female risks, adjusted premiums and present values may be calculated according to an age not more than six years younger than the actual age of the insured. ~~Provided,~~ However, ~~that~~ 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 ~~any such~~ adjusted premiums and present values may be based on ~~such~~ any other table of mortality ~~as may be~~ 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.

Sec. 7. Minnesota Statutes 1980, Section 61A.24, Subdivision 10, is amended to read:

Subd. 10. **ADJUSTED PREMIUMS; INDUSTRIAL INSURANCE.** Except as otherwise provided in subdivisions 11 and ~~12~~ 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 ~~three and one-half~~ 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 ~~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 130 percent of the rates of mortality according to ~~such~~ the applicable table. For insurance issued on a substandard basis, the calculation of ~~any such~~ adjusted premiums and present values may be based on ~~such other~~ any table of mortality ~~as may be~~ specified by the company and approved by the commissioner.

Sec. 8. Minnesota Statutes 1980, Section 61A.24, Subdivision 11, is amended to read:

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 ~~12~~ 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 ~~provided that such~~. The rate of interest shall not exceed ~~three and one-half~~ 3-1/2 percent per annum, ~~except that~~ for policies issued prior to April 11, 1974. A rate of interest not exceeding ~~four~~ 4 percent per annum may be used for policies issued on or after April 11, 1974 and prior to August 1, 1978 ~~and~~. A rate of interest not exceeding ~~five and one-half~~ 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 ~~six and one-half~~ 6-1/2 percent per annum may be used. ~~Provided, however, that~~ In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a nonforfeiture benefit, the rates of mortality assumed may be not more than those shown in the Commissioners 1961 Industrial Extended Term Insurance Table. ~~Provided, further, that~~ For insurance issued on a substandard basis, the calculations of ~~any such~~ adjusted premiums and present values may be based on ~~such~~ any other table of mortality ~~as may be~~ 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.

Sec. 9. Minnesota Statutes 1980, Section 61A.24, Subdivision 12, is amended to read:

Subd. ~~12~~ 11a. **OPERATIVE DATE OF SUBDIVISION 11.** After April 9, 1963, ~~any~~ 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 ~~such~~ the notice, then upon ~~such~~ the specified date ~~(~~, which shall be the operative date of subdivision 11 for ~~such~~ the company~~)~~, subdivision 11 shall become operative with respect to the industrial policies thereafter issued by ~~such~~ the company. If a company makes no ~~such~~ election, the operative date of subdivision 11 for ~~such~~ the company shall be January 1, 1968.

Sec. 10. Minnesota Statutes 1980, Section 61A.24, is amended by adding a subdivision to read:

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 the effective date of this subdivision, 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.

Sec. 11. Minnesota Statutes 1980, Section 61A.24, is amended by adding a subdivision to read:

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.

Sec. 12. Minnesota Statutes 1980, Section 61A.24, Subdivision 13, is amended to read:

Subd. 13. **DEFAULT IN PREMIUM PAYMENT.** ~~Any~~ A cash surrender value and ~~any~~ a paid-up nonforfeiture benefit, available under the policy in the event of default in a premium payment due at ~~any~~ 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 ~~dividends~~ amounts used to provide ~~such~~ 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 ~~such~~ 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 ~~such~~ additional benefits, shall be disregarded in ascertaining cash surrender values and nonforfeiture benefits required by this section, and no ~~such~~ additional benefits shall be required to be included in ~~any~~ paid-up nonforfeiture benefits.

Sec. 13. Minnesota Statutes 1980, Section 61A.24, Subdivision 14, is amended to read:

Subd. 14. **APPLICATION.** ~~The foregoing subdivisions of this section shall~~ 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 ~~nor to any~~;

(e) a term policy of uniform amount, which provides no guaranteed nonforfeiture or endowment benefits, or renewal thereof, of ~~15~~ 20 years or less expiring before age ~~66~~ 71, for which uniform premiums are payable during the entire term of the policy~~, nor to any~~;

(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 ~~such 15-year~~ 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~~, nor to any~~ 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 ~~which shall be~~ 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.

Sec. 14. Minnesota Statutes 1980, Section 61A.24, is amended by adding a subdivision to read:

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.

Sec. 15. Minnesota Statutes 1980, Section 61A.25, Subdivision 3, is amended to read:

Subd. 3. MINIMUM STANDARDS OF VALUATION GENERALLY. Except as otherwise provided in ~~subdivision~~ subdivisions 3a and 3b, the minimum standard for the valuation of ~~all such~~ 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 ~~such~~ that date. Except as otherwise provided in ~~subdivision~~ subdivisions 3a and 3b, the minimum standard for the valuation of ~~all such~~ 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, ~~three and one-half~~ 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, ~~four~~ 4 percent interest for policies issued prior to August 1, 1978, ~~five and one-half~~ 5-1/2 percent interest for single premium life insurance policies and ~~four and one-half~~ 4-1/2 percent interest for ~~all~~ other ~~such~~ policies issued on or after August 1, 1978, and the following tables:

~~(1)~~ (a) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in ~~such~~ the policies, the Commissioners 1941 Standard Ordinary Mortality Table for ~~such~~ the policies issued prior to the operative date of section 61A.24, subdivision 9 and the Commissioners 1958 Standard Ordinary Mortality Table for ~~such~~ the policies issued on or after ~~such~~ 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 ~~such~~ 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.

~~(2)~~ (b) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in ~~such~~ the policies, the 1941 Standard Industrial Mortality Table for ~~such~~ the policies issued prior to the operative date of section 61A.24, subdivision 11 and ~~the Commissioners 1961 Standard Industrial Mortality Table~~ for ~~such~~ the policies issued on or after ~~such~~ 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.

~~(3)~~ (c) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in ~~such~~ 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.

~~(4)~~ (d) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in ~~such~~ the policies, the Group Annuity Mortality Table for 1951, any modification of ~~such~~ 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.

~~(5)~~ (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 ~~such~~ 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). ~~Any such~~ The table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

~~(6)~~ (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 ~~such~~ 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.

~~(7)~~ (g) For group life insurance, life insurance issued on the substandard basis and other special benefits, ~~such~~ any tables as may be approved by the commissioner.

Sec. 16. Minnesota Statutes 1980, Section 61A.25, Subdivision 3a, is amended to read:

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 ~~such~~ 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:

~~(1)~~ (a) For individual annuity and pure endowment contracts issued prior to August 1, 1978, excluding any disability and accidental death benefits in ~~such~~ 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.

~~(2)~~ (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 ~~this table~~ these tables approved by the commissioner, and ~~seven and one-half~~ 7-1/2 percent interest.

~~(3)~~ (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 ~~this table~~ these tables approved by the commissioner, and ~~five and one-half~~ 5-1/2 percent interest for single premium deferred annuity and pure endowment contracts and ~~four and one-half~~ 4-1/2 percent interest for all other individual annuity and pure endowment contracts.

~~(4)~~ (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 ~~such~~ the contracts, the 1971 group annuity mortality table, or any modification of this table approved by the commissioner, and six percent interest.

~~(5)~~ (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 ~~such~~ 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 ~~this~~ ~~table~~ these tables approved by the commissioner, and ~~seven~~ ~~and~~ ~~one-half~~ 7-1/2 percent interest.

After April 11, 1974, ~~any~~ 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 ~~such~~ the company~~,~~ ~~provided,~~. 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 ~~such~~ election, the operative date of this subdivision for ~~such~~ the company shall be January 1, 1979.

Sec. 17. Minnesota Statutes 1980, Section 61A.25, is amended by adding a subdivision to read:

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:

(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

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.

Sec. 18. Minnesota Statutes 1980, Section 61A.25, Subdivision 4, is amended to read:

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 ~~such~~ future guaranteed benefits provided for by ~~such~~ the policies over the then present value of any future modified net premiums therefor. The modified net premiums for ~~any such~~ a policy shall be ~~such~~ the uniform percentage of the respective contract premiums for ~~such~~ the benefits that the present value, at the date of issue of the policy, of all ~~such~~ the modified net premiums shall be equal to the sum of the then present value of ~~such~~ the benefits provided for by the policy and the excess of ~~(a)~~ clause (1) over ~~(b)~~ clause (2) as follows:

~~(a)~~ (1) A net level annual premium equal to the present value, at the date of issue, of ~~such~~ 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 ~~such~~ the policy on which a premium falls due; ~~provided, however, that such~~ but the net level annual premium shall not exceed the net level annual premium on the ~~nineteen~~ 19 year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of ~~such~~ the policy~~.~~;

~~(b)~~ (2) A net one year term premium for ~~such~~ 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 ~~the preceding paragraph~~ 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.

Sec. 19. Minnesota Statutes 1980, Section 61A.25, Subdivision 5, is amended to read:

Subd. 5. **MINIMUM AGGREGATE RESERVES.** ~~In no event shall~~ 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 ~~and~~, 7, and 8, and the mortality table or tables and rate or rates of interest used in calculating *nonforfeiture benefits for ~~such~~ the policies.*

Sec. 20. Minnesota Statutes 1980, Sections 61A.25, Subdivision 7, is amended to read:

Subd. 7. ~~DEFICIENCY RESERVES~~ RESERVE CALCULATION; VALUATION NET PREMIUM EXCEEDING THE GROSS PREMIUM CHARGED. If in ~~any~~ a contract year the gross premium charged by ~~any~~ a life insurance company on ~~any~~ 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 subdivision 7 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.

Sec. 21. Minnesota Statutes 1980, Section 61A.25, is amended by adding a subdivision to read:

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 section 61A.25, as determined by rules adopted by the commissioner.

Sec. 22. **EFFECTIVE DATE.**

Sections 1 and 2 are effective the day after final enactment.

Approved March 22, 1982

CHAPTER 590 — H.F.No. 1365

An act relating to cities; authorizing city rehabilitation loan programs for small and medium sized commercial buildings; and providing for the issuance of revenue bonds to finance the programs; authorizing a housing and commercial rehabilitation interest reduction program; amending Minnesota Statutes 1980, Sections 462.421, Subdivision 14; 462.445, by adding subdivisions; and 462.545, Subdivision 1; proposing new law coded in Minnesota Statutes, Chapter 459.

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

Section 1. **[459.31] PROGRAMS FOR MUNICIPAL COMMERCIAL REHABILITATION LOANS.**

Subdivision 1. **FINDINGS AND PURPOSE.** The legislature of the state of Minnesota finds that in many cities within the state there are small and medium sized commercial buildings which are physically deteriorating and in need of rehabilitation; that there is a need for city programs for the rehabilitation of these commercial buildings; that some owners of small and medium sized commercial buildings are unable to afford rehabilitation loans in the private mortgage market and that the health, safety and general welfare and the preservation of the quality of life of the residents of Minnesota cities are dependent upon the preservation and rehabilitation of these commercial buildings.