on which the buildings or improvements were situated had been sold. The proceeds from the sale of any buildings or improvements on lands held by the state free of any trust for the taxing districts shall be remitted by the county auditor to the *commissioner of conservation* to be deposited in the *state treasury in the* fund to which the proceeds from the sale of the lands from which the buildings are removed would properly be credited.

Approved March 31, 1947.

CHAPTER 182—H. F. No. 506

[Coded as Sections 61.261 to 61.267; 61.281 to 61.288]

An act relating to life insurance policies, valuation of reserve liabilities therefor, non-forfeiture benefits thereof, and provisions required to be included therein; amending Minnesota Statutes 1945, Section 61.30; repealing Minnesota Statutes 1945, Sections 61.19, 61.26, 61.27, 61.28, 61.29, 61.35.

Be it enacted by the Legislature of the State of Minnesota:

[61.261] Section 1. **Citation.** Sections 2 to 7 inclusive of this act shall be known as the Standard Valuation Law.

STANDARD VALUATION LAW

[61.262] Sec. 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, 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 the 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.

[61.263] Sec. 3. **Minimum standards of valuation.** The minimum standard for the valuation of all such policies and contracts issued prior to the operative date of this act shall be that provided by the laws in effect immediately prior to such date. The minimum standard for the valuation of all such policies and contracts issued on or after the operative date of this act shall be the Commissioners reserve valuation method described in section 4, three and one-half per cent interest, 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 such policies, — The Commissioners 1941 Standard Ordinary Mortality Table.

(b) For all Industrial Life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies, — the 1941 Standard Industrial Mortality Table.

(c) For Annuity and Pure Endowment contracts, excluding any disability and accidental death benefits in such policies, — the 1937 Standard Annuity Mortality Table.

(d) For Total and Permanent Disability benefits in or supplementary to Ordinary policies or contracts — Class (3) Disability Table (1926) which, for active lives, shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(e) For Accidental Death benefits in or supplementary to policies — the Inter-Company Double Indemnity Mortality Table combined with a mortality table permitted for calculating the reserves for life insurance policies.

(f) For Group Life Insurance, life insurance issued on the substandard basis and other special benefits — such tables as may be approved by the commissioner.

[61.264] Sec. 4. **Reserve valuation of life insurance and endowment benefits; modified premiums.** 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 policies over the then present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the policy and the excess of (a) over (b) as follows:

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

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

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) annuity and pure endowment contracts (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, shall be calculated by a method consistent with the principles of the preceding paragraph.

[61.265] Sec. 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 this act, be less than the aggregate reserves calculated in accordance with the method set forth in section 4 and the mortality table or tables and rate or rates of interest used in calculating non-forfeiture benefits for such policies.

[61.266] Sec. 6. **Calculation of Reserves.** Subdivision 1. Reserves for all policies and contracts issued prior to the operative date of this act 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.

Subd. 2. Reserves for any category of policies, contracts or benefits as established by the commissioner, issued on or after the operative date of this act, 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 shall not be higher than the corresponding rate or rates of interest used in calculating any non-forfeiture benefits provided for therein. Reserves for participating life insurance policies issued on or after the operative date of this act may, with the consent of the commissioner, be calculated according to a rate of interest lower than the rate of interest used in calculating the non-forfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the non-forfeiture benefits by more than one-half per cent the company issuing such policies shall file with the commissioner a plan providing for such equitable increases, if any, in the cash surrender values and non-forfeiture benefits in such policies as the commissioner shall approve.

Subd. 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.

[61.267] Sec. 7. **Deficiency Reserves.** If the gross premium charged by any life insurance company on any policy or contract is less than the net premium for the policy or contract according to the mortality table, rate of interest and method used in calculating the reserve thereon, there shall be maintained on such policy or contract a deficiency reserve in addition to all other reserves required by law. For each such policy or contract the deficiency reserve shall be the present value, according to such standard, of an annuity of the difference between such net premium and the premium charged for such policy or contract, running for the remainder of the premium paying period.

[61.281] Sec. 8. **Citation.** Sections 9 to 14 inclusive of this act shall be known as the Standard Non-forfeiture Law.

STANDARD NONFORFEITURE LAW

[61.282] Sec. 9. **Provisions in Policies.** Subdivision 1. On and after the operative date of this act, no policy of life insurance, except as stated in section 14, shall be issued or delivered in this state unless it shall contain 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:

(a) That, in the event of default in any 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 non-forfeiture benefit on a plan stipulated in the policy, effective as of such due date, of such value as may be hereinafter specified.

(b) That, upon surrender of the policy within 60 days after the due date of any 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 paid-up non-forfeiture benefit, a cash surrender value of such amount as may be hereinafter specified.

(c) That a specified paid-up non-forfeiture benefit shall become effective as specified in the policy unless the person entitled to make such election elects another available option not later than 60 days after the due date of the premium in default.

(d) That, if the policy shall have become paid-up by completion of all premium payments or if it is continued under any paid-up non-forfeiture 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 amount as may be hereinafter specified.

(e) A statement of the mortality table and interest rate used in calculating the cash surrender values and the paid-up non-forfeiture benefits available under the policy, together with a table showing the cash surrender value, if any, and paid-up non-forfeiture 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 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.

(f) A brief and general statement of the method to be used in calculating the cash surrender value and the paid-up non-forfeiture 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 non-forfeiture benefits are altered by the existence of any paid-up additions credited to the policy or any indebtedness to the company on the policy.

Subd. 2. Any provision or portion of subdivision 1 not applicable by reason of the plan of insurance may be omitted from the policy.

Subd. 3. 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.

[61.283] Sec. 10. **Cash surrender value.** Any cash surrender value available under the policy in the event of default in a premium payment due on any policy anniversary, whether or not required by section 9, shall be an amount not less than the excess of the present value on such anniversary of the future guaranteed benefits which would have been provided for by the policy, including any existing paid-up additions, if there had been no default, over the sum of (a) the then present value of the adjusted premiums as prescribed in section 12, corresponding to premiums which would have fallen due on and after such anniversay, and (b) the amount of any indebtedness to the company on the policy. Any cash surrender value available within 30 days after any policy anniversay under any policy paid-up by completion of all premium payments or any policy continued under any paid-up non-forfeiture benefit, whether or not required by section 9, shall be an amount not less than the present value on such anniversary of the future guaranteed benefits provided for by the policy, including any existing paid-up additions, decreased by any indebtedness to the company on the policy.

[61.284] Sec. 11. **Paid-up non-forfeiture benefit.** Any paid-up non-forfeiture 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 act in the absence of the condition that premiums shall have been paid for at least a specified period.

[61.285] Sec. 12. **Calculation of adjusted premiums.**

Subdivision 1. The adjusted premiums for any policy shall be calculated on an annual basis and shall be such uniform percentage of the respective premiums specified in the policy for each policy year (excluding extra premiums on a substandard policy) that the present value, at the date of issue of the policy, of all such adjusted premiums shall be equal to the sum of (1) the then present value of the future guaranteed benefits provided for by the policy; (2) two per cent of the amount of insurance, if the insurance be 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 per cent of the adjusted premium for the first policy year; (4) 25 per cent 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 (3) and (4), no adjusted premium shall be deemed to exceed four per cent of the amount of insurance or level amount equivalent thereto. The date of issue of a policy for the purpose of this section shall be the date as of which the rated age of the insured is determined.

Subd. 2. In the case of a policy providing an amount of insurance varying with duration of the policy, the equivalent level amount thereof for the purpose of this section is the level 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 inception of the insurance as the benefits under the policy.

Subd. 3. All adjusted premiums and present values referred to in this act shall be calculated on the basis of the Commissioners 1941 Standard Ordinary Mortality Table for Ordinary insurance and the 1941 Standard Industrial Mortality Table for Industrial insurance and the rate of interest, not exceeding three and one-half per cent per annum, specified in the policy for calculating cash surrender values and paid-up non-forfeiture benefits. In calculating the present value of any paid-up term insurance with accompanying pure endowment, if any, offered as a non-forfeiture benefit, the rates of mortality assumed may be not more than 130 per cent of the rates of mortality according to such 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 table of mortality as may be specified by the company and approved by the commissioner.

[61.286] Sec. 13. **Default in Premium Payment.** Any cash surrender value and any paid-up non-forfeiture benefit, available under the policy in the event of default in a premium payment due at any time other than on the policy anniversary, shall be calculated with allowance for the lapse of time and the payment of fractional premiums beyond the last preceding policy anniversary. All values referred to in sections 10, 11, and 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 used to provide such additions. Notwithstanding the provisions of section 10, additional benefits payable (a) in the event of death or dismemberment by accident or accidental means, (b) in the event of total and permanent disability, (c) as reversionary annuity or deferred reversionary annuity benefits, (d) as term insurance benefits provided by a rider or supplemental policy provision to which, if issued as a separate policy, this act would not apply, and (e) 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 non-forfeiture benefits required by this act, and no such additional benefits shall be required to be included in any paid-up non-forfeiture benefits.

[61.287] Sec. 14. **Application of Sections 9 to 13.** Sections 9 to 13 inclusive of this act shall not apply to any reinsurance, group insurance, pure endowment, annuity or reversionary annuity contract nor to any term policy of uniform amount, or renewal thereof, of 15 years or less expiring before age 66, for which uniform premiums are payable during the entire term of the policy, nor to any term policy of decreasing amount on which each adjusted premium, calculated as specified in section 12, is less than the adjusted premium so calculated, on such 15-year term policy issued at the same age and for the same initial amount of insurance, nor to any policy which shall be delivered outside this state through an agent or other representative of the company issuing the policy.

Sec. 15. Minnesota Statutes 1945, Section 61.30, is amended to read as follows:

61.30. **Necessary provisions.** No policy of life insurance shall be issued in this state or be issued by a life insurance company organized under the laws of this state unless the same *contains* the following provisions:

(1) A provision that all premiums shall be 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 countersigned by the agent, but any policy may contain a provision that the policy itself shall be a receipt for the first premium;

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

(3) A provision that the policy *constitutes* the entire contract between the parties and *is* incontestable after it *is* in force during the lifetime of the insured for two years from its date, except for non-payment of premiums and except for violations of the conditions of the policy relating to naval and military services in time of war and, 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; a special form of policy may be issued on the life of a person employed in an occupation classed by the company as extra hazardous or as leading to hazardous employment, which *provides* that service in certain designated occupations may reduce the company's liability under the policy to a certain designated amount not less than the full policy reserve;

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

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

(6) A provision that the policy shall 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 di-

visible surplus accruing on the policy, and that the owner of the policy shall have the right each year after the fifth to have the current dividend arising from such participation paid in cash, and if the policy shall provide other dividend options, it shall further provide that if the owner of the policy shall not elect any such other options the dividends shall be paid in cash, which provision may stipulate that any dividends payable during the first five years of such policy shall be conditioned upon the payment of the next ensuing annual premium; this provision shall not be required in non-participating policies, nor in polices issued on under-average lives, nor in insurance in exchange for lapsed or surrendered policies;

(7) A provision 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, a sum equal to, or, at the option of the owner of the policy, less than the *loan value thereof. In case of policies issued prior to the operative date of the Standard Non-forfeiture Law such loan value shall be the* reserve at the end of the current policy year on the policy, and on any dividend additions thereto, specifying the mortality table and rate of interest adopted for computing such reserve, less a sum of not more than two and one-half per cent of the amount insured by the policy, and of any dividend additions thereto; *the policy* shall provide that such loan may be deferred for not exceeding 60 days after the application therefor is made and may further provide that such loan may be deferred for not exceeding six months after the application therefor is made; *in case of policies issued on or after the operative date of the Standard Non-forfeiture Law such loan value shall be the cash surrender value thereof at the end of the current policy year, and the policy shall provide that such loan, except when made to pay premiums, may be deferred for not exceeding six months after the application therefor is made; in either case it* shall be further stipulated in the policy *that the company will deduct from such loan value any existing indebtedness on the policy and any unpaid balance of the premium for current policy year, and may collect interest in advance on the loan to the end of the current policy year, and* that the failure to repay any such advance or to pay interest shall not avoid the policy unless the total indebtedness thereon to the company shall equal or exceed such loan value at the time of such failure, nor until one month after notice shall have 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; no condition other than as herein provided shall be exacted as a prerequisite to any such advance; but this provision shall not be required in term insurance.

(8) A provision which, in 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 reserves, less a sum not more than two and one-half per cent 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; this provision shall stipulate 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 as aforesaid and shall stipulate that the company may defer payment for not more than 60 days after the application therefor is made, and may stipulate that the company may defer payment for not more than six months after the application therefor is made; but this provision shall not be required in term insurance of 20 years or less *or in any policy issued on or after the operative date of the Standard Non-forfeiture Law;*

(9) A table showing in figures the loan values, and the options available under the policies each year upon default in premium payments, during at least the first 20 years of the policy, beginning with the year in which such values and options become available;

(10) A provision that if, in event of default in premium payments, *the non-forfeiture* value of the policy shall be applied to the purchase of other insurance, and if such insurance shall be in force and the original policy shall not have been surrendered to the company and canceled, the policy may be reinstated within three years from such default, upon evidence of insurability satisfactory to the company, and payment of arrears of premiums, with interest;

(11) A provision that, when a policy *becomes* a claim by the death of the insured, settlement shall be made upon receipt of due proof of death, or not later than two months after receipt of such proof;

(12) A table showing the amount of instalments in which the policy may provide its proceeds may be payable;

(13) A title on the face and on the back of the policy correctly describing the same.

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

Sec. 16. **Repeals.** Minnesota Statutes 1945, Sections 61.19, 61.26, 61.27, 61.28, 61.29, and 61.35 are hereby repealed.

[61.288] Sec. 17. **Election to comply with act.** After the effective date of this act, any company may file with the commissioner a written notice of its election to comply with the provisions of the act after a specified date before January 1, 1948. After the filing of such notice, then upon this specified date the act becomes operative with respect to the policies thereafter issued by the company. If a company makes no such election, the operative date of this act for such company is January 1, 1948.

Approved March 31, 1947.

CHAPTER 183—H. F. No. 508

An act relating to retirement pay or pensions for judges of the probate courts and amending Minnesota Statutes 1945, Section 490.12.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1945, Section 490.12, is amended to read as follows:

490.12. **To receive half pay.** *Subdivision 1.* **Retirement under section 490.11.** When a *probate* judge shall be retired under the provisions of section 490.11, he shall receive the compensation allotted to his office for the remainder of his term, or, if then past 70 years of age, having served as such judge continually for 40 years, *or more,* he shall receive one-half of the compensation allotted to his office at the time of such retirement for the remainder of his life, to be paid at the time and in the manner provided by law.