

natural disaster assistance plan and for administration of federal disaster assistance programs as provided for under provisions of federal law and regulation.

Subd. 2. Under the agreement the federal disaster assistance administration will provide \$25,000 in federal funds annually toward the cost incurred by implementation of the natural disaster assistance program. The division of emergency services shall provide two planners and the necessary equipment and facilities for project operations.

Sec. 2. **APPROPRIATIONS.** The sum of \$37,000 is appropriated from the general fund to the department of public safety for the period ending June 30, 1979. The approved complement of the division of emergency services includes two planners for the program authorized by this act. This appropriation is contingent upon receiving \$25,000 in federal funds for purposes of this act.

Sec. 3. This act is effective July 1, 1978.

Approved March 28, 1978.

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**CHAPTER 662-H.F.No.2146**

[Coded in Part]

*An act relating to insurance; regulating minimum nonforfeiture benefits and reserves of insurance policies and annuity contracts; amending Minnesota Statutes 1976, Sections 61A.08; 61A.21; 61A.24, Subdivisions 1, 9 and 11; 61A.25, Subdivisions 3, 3a, 4, 5, 6, 7, and by adding a subdivision; and Chapter 61A, by adding a section.*

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

Section 1. Minnesota Statutes 1976, Section 61A.08, is amended to read:

61A.08 **EXCEPTIONS.** Sections 61A.02, 61A.03, 61A.07, 61A.23, and 61A.25 shall not, except as expressly provided in this chapter, apply to annuities, industrial or group term policies, or to corporations or associations operating on the assessment or fraternal plan, and in every case where a contract provides for both insurance and annuities, sections 61A.02, 61A.03 and 61A.07 shall apply only to that part of the contract which provides for insurance, but every contract issued prior to the operative date specified in section 6 containing a provision for a deferred annuity on the life of the insured only, unless paid for by a single premium, shall provide that, in event of the non-payment of any premium after three full years' premium shall have been paid, the annuity shall automatically become converted into a paid-up annuity for that proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract.

Sec. 2. Minnesota Statutes 1976, Section 61A.21, is amended to read:

61A.21 **APPLICATION OF OTHER LAWS.** Section 61A.07, clause (4) and  
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section 6 shall not apply to contracts on a variable basis. All other appropriate provisions of this chapter shall apply to separate accounts and contracts on a variable basis except those which are inconsistent with the provisions contained in sections 61A.13 to 61A.20. Any contract on a variable basis, delivered or issued for delivery in this state, shall contain in substance provisions for grace, settlement option, loan or withdrawal and nonforfeiture appropriate to such a contract and a life insurance contract on a variable basis should also contain in substance a provision for reinstatement appropriate to such a contract. The reserve liability for contracts on a variable basis shall be established in accordance with actuarial procedures that recognize the variable nature of the benefits provided and any mortality guarantees.

Sec. 3. Minnesota Statutes 1976, Section 61A.24, Subdivision 1, is amended to read:

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

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

Sec. 4. Minnesota Statutes 1976, 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 rate of interest shall not exceed three and one-half percent per annum except that a rate of interest not exceeding four percent per annum may be used for policies issued on or after April 11, 1974 ~~and prior to January 1, 1986, and prior to August 1, 1978~~ and a rate of interest not exceeding five and one-half 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 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 ~~three~~ 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 other table of mortality as may be specified by the company and approved by the commissioner.

Sec. 5. Minnesota Statutes 1976, 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, 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

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paid-up nonforfeiture benefits provided that such rate of interest shall not exceed three and one-half percent per annum, except that a rate of interest not exceeding four percent per annum may be used for policies issued on or after April 11, 1974 and prior to January 4, 1986 and prior to August 1, 1978 and a rate of interest not exceeding five and one-half 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 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 other table of mortality as may be specified by the company and approved by the commissioner.

Sec. 6. Minnesota Statutes 1976, Chapter 61A, is amended by adding a section to read:

**[61A.245] STANDARD NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED ANNUITIES.** Subdivision 1. This section shall be known as the standard nonforfeiture law for individual deferred annuities.

Subd. 2. This section shall not apply to any reinsurance, group annuity purchased under a retirement plan or plan of deferred compensation established or maintained by an employer, including but not limited to a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under Section 408 of the Internal Revenue Code, as amended, premium deposit fund, variable annuity, investment annuity, immediate annuity, any deferred annuity contract after annuity payments have commenced, or reversionary annuity, nor to any contract which shall be delivered outside this state through an agent or other representative of the company issuing the contract.

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

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

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

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after demand therefor with surrender of the contract;

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

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

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

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

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

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

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for which the percentage was 65 percent.

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

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

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

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

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

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

Subd. 7. For contracts which do not provide cash surrender benefits, the present value of any paid-up annuity benefit available as a nonforfeiture option at any time prior to maturity shall not be less than the present value of that portion of the maturity value of the paid-up annuity benefit provided under the contract arising from considerations paid prior to the time the contract is surrendered in exchange for, or changed to, a deferred paid-up annuity, the present value being calculated for the period prior to the maturity date on the basis of the interest rate specified in the contract for accumulating the net

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considerations to determine the maturity value, and increased by any existing additional amounts credited by the company to the contract. For contracts which do not provide any death benefits prior to the commencement of any annuity payments, the present values shall be calculated on the basis of the interest rate and the mortality table specified in the contract for determining the maturity value of the paid-up annuity benefit. However, in no event shall the present value of a paid-up annuity benefit be less than the minimum nonforfeiture amount at that time.

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

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

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

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

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

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

Sec. 7. Minnesota Statutes 1976, Section 61A.25, Subdivision 3, is amended to read:

Subd. 3. **MINIMUM STANDARDS OF VALUATION GENERALLY.** Except as otherwise provided in subdivision 3a, the minimum standard for the valuation of all such 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 date. Except as otherwise provided in subdivision 3a, the minimum standard for the valuation of all such policies and contracts issued on or after the operative date of Laws 1947, Chapter 182, shall be the commissioners reserve valuation ~~method~~ methods described in subdivision 4, and sections 10 and 13, three and one-half percent interest, or in the case of policies and contracts, other than annuity and pure endowment contracts, issued on or after April 11, 1974 ~~and prior to January 1, 1986~~, four percent interest for policies issued prior to August 1, 1978, five and one-half percent interest for single premium life insurance policies and four and one-half percent interest for all other such policies issued on or after August 1, 1978, and the following tables:

(1) 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 for such policies issued prior to the operative date of section 61A.24, subdivision 9 and the Commissioners 1958 Standard Ordinary Mortality Table for such policies issued on or after such operative date; provided that for any category of such 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 ~~three~~ six years younger than the actual age of the insured.

(2) 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 for such policies issued prior to the operative date of section 61A.24, subdivision 11 and the Commissioners 1961 Standard Industrial Mortality Table for such policies issued on or after such operative date.

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

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study of the Society of Actuaries, with due regard to the type of benefit; for policies or contracts issued on or after January 1, 1963, and prior to January 1, 1966, either such 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 table shall, for active lives, be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(6) For accidental death benefits in or supplementary to policies, for policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table; 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) For group life insurance, life insurance issued on the substandard basis and other special benefits, such tables as may be approved by the commissioner.

Sec. 8. Minnesota Statutes 1976, Section 61A.25, Subdivision 3a, is amended to read:

Subd. 3a. **MINIMUM STANDARD OF VALUATION FOR ANNUITIES AND PURE ENDOWMENT CONTRACTS.** 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 operative date under group annuity and pure endowment contracts, shall be the commissioner's reserve valuation ~~method~~ methods defined in subdivision 4 and section 10, and the following tables and interest rates:

(1) For individual annuity and pure endowment contracts issued prior to ~~January 1, 1986~~ August 1, 1978, excluding any disability and accidental death benefits in such 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) For individual annuity and pure endowment contracts issued on or after January 1, 1986, excluding any disability and accidental death benefits in such contracts, the 1971 individual annuity mortality table, or any modification of this table approved by the commissioner, and three and one-half percent interest.~~

(2) 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, or any modification of this table approved by the commissioner, and seven and one-half percent interest.

(3) For individual annuity and pure endowment contracts issued on or after August 1, 1978, other than single premium immediate annuity contracts, excluding any disability

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and accidental death benefits in the contracts, the 1971 individual annuity mortality table, or any modification of this table approved by the commissioner, and five and one-half percent interest for single premium deferred annuity and pure endowment contracts and four and one-half percent interest for all other individual annuity and pure endowment contracts.

~~(3)~~ (4) For all annuities and pure endowments purchased prior to ~~January 1, 1986~~ August 1, 1978, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 group annuity mortality table, or any modification of this table approved by the commissioner, and six percent interest.

(4) ~~(5)~~ For all annuities and pure endowments purchased on or after ~~January 1, 1986~~ August 1, 1978, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits ~~in purchased under~~ such contracts, the 1971 group annuity mortality table, or any modification of this table approved by the commissioner, and ~~three~~ seven and one-half percent interest.

After April 11, 1974, any 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 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 company shall be January 1, 1979.

Sec. 9. Minnesota Statutes 1976, Section 61A.25, Subdivision 4, is amended to read:

**Subd. 4. RESERVE VALUATION OF LIFE INSURANCE AND ENDOWMENT BENEFITS; MODIFIED PREMIUMS.** Except as otherwise provided in sections 10 and 13, reserves according to the commissioner's 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.

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(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) 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, except that any extra premiums charged because of impairments or special hazards shall be disregarded in the determination of modified net premiums.

Sec. 10. Minnesota Statutes 1976, Section 61A.25, is amended by adding a subdivision to read:

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

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

Sec. 11. Minnesota Statutes 1976, 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, be less than the aggregate reserves calculated in accordance with the method ~~methods~~ set forth in

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subdivision 4 and sections 10 and 13, and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

Sec. 12. Minnesota Statutes 1976, Section 61A.25, Subdivision 6, is amended to read:

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

(2) Reserves for any category of policies, contracts or benefits as established by the commissioner, issued on or after the operative date of Laws 1947, Chapter 182, may be calculated, at the option of the company, according to any standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided, but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein. Reserves for participating life insurance policies issued on or after the operative date of Laws 1947, Chapter 182, 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 nonforfeiture benefits in such policies, with the further proviso that if such lower rate differs from the rate used in the calculation of the nonforfeiture benefits by more than one-half percent 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 nonforfeiture benefits in such policies as the commissioner shall approve.

(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.

Sec. 13. Minnesota Statutes 1976, Section 61A.25, Subdivision 7, is amended to read:

Subd. 7. **DEFICIENCY RESERVES.** If in any contract year the gross premium charged by any life insurance company on any policy or contract is less than the valuation net premium for the policy or contract according to the mortality table, rate of interest and calculated by the 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 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

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by the method actually used for the policy or contract but using the minimum 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.

Sec. 14. This act is effective August 1, 1978.

Approved March 28, 1978.

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CHAPTER 663-H.F.No.2147

*An act relating to commerce; credit unions; authorizing approval of lines of credit by credit committee; amending Minnesota Statutes 1976, Sections 52.10 and 52.16.*

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

Section 1. Minnesota Statutes 1976, Section 52.10, is amended to read:

**52.10 CREDIT COMMITTEE; POWERS.** The credit committee shall have the general supervision of all loans to members as provided herein. Applications for ~~such~~ loans shall be on a form prepared by the credit committee, shall set forth the purpose for which the loan is desired, the security, if any, offered and such other data as may be required. Within the meaning of this section an assignment of shares or deposits or the endorsement of a note may be deemed security. Except where the credit committee approves the extension of a self-replenishing line of credit pursuant to section 52.16, subdivision 2, at least a majority of the members of the credit committee shall pass on all ~~such~~ loans and approval must be in writing and by unanimous vote of the members present. The credit committee shall meet as often as may be necessary after due notice to each member thereof. Provided, however, in the case of any credit union having total assets in excess of \$10,000, the board of directors may authorize the credit committee to appoint one or more loan officers. Loan officers, subject to the supervision of the committee, may be delegated authority by the credit committee, to act on all or some applications for loans and to approve them, reporting thereon to the credit committee at their next meeting or within 15 days. The credit committee and the board of directors, meeting jointly and acting collectively as a whole, shall have the general supervision of all loans to a member who is a director, officer, or a member of the credit or supervisory committee whenever the application exceeds the amount of ~~such~~ the member's holdings in shares and deposits. Application for ~~such~~ these loans shall be in similar form as may be required to be furnished to the credit committee for a loan in the case of any other member. At least a majority of the members of the credit committee and of the board of directors at a joint meeting and acting collectively as a whole, shall pass on all such loans in the absence of the applicant, and the approval of ~~such~~ the loan must be in writing and by unanimous vote of all members present. The credit committee and the board of directors shall meet for this purpose as often as may be necessary after due notice to each member thereof.

Changes or additions indicated by underline deletions by ~~strikeout~~