

2750.1400 POLICY LOAN PROVISIONS.

Every variable life insurance policy, other than term insurance policies and pure endowment policies, delivered or issued for delivery in this state must contain provisions for policy loans after the policy has been in force for three full years which are not less favorable to the policyholder than the following:

- A. At least 75 percent of the policy's cash surrender value may be borrowed.
- B. The amount borrowed shall bear interest at a rate not to exceed that permitted by Minnesota Statutes, section 61A.03.
- C. Any indebtedness shall be deducted from the proceeds payable on death.
- D. Any indebtedness shall be deducted from the cash surrender value upon surrender or in determining any nonforfeiture benefit.
- E. For scheduled premium policies, whenever the indebtedness exceeds the cash surrender value, the insurer shall give notice of any intent to cancel the policy if the excess indebtedness is not repaid within 31 days after the date of mailing of the notice. For flexible premium policies, whenever the total charges authorized by the policy that are necessary to keep the policy in force until the next following policy processing day exceed the amounts available under the policy to pay these charges, a report must be sent to the policyholder containing the information specified by part 2750.4300, item C.
- F. The policy may provide that if, at any time, so long as premiums are duly paid, the variable death benefit is less than it would have been if no loan or withdrawal had ever been made, the policyholder may increase such variable death benefit up to what it would have been if there had been no loan or withdrawal by paying an amount not exceeding 110 percent of the corresponding increase in cash value and by furnishing such evidence of insurability as the insurer may request.
- G. The policy loan provisions shall be constructed so that variable life insurance policyholders who have not exercised this provision are not disadvantaged by the exercise of it.
- H. Amounts paid to the policyholders upon the exercise of any policy loan provision shall be withdrawn from the separate account and shall be returned to the separate account upon repayment except that a stock insurer may provide the amounts for policy loans from the general account.

Statutory Authority: *MS s 61A.20*

History: *8 SR 1948*

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