

CHAPTER 480—H.F.No.1575

An act relating to insurance; variable contracts; amending Minnesota Statutes 1971, Sections 61A.13, Subdivision 1; 61A.14, Subdivision 5; 61A.15; 61A.17; 61A.19; 61A.21; and 61A.22.

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

Section 1. Minnesota Statutes 1971, Section 61A.13, Subdivision 1, is amended to read:

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

Sec. 2. Minnesota Statutes 1971, Section 61A.14, Subdivision 5, is amended to read:

Subd. 5. **ACCOUNT OWNERSHIP.** The assets held in a separate account pursuant to this section shall be owned by the company, and the company shall not be, nor hold itself out to be, a trustee with respect to such amounts. If and to the extent so provided under the applicable contracts or as required pursuant to the Federal Investment Company Act of 1940 that portion of the assets of any such separate account equal to reserves and other contract liabilities with respect to such account shall not be chargeable with liabilities arising out of any other business the company may conduct, but shall be held and applied exclusively for the benefit of the holders of those contracts on a variable basis for which the separate account has been established, provided, however, that the assets shall always be at least equal to the reserves and other contract liabilities with respect to such account.

Sec. 3. Minnesota Statutes 1971, Section 61A.15, is amended to read:

61A.15 CONTRACT PROVISIONS. Subdivision 1. **VARIABLE ANNUITY.** All annuity contracts on a variable basis issued in this state shall stipulate the expense, mortality, and investment-increment factors to be used in computing (1) in the case of individual contracts, the dollar amount of variable benefits or other

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contractual payments or values, and (2) in the case of group contracts, the dollar amount payable with respect to a unit of variable benefits purchased thereunder. All such contracts shall guarantee that ~~expense and mortality results~~ expenses shall not affect such dollar amounts adversely. In computing the dollar amount of variable benefits or other contractual payments or values under an individual contract on a variable basis, (a) the annual net investment increment assumption shall not exceed five percent, except with the approval of the commissioner, and (b) to the extent that the level of benefits may be affected by mortality results, ~~the mortality factor shall be determined from the Annuity Mortality Table for 1949, Ultimate, or any modification of that table not having a higher mortality rate at any age, or, if approved by the commissioner, from another table.~~ The term "expense", as used in this section, may exclude some or all taxes as stipulated in the contracts and may also exclude any investment management fee which is subject to change with the approval by vote of the holders of such contracts.

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

Sec. 4. Minnesota Statutes 1971, Section 61A.19, is amended to read:

61A.19 COMPANY REQUIREMENTS. No company shall deliver or issue for delivery within this state contracts on a variable basis unless it is licensed or organized to do a life insurance or annuity business in this state, and the commissioner is satisfied that its condition or method of operation in connection with the issuance of such contracts will not render its operation hazardous to the public or its policyholders in this state. In this connection, the commissioner shall consider among other things:

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

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

Sec. 5. Minnesota Statutes 1971, Section 61A.21, is amended to read:

61A.21 APPLICATION OF OTHER LAWS. Section 61A.07, clause (4) shall not apply to contracts on a variable basis. All other appropriate provisions of chapter 61A shall apply to separate accounts and contracts on a variable basis except those which are inconsistent with the provisions contained in sections 61A.13 to 61A.20. Any contract on a variable basis, delivered or issued for delivery in this state, shall contain in substance provisions for grace, settlement option, loan or withdrawal and nonforfeiture appropriate to such a contract and a life insurance contract on a variable basis should also contain in substance a provision for reinstatement appropriate to such a contract. The reserve liability for contracts on a variable basis shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

Sec. 6. Minnesota Statutes 1971, Section 61A.22, is amended to read:

61A.22 CONTRACTS TO SPECIFY BENEFITS AND CONSIDERATION. No life insurance company shall make any insurance, guaranty, contract, or pledge in this state, or to or with any citizen or resident thereof, which does not distinctly specify the amount and manner of payment of benefits and the consideration therefor, except that contracts on a variable basis need not specify the amount of benefits thereunder or consideration after the initial premium.

Sec. 7. Minnesota Statutes 1971, Section 61A.17, is amended to read:

61A.17 FILING OF CONTRACTS. No contract on a variable basis shall be issued in this state until a copy of the form thereof (and, in the case of a group contract, the form of any certificate evidencing variable benefits issued pursuant thereto) and any form of application for such contract shall have been filed with the commissioner. No life insurance contract on a variable basis shall be filed for issuance in Minnesota or issued in Minnesota before March 1, 1974, or before the commissioner has promulgated rules and regulations under section 61A.20 regarding life insurance contracts on a variable basis, whichever event comes first.

Approved May 21, 1973.

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